CITY OF NORA SPRINGS, IOWA

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

JUNE 30, 2008

- Prepared By -

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CITY OF NORA SPRINGS, IOWA

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CITY OF NORA SPRINGS, IOWA

OFFICIALS

(Before January 2008)

NAME	TITLE	TERM EXPIRES
George Andersen	Mayor	January 2010
Candace Smith	Mayor Pro Tem	January 2008
Larry Cross	Council Member	January 2010
Jasper Boyd, Jr.	Council Member	January 2010
Alan Brallier	Council Member	January 2008
Steve Blickenderfer	Council Member	January 2008
Deborah Gaul	City Administrator	Indefinite
Mark Walk	Attorney	Indefinite

(After January 2008)

George Andersen	Mayor	January 2010
Candace Smith	Mayor Pro Tem	January 2012
Larry Cross	Council Member	January 2010
Jasper Boyd, Jr.	Council Member	January 2010
Alan Brallier	Council Member	January 2012
Steve Blickenderfer	Council Member	January 2012
Deborah Gaul	City Administrator	Indefinite
Mark Walk	Attorney	Indefinite

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Nora Springs, 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 Nora Springs's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my 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, I was unable to satisfy myself as to the distribution of the total fund balance at July 1, 2007.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to verify the distribution by fund of the total fund balance at July 1, 2007, as discussed in the preceding paragraph, 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 Nora Springs as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated September 17, 2008 on my consideration of the City of Nora Springs's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my 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 my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 26 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Nora Springs'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 my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Larry Pump

September 17, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2008 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities increased 42.9%, or approximately $336,000 from fiscal 2007 to fiscal 2008. The City received $63,000 in bond and loan proceeds during fiscal 2008. Also, an increase of $74,000 in capital grants, contributions and restricted assets and $155,000 in property taxes from 2007 to 2008 contributed to the increase.

Disbursements of the City’s governmental activities increased 8.8%, or approximately $72,000, in fiscal 2008 from fiscal 2007. Public works disbursements decreased approximately $108,000, while capital projects disbursements increased by approximately $208,000.

The City's total cash basis net assets increased 52%, or approximately $310,000, from June 30, 2007 to June 30, 2008. Of this amount, the assets of the governmental activities increased approximately $235,000 and the assets of the business type activities increased by approximately $75,000.

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 and proprietary funds.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

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

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Tax Increment Financing, 3) the Debt Service Fund and 4) the Capital Projects Funds. 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 statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer rental funds.

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

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 $257,095 to $491,976. 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 June 30, 2008	2007
Receipts:		
Program receipts:		
Charges for service	$ 58	$ 56
Operating grants, contributions and restricted interest	160	149
Capital grants, contributions and restricted interest	124	50
General receipts:		
Property tax	527	372
Local option sales tax	123	111
Unrestricted interest on investments	27	11
Other general receipts	38	35
Bond proceeds	54	-
Loan proceeds	9	-
Total receipts	$1,120	$ 784
Disbursements:		
Public safety	$ 186	$ 166
Public works	202	310
Health and social services	1	-
Culture and recreation	95	83
Community and economic development	11	79
General government	81	81
Debt service	95	88
Capital projects	214	-
Total disbursements	$ 885	$ 813
Change in cash basis net assets before transfers	$ 235	$ (29)
Transfers, net	-	(62)
Change in cash basis net assets	$ 235	$ (91)
Cash basis net assets beginning of year	257	348
Cash basis net assets end of year	$ 492	$ 257

The City's total receipts for governmental activities increased by 42.9%, or $336,000. The total cost of all programs and services increased by approximately $72,000, or 8.3%, with no new programs added this year. The increase in disbursements was primarily the result of capital projects.

The cost of all governmental activities this year was approximately $885,000 compared to approximately $813,000 last year. However, as shown in the Statement of Activities and Net Assets on pages 9-12, the amount taxpayers ultimately financed for these activities was only $545,000 because some of the cost was paid by those directly benefited from the programs ($58,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest $(284,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately $650,000 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 June 30, 2008	2007
Receipts:		
Program receipts:		
Charges for service:		
Water	$ 225	$ 166
Sewer	205	154
Other	1	-
General receipts:		
Unrestricted interest on investments	2	2
Total receipts	$ 433	$ 322
Disbursements:		
Water	$ 129	$ 121
Sewer	157	182
Other	72	-
Total disbursements	$ 358	$ 303
Change in cash basis net assets before transfers	$ 75	$ 19
Transfers, net	-	61
Change in cash basis net assets	$ 75	$ 80
Cash basis net assets beginning of year	343	263
Cash basis net assets end of year	$ 418	$ 343

