

CITY OF ST. ANSGAR, 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 ST. ANSGAR, IOWA

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CITY OF ST. ANSGAR, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
<b>(Before January 2008)</b>		
William Squier	Mayor	January 2008
Marvin Kofoot	Mayor Pro tem	January 2010
Joe Beyer	Council Member	January 2008
Robert Glassel	Council Member	January 2008
David Tollefson	Council Member	January 2008
Keith Horgen	Council Member	January 2010
Diane Collier	Clerk/Treasurer	Indefinite
Patrick Rourick	Attorney	Indefinite
<b>(After January 2008)</b>		
Marvin Kofoot	Mayor	January 2010
David Tollefson	Mayor Pro tem	January 2012
Keith Horgen	Council Member	January 2010
Troy Powers	Council Member (Appointed)	January 2010
Gerald Beaver	Council Member	January 2012
Steven Beland Jr.	Council Member	January 2012
Diane Collier	Clerk/Treasurer	Indefinite
Patrick Rourick	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 St. Ansgar, 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 St. Ansgar'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 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 St. Ansgar 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 October 9, 2008 on my consideration of the City of St. Ansgar'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 on 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 24 through 26 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 St. Ansgar's basic financial statements. Other supplementary information included in Schedules 1 through 3 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.

A handwritten signature in cursive script that reads "Larry Pump".

October 9, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of St. Ansgar 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 28.6