Total business type activities receipts for the fiscal year were approximately $433,000 compared to approximately $322,000 last year. This increase was due primarily to an increase in water and sewer receipts. Total disbursements for the fiscal year increased by 18% to a total of $358,000 because of higher operating costs in 2008.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Nora Springs completed the year, its governmental funds reported a combined fund balance of $491,976, an increase of 91% from last year's total of $257,095. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance increased $84,543 from the prior year to $169,502. This increase was due mainly to an operating transfer in of $100,000.

The Road Use Tax Fund cash balance increased by $49,526 to $12,220 in 2008 due to an operating transfer in of $40,000.

The Local Option Sales Tax Fund cash balance increased by $33,044 to $74,985 due to increased local option sales tax revenues.

The Tax Increment Financing Fund cash balance increased $167,571 from the prior year to $169,118 due to an increase in tax increment financing revenues.

The Library Trust Fund cash balance increased $2,463 from the prior year to $81,249 due to the receipt of loan proceeds.

The Debt Service Fund cash balance decreased $61,058 to negative $3,477 during the fiscal year. The deficit will be eliminated with future property tax receipts.

The 2006 Housing Rehab Fund cash balance decreased by $9,437 during the fiscal year. This decrease was attributable to CDBG funds expended during the year.

The Water System Improvements Fund cash balance decreased by $28,040 during the fiscal year to negative $33,771. This decrease was attributable expenses being paid prior to receipt of State Revolving Loan funds.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance increased by $98,358 to $199,904, due primarily to an increase in operating receipts.

The Sewer Rental Fund cash balance decreased by $21,974 to $77,156, due primarily to an operating transfer out.

The Sewer Sinking Fund cash balance decreased by $154 to $25,036, due to debt payments being more than the operating transfers in amount.

The Sewer Reserve Fund cash balance increased by $1,732 to $85,927 due interest on investments.

BUDGETARY HIGHLIGHTS

Over the course of the year the City amended its budget twice. The first amendment was approved on March 11, 2008 and decreased revenues and expenditures $523,494 and $679,677 respectively. The second amendment, approved on June 10, 2008, increased expenditures $93,000. The City exceeded the amount budgeted in the public safety function for the year ended June 30, 2008.

DEBT ADMINISTRATION

At June 30, 2008, the City had approximately $935,000 in bonds and other long-term debt outstanding, compared to approximately $991,000 last year, as follows:

Outstanding Debt at Year-End
(Expressed in Thousands)

	June 30,	
	2008	2007
General obligation bonds	$ 315	$ 390
Revenue bonds	604	590
Bank note	10	-
Capital lease	6	11
Total	$ 935	$ 991

The City incurred water revenue bonds and a bank loan during 2008. Principal and interest payments were made as scheduled. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of $315,000 is significantly below its constitutional debt limit of $2,670,834.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Nora Springs's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates and fees charged for various City activities. One of those factors is the economy.

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 Deborah Gaul, City Manager, City of Nora Springs.

CITY OF NORA SPRINGS, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

		Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	$ 186,089	$ -	$ -	$ -
Public works	201,493	45,642	139,790	-
Health and social services	1,265	-	-	-
Culture and recreation	94,706	12,154	20,050	-
Community and economic development	11,289	-	-	-
General government	80,621	-	-	-
Debt service	95,107	-	-	-
Capital projects	215,459	-	-	123,746
Total governmental activities	$ 886,029	$ 57,796	$ 159,840	$ 123,746
Business type activities:				
Water	$ 128,788	$ 225,444	$ -	$ -
Sewer rental	157,259	204,862	-	-
Other	72,029	1,125	-	-
Total business type activities	$ 358,076	$ 431,431	$ -	$ -
Total	$1,244,105	$ 489,227	$ 159,840	$ 123,746

(Continued)

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

Governmental Activities	Business Type Activities	Total
$ (186,089)	$ -	$ (186,089)
(16,061)	-	(16,061)
(1,265)	-	(1,265)
(62,502)	-	(62,502)
(11,289)	-	(11,289)
(80,621)	-	(80,621)
(95,107)	-	(95,107)
(91,713)	-	(91,713)
$ (544,647)	$ -	$ (544,647)
$ -	$ 96,656	$ 96,656
-	47,603	47,603
-	(70,904)	(70,904)
$ -	$ 73,355	$ 73,355
$ (544,647)	$ 73,355	$ (471,292)

CITY OF NORA SPRINGS, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

General Receipts:
Property and other city tax levied for:
General purposes
Tax increment financing
Debt service
Local option sales tax
Unrestricted interest on investments
Miscellaneous
Loan proceeds
Bond proceeds

Total general receipts

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
Urban renewal purposes
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
$ 268,252	$ -	$ 268,252
233,316	-	233,316
25,263	-	25,263
123,394	-	123,394
27,217	1,732	28,949
37,988	261	38,249
9,862	-	9,862
54,236	-	54,236
$ 779,528	$ 1,993	$ 781,521
$ 234,881	$ 75,348	$ 310,229
257,095	343,044	600,139
$ 491,976	**$ 418,392**	**$ 910,368**
$ 12,220	$ -	$ 12,220
169,118	-	169,118
37,008	-	37,008
273,630	418,392	692,022
$ 491,976	**$ 418,392**	**$ 910,368**

CITY OF NORA SPRINGS, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

		Special Revenue		
	General	Road Use Tax	Local Option Sales Tax	Tax Increment Financing
RECEIPTS:				
Property tax	$ 199,972	$ -	$ -	$ -
Tax increment financing	-	-	-	233,316
Other city tax	17,793	-	123,394	-
Licenses and permits	1,848	-	-	-
Use of money and property	21,755	-	-	-
Intergovernmental	13,657	139,790	-	-
Charges for service	57,796	-	-	-
Special assessments	1,694	-	-	-
Miscellaneous	16,726	918	-	1,181
Total receipts	$ 331,241	$ 140,708	$ 123,394	$ 234,497
DISBURSEMENTS:				
Operating:				
Public safety	$ 153,141	$ -	$ -	$ -
Public works	46,677	131,182	350	-
Health and social services	1,265	-	-	-
Culture and recreation	76,364	-	-	-
Community and economic development	704	-	-	10,585
General government	68,547	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	$ 346,698	$ 131,182	$ 350	$ 10,585
Excess (deficiency) of receipts over (under) disbursements	$ (15,457)	$ 9,526	$ 123,044	$ 223,912
Other financing sources (uses):				
Operating transfers in	$ 100,000	$ 40,000	$ -	$ -
Operating transfers out	-	-	(90,000)	(56,341)
Loan proceeds	-	-	-	-
Bond proceeds	-	-	-	-
Total other financing sources (uses)	$ 100,000	$ 40,000	$ (90,000)	$ (56,341)
Net change in cash balances	$ 84,543	$ 49,526	$ 33,044	$ 167,571
Cash balances beginning of year	84,959	(37,306)	41,941	1,547
Cash balances end of year	**$ 169,502**	**$ 12,220**	**$ 74,985**	**$ 169,118**
Cash Basis Fund Balances:				
Unreserved:				
General fund	$ 169,502	$ -	$ -	$ -
Special revenue funds	-	12,220	74,985	169,118
Debt service fund	-	-	-	-
Capital projects funds	-	-	-	-
Total cash basis fund balances	**$ 169,502**	**$ 12,220**	**$ 74,985**	**$ 169,118**

See Notes to Financial Statements.

Library Trust Fund	Debt Service	Capital Projects: 2006 Housing Rehab	Capital Projects: Water System Improvements	Other Nonmajor Governmental Funds	Total
$ -	$ 25,263	$ -	$ -	$ 68,280	$ 293,515
-	-	-	-	-	233,316
-	2,445	-	-	1,776	145,408
-	-	-	-	-	1,848
5,462	-	-	-	-	27,217
-	-	88,147	35,599	-	277,193
-	-	-	-	-	57,796
-	-	-	-	-	1,694
-	-	-	-	-	18,825
$ 5,462	$ 27,708	$ 88,147	$ 35,599	$ 70,056	$ 1,056,812
$ -	$ -	$ -	$ -	$ 32,948	$ 186,089
-	-	-	-	23,284	201,493
-	-	-	-	-	1,265
12,861	-	-	-	5,481	94,706
-	-	-	-	-	11,289
-	-	-	-	12,074	80,621
-	95,107	-	-	-	95,107
-	-	97,584	117,875	-	215,459
$ 12,861	$ 95,107	$ 97,584	$ 117,875	$ 73,787	$ 886,029
$ (7,399)	$ (67,399)	$ (9,437)	$ (82,276)	$ (3,731)	$ 170,783
$ -	$ 6,341	$ -	$ -	$ -	$ 146,341
-	-	-	-	-	(146,341)
9,862	-	-	-	-	9,862
-	-	-	54,236	-	54,236
$ 9,862	$ 6,341	$ -	$ 54,236	$ -	$ 64,098
$ 2,463	$ (61,058)	$ (9,437)	$ (28,040)	$ (3,731)	$ 234,881
78,786	57,581	10,846	(5,731)	24,472	257,095
$ 81,249	**$ (3,477)**	**$ 1,409**	**$ (33,771)**	**$ 20,741**	**$ 491,976**
$ -	$ -	$ -	$ -	$ -	$ 169,502
81,249	-	-	-	20,741	358,313
-	(3,477)	-	-	-	(3,477)
-	-	1,409	(33,771)	-	(32,362)
$ 81,249	**$ (3,477)**	**$ 1,409**	**$ (33,771)**	**$ 20,741**	**$ 491,976**

CITY OF NORA SPRINGS, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

	Enterprise Funds		
	Water	**Sewer Rental**	**Sewer Sinking**
Operating receipts:			
Charges for service	$ 225,444	$ 204,862	$ -
Operating disbursements:			
Business type activities	128,788	157,259	-
Excess of operating receipts over operating disbursements	$ 96,656	$ 47,603	$ -
Non-operating receipts (disbursements):			
Interest on investments	$ -	$ -	$ -
Miscellaneous	261	-	-
Debt service	-	-	(69,731)
Net non-operating receipts (disbursements)	$ 261	$ -	$ (69,731)
Excess (deficiency) of receipts over (under) disbursements	$ 96,917	$ 47,603	$ (69,731)
Other financing sources (uses):			
Operating transfers in	$ 8,854	$ -	$ 69,577
Operating transfers out	(7,413)	(69,577)	-
Total other financing sources (uses)	$ 1,441	$ (69,577)	$ 69,577
Net change in cash balances	$ 98,358	$ (21,974)	$ (154)
Cash balances beginning of year	101,546	99,130	25,190
Cash balances end of year	**$ 199,904**	**$ 77,156**	**$ 25,036**
Cash Basis Fund Balances			
Reserved for other	$ -	$ -	$ -
Reserved for debt service	-	-	25,036
Unreserved	199,904	77,156	-
Total cash basis fund balances	**$ 199,904**	**$ 77,156**	**$ 25,036**

See Notes to Financial Statements.

Sewer Reserve	Nonmajor Enterprise Funds	Total
$ -	$ 1,125	$ 431,431
-	254	286,301
$ -	$ 871	$ 145,130
$ 1,732	$ -	$ 1,732
-	(2,044)	(1,783)
-	-	(69,731)
$ 1,732	$ (2,044)	$ (69,782)
$ 1,732	$ (1,173)	$ 75,348
$ -	$ 7,413	$ 85,844
-	(8,854)	(85,844)
$ -	$ (1,441)	$ -
$ 1,732	$ (2,614)	$ 75,348
84,195	32,983	343,044
$ 85,927	**$ 30,369**	**$ 418,392**
$ 85,927	$ 25,000	$ 110,927
-	5,369	30,405
-	-	277,060
$ 85,927	**$ 30,369**	**$ 418,392**

(1) Summary of Significant Accounting Policies

The City of Nora Springs is a political subdivision of the State of Iowa located in Floyd County. It was first incorporated in 1875 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

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

Jointly Governed Organizations - The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards: North Iowa Area Council of Governments, the Landfill of North Iowa, and the IMWCA Loss Control Board (Iowa Municipalities Workers' Compensation Association).

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

(1) Summary of Significant Accounting Policies - continued

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Local Option Sales Tax Fund is used to account for local option sales tax receipts and disbursements.

The Tax Increment Financing Fund is used to account for TIF receipts and disbursements.

The Library Trust Fund is used to account for library operations and maintenance.

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 2006 Housing Rehab Fund is used to account for CDBG grant projects.

The Water System Improvements Fund is used to account for the water supply and treatment capital project.

(1) Summary of Significant Accounting Policies - continued

The City reports the following major proprietary funds:

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

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

The Sewer Sinking Fund accounts for the payment of the sewer revenue bonds principal and interest payments.

The Sewer Reserve Fund accounts sewer for sewer funds required to be set aside by the sewer revenue bond requirements.

C. Measurement Focus and Basis of Accounting

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amount budgeted in the public safety function.

(2) Cash and Pooled Investments

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

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

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of $112,492 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

(2) Cash and Pooled Investments - continued

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

Credit risk – The City's investment in the Iowa Public Agency Investment Trust is unrated.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligations bonds and notes and revenue bonds and notes are as follows:

Year Ending June 30,	General Obligation Bond and Notes		Revenue Bonds and Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	$ 75,000	$ 15,660	$ 70,000	$ 28,704	$ 145,000	$ 44,364
2010	80,000	11,945	69,236	25,756	149,236	37,701
2011	85,000	7,895	45,000	22,799	130,000	30,694
2012	25,000	3,525	45,000	20,515	70,000	24,040
2013	25,000	2,375	50,000	18,044	75,000	20,419
2014-2018	25,000	1,200	270,000	48,199	295,000	49,399
2019	-	-	55,000	1,375	55,000	1,375
Total	$315,000	$ 42,600	$604,236	$165,392	$ 919,236	$207,992

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

a) At the option of the City, notes due on the General Obligation Wastewater Treatment Plant Bond issue of December 29, 2000, are subject to redemption and prepayment in any order beginning June 1, 2007, and on any interest payment date thereafter, at a price of par plus accrued interest to call date, by giving proper notice.

b) At the option of the City, notes due on the General Obligation Refunding Note issue of December 1, 2002, are subject to redemption and prepayment in any order of maturity beginning June 1, 2006, and on any interest payment thereafter, at a price of par plus accrued interest to call date, by giving proper notice.

The City has pledged future sewer customer receipts, net of specified operating disbursement, to repay $419,000 in sewer revenue notes issued in December 2000, and $350,000 in sewer revenue notes issued in January 2004. Proceeds from the notes provided financing for constructing improvements and extensions to the municipal sewer utility. The notes are payable solely from sewer customer net receipts and are payable through 2019. Annual principal and interest payments on the notes are expected to require less than 75 percent of net receipts. The total principal and interest remaining to be paid on the notes is $713,038. For the current year, principal and interest paid and total customer net receipts were $69,731 and $96,656, respectively.

(3) Bonds and Notes Payable - continued

The resolutions providing for the issuance of the revenue bonds include the following provision:

a) At the option of the City, Sewer Revenue Notes dated December 1, 2000 and the Sewer Revenue Notes dated January 1, 2004 maturing after December 1, 2011 may be called for redemption and paid before maturity on said date or any date thereafter, from any funds regardless of source, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot. The terms of redemption shall be par plus accrued interest to date of call.
b) The bonds will only be redeemed from the future earnings of the enterprise activities and bond holders hold a lien on the future earnings of the funds.

c) Sufficient monthly transfers shall be made to separate sewer revenue bond sinking accounts for the purpose of making the bond principal and interest payments when due.

d) A transfer shall be made from the bond proceeds to the sewer revenue bond reserve in an amount equal to the principal and interest payments for the fiscal year. The reserve accounts are restricted for the purpose of paying principal and interest due on the revenue bonds when insufficient money is available in the revenue bond sinking account.

e) Additional monthly transfer shall be made to a sewer revenue improvement account until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying for any improvement, extension or repair to the system of for note and interest payments which the other funds might be unable to make.

The City is not in compliance with the provisions of the Note Resolutions.

The City has also entered into the following loan agreement with the First State Bank, Nora Springs, Iowa:

Date of Loan	6-27-08
Original amount	$ 9,862
Interest rate	7%
Payment dates	Monthly
Payment amount	$ 9,881
Maturity date	7-7-08

At June 30, 2008:

Number of payments remaining	1
Outstanding balance	$9,862

(4) Capital Lease

The City leases a vehicle on a capital lease basis. The following is a schedule, by years, of future payments required under the lease:

Year ended June 30,	
2009	$6,297
Amounts representing interest	(384)
Present value of net minimum Lease payments	$5,913

(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 contribution to IPERS for the year ended June 30, 2008 was $18,067, which was equal to the required contribution for the year.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2008, primarily relating to the General Fund, is $15,161. This 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:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	$ 50,000
	Tax Increment Financing	50,000
		$100,000
Special Revenue: Road Use Tax	Special Revenue: Local Option Sales Tax	$ 40,000
Debt Service	Special Revenue: Tax Increment Financing	$ 6,341
Enterprise: Water	Enterprise: Water Meter Deposits	$ 8,854
Enterprise: Water Sinking	Enterprise: Water	$ 7,413
Enterprise: Sewer Sinking	Enterprise: Sewer Rental	$ 69,577
Total		$232,185

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 $330 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 $24,948.

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.

(9) Risk Management - continued

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 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 casualty 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 casualty 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 public employee dishonesty coverage and workers compensation coverage. 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 during the past fiscal year.

(10) Economic Development

On November 16, 2006, the City loaned $2,173 to The Elephant Keg. The loan proceeds were to be used for a business in Nora Springs. The loan is a non-interest bearing loan. The Elephant Keg is obligated to repay the City in monthly installments of $91 beginning January 1, 2007. At June 30, 2008 the loan balance was $530.

The City has entered into two development assistance agreements with a local business. The assistance is in the form of a rebate by the City of 75% of the Tax Increment received by the City. During the year ended June 30, 2008, $10,585 was paid in rebates.

(11) Deficit Fund Balances

The Debt Service Fund and Capital Projects Water System Improvements Fund had deficit balances of $3,477 and $33,771, respectively, at June 30, 2008. The Debt Service Fund deficit will be eliminated upon receipt of property taxes and the Water System Improvements Fund deficit will be eliminated upon receipt of state revolving loan funds.

(12) Commitments

At June 30, 2008, the following construction commitments had been made:

Project	Total Contract	Costs Incurred To Date
2007 Water Supply & Treatment	$1,202,587	$ 63,303
Sanitary Sewer Replacement	343,150	27,760
Shell Rock Bridge Replacement	60,000	-
Total	$1,605,737	$ 91,063

Required Supplementary Information

CITY OF NORA SPRINGS, 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 Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted
RECEIPTS:			
Property tax	$ 293,515	$ -	$ -
Tax increment financing	233,316	-	-
Other city tax	145,408	-	-
Licenses and permits	1,848	-	-
Use of money and property	27,217	1,732	-
Intergovernmental	277,193	-	-
Charges for service	57,796	431,431	-
Special assessments	1,694	-	-
Miscellaneous	18,825	261	-
Total receipts	$ 1,056,812	$ 433,424	$ -
DISBURSEMENTS:			
Public safety	$ 186,089	$ -	$ -
Public works	201,493	-	-
Health and social services	1,265	-	-
Culture and recreation	94,706	-	-
Community and economic development	11,289	-	-
General government	80,621	-	-
Debt service	95,107	-	-
Capital projects	215,459	-	-
Business type activities	-	358,076	-
Total disbursements	$ 886,029	$ 358,076	$ -
Excess (deficiency) of receipts over (under) disbursements	$ 170,783	$ 75,348	$ -
Other financing sources, net	64,098	-	-
Excess of receipts and other financing sources over disbursements and other financing uses	$ 234,881	$ 75,348	$ -
Balances beginning of year	257,095	343,044	-
Balances end of year	**$ 491,976**	**$ 418,392**	**$ -**

See Accompanying Independent Auditor's Report.

Total	Budgeted Amounts Original	Budgeted Amounts Final	Final to Total Variance
$ 293,515	$ 296,046	$ 296,046	$ (2,531)
233,316	131,000	132,000	101,316
145,408	102,575	102,575	42,833
1,848	2,410	2,410	(562)
28,949	6,400	6,400	22,549
277,193	661,045	315,631	(38,438)
489,227	361,117	408,700	80,527
1,694	1,200	1,200	494
19,086	2,036	950	18,136
$1,490,236	$1,563,829	$ 1,265,912	$ 224,324
$ 186,089	$ 174,600	$ 177,600	$ (8,489)
201,493	215,477	335,477	133,984
1,265	5,000	5,000	3,735
94,706	122,675	122,675	27,969
11,289	27,770	17,678	6,389
80,621	91,703	91,004	10,383
95,107	95,108	95,108	1
215,459	1,134,200	217,000	1,541
358,076	314,580	387,171	29,095
$1,244,105	$2,181,113	$ 1,448,713	$ 204,608
$ 246,131	$ (617,284)	$ (182,801)	$ 428,932
64,098	628,308	257,008	(192,910)
$ 310,229	$ 11,024	$ 74,207	$ 236,022
600,139	280,074	280,074	320,065
$ 910,368	**$ 291,098**	**$ 354,281**	**$ 556,087**

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 Governmental 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. 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, 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, two budget amendments decreased budgeted disbursements by $586,677. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amount budgeted in the public safety function.

Other Supplementary Information

CITY OF NORA SPRINGS, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue			
	Employee Benefits	Emergency Fund	Forfeiture Fund	Total
RECEIPTS:				
Property tax	$ 62,303	$ 5,977	$ -	$ 68,280
Other city tax	1,623	153	-	1,776
Total receipts	$ 63,926	$ 6,130	$ -	$ 70,056
DISBURSEMENTS:				
Operating:				
Public safety	$ 32,888	$ -	$ 60	$ 32,948
Public works	23,284	-	-	23,284
Culture and recreation	5,481	-	-	5,481
General government	12,074	-	-	12,074
Total disbursements	$ 73,727	$ -	$ 60	$ 73,787
Net change in cash balances	$ (9,801)	$ 6,130	$ (60)	$ (3,731)
Cash balances beginning of year	23,691	275	506	24,472
Cash balances end of year	**$ 13,890**	**$ 6,405**	**$ 446**	**$ 20,741**
Cash Basis Fund Balances:				
Unreserved:				
Special revenue funds	**$ 13,890**	**$ 6,405**	**$ 446**	**$ 20,741**

See Accompanying Independent Auditor's Report.

CITY OF NORA SPRINGS, IOWA
SCHEUDLE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
NONMAJOR PROPRIETARY FUND
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

	Enterprise			
	Water Meter Deposits	Water Sinking	Sewer Improvement	Total
Operating Receipts:				
Charges for service	$ 1,125	$ -	$ -	$ 1,125
Operating Disbursements:				
Business type activities	254	-	-	254
Excess of operating receipts over operating disbursements	$ 871	$ -	$ -	$ 871
Non-operating disbursement:				
Miscellaneous	-	(2,044)	-	(2,044)
Excess (deficiency) of receipts over (under) disbursements	$ 871	$ (2,044)	$ -	$ (1,173)
Other financing sources (uses):				
Operating transfer in	$ -	$ 7,413	$ -	$ 7,413
Operating transfer out	(8,854)	-	-	(8,854)
Total other financing sources (uses)	$ (8,854)	$ 7,413	$ -	$ (1,441)
Net change in cash balance	$ (7,983)	$ 5,369	$ -	$ (2,614)
Cash balances beginning of year	7,983	-	25,000	32,983
Cash balances end of year	**$ -**	**$ 5,369**	**$ 25,000**	**$ 30,369**
Cash Basis Fund Balance:				
Reserved for other	$ -	$ -	$ 25,000	$ 25,000
Reserved for debt service	-	5,369	-	5,369
Total cash basis fund balances	**$ -**	**$ 5,369**	**$ 25,000**	**$ 30,369**

See Accompanying Independent Auditor's Report.

CITY OF NORA SPRINGS, IOWA
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds and Notes:			
Wastewater Treatment Plant	12/29/00	4.90-5.45%	$500,000
Refunding Note	12/04/02	2.20-4.80	240,000
Revenue Bonds and Notes			
Sewer Revenue Notes	12/01/00	5.00-5.85%	$410,000
Sewer Revenue Notes	01/01/04	2.00-5.00	350,000
Water Revenue Bonds	06/01/08	3.00	800,000
Note Payable:			
Library Trust	06/27/08	7.00%	$ 9,862
Capital Lease:			
Police Car	09/14/05	5.40%	$ 22,977
Total indebtedness			

See Accompanying Independent Auditor's Report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
$ 230,000	$ -	$ 55,000	$175,000	$ 12,283	$ -
160,000	-	20,000	140,000	7,025	-
$ 390,000	$ -	$ 75,000	$315,000	$ 19,308	$ -
$ 285,000	$ -	$ 25,000	$260,000	$ 15,425	$ -
305,000	-	15,000	290,000	13,506	-
-	54,236	-	54,236	-	-
$ 590,000	$ 54,236	$ 40,000	$604,236	$ 28,931	$ -
$ -	$ 9,862	$ -	$ 9,862	$ -	$ -
$ 11,466	$ -	$ 5,553	$ 5,913	$ 744	$ -
$ 991,466	**$ 64,098**	**$120,553**	**$935,011**	**$ 48,983**	**$ -**

CITY OF NORA SPRINGS, IOWA
BOND AND NOTE MATURITIES
JUNE 30, 2008

	GENERAL OBLIGATION BONDS AND NOTES				
	Wastewater Treatment Plant		Refunding Note		
Year Ending	Issued December 29, 2000		Issued December 4, 2002		
June 30,	Interest Rates	Amount	Interest Rates	Amount	Total
2009	5.30%	$ 55,000	4.00%	$ 20,000	$ 75,000
2010	5.35	60,000	4.20	20,000	80,000
2011	5.45	60,000	4.40	25,000	85,000
2012		-	4.60	25,000	25,000
2013		-	4.70	25,000	25,000
2014		-	4.80	25,000	25,000
Total		**$175,000**		**$140,000**	**$ 315,000**

	REVENUE BONDS AND			
	Sewer		Sewer	
Year Ending	Issued December 1, 2000		Issued January 1, 2004	
June 30,	Interest Rates	Amount	Interest Rates	Amount
2009	5.50%	$ 25,000	3.50%	$ 15,000
2010	5.55	30,000	3.70	15,000
2011	5.60	30,000	3.95	15,000
2012	5.65	30,000	4.10	15,000
2013	5.70	35,000	4.25	15,000
2014	5.75	35,000	4.40	15,000
2015	5.80	35,000	4.55	20,000
2016	5.85	40,000	4.65	20,000
2017		-	4.80	50,000
2018		-	4.90	55,000
2019		-	5.00	55,000
Total		**$260,000**		**$290,000**

See Accompanying Independent Auditor's Report.

N O T E S

Water		
Issued June 1, 2008		
Interest Rates	Amount	Total
3.00%	$ 30,000	$ 70,000
3.00	24,236	69,236
	-	45,000
	-	45,000
	-	50,000
	-	50,000
	-	55,000
	-	60,000
	-	50,000
	-	55,000
	-	55,000
	$ 54,236	**$604,236**

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INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Nora Springs, 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 my report thereon dated September 17, 2008. My report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2007. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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 Nora Springs'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 Nora Springs's financial statements that is more than inconsequential will not be prevented or detected by the City of Nora Springs's internal control. I consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings to be a significant deficiency 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 Nora Springs's internal control.

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Nora Springs's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the City's responses, I did not audit the City of Nora Springs's responses and, accordingly, I 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 Nora Springs and other parties to whom the City of Nora Springs may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Larry Pump

September 17, 2008

CITY OF NORA SPRINGS, IOWA
Schedule of Findings
Year Ended June 30, 2008

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

(a) Qualified opinions were issued on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, since I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2007.

(b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.

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

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-08 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that certain accounting functions are not properly segregated.

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

Response - We will review procedures and make changes to improve internal control where possible.

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.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

Not applicable

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-08 Certified Budget - Disbursements during the year ended June 30, 2008 exceeded the amount budgeted in the public safety 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." Also, Chapter 384.18 of the Code of Iowa states, in part, that the City budget shall be amended by May 31 of the current fiscal year. The City amended the budget after May 31.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget, and prior to May 31.

Response - We will do this in the future.

Conclusion - Response accepted.

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

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

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

Name, Title & Business Connection	Transaction Description	Amount
Al Brallier, Council Member, Owner of Brallier Tooling and Mfg.	Supplies	$330

In accordance with Chapter 362.5(11) of the Code of Iowa, these transactions do not appear to represent conflicts of interest since total transactions were less than $2,500 during the fiscal year.

IV-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.

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

IV-G-08 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy was noted.

Part IV: Other Findings Related to Required Statutory Reporting: - continued

IV-H-08 Revenue Notes – The City has not established the Sewer Revenue Reserve and Improvement Fund Accounts as required by the note resolution.

Recommendation – The City should establish these accounts and make the necessary transfers as required by the resolution.

Response – We will establish these accounts as required.

Conclusion – Response accepted.

IV-I-08 Financial Condition – The Debt Service Fund and Capital Projects Water System Improvements Fund had deficit balances of $3,477 and $33,771, respectively at June 30, 2008.

Recommendation – The City should monitor these funds and investigate alternatives to eliminate the deficits in order to return these funds to a sound financial condition.

Response – These funds will be monitored.

Conclusion – Response accepted.

IV-J-08 Tax Increment Financing (TIF) Indebtedness Certificate – The City receives tax increment financing collections related to the urban renewal areas of the City in accordance with the TIF debt certificate filed by the City. The debt certificate included amounts for items which were not allowable uses of the TIF money and resulted in excess revenue collected by the City.

Recommendation – The City should contact the county auditor and TIF counsel to correct the Tax Increment Financing Indebtedness Certificate and adjust for previous moneys received.

Response – We will file the form to reflect a reduction in TIF indebtedness for the unallowable items.

Conclusion – Response accepted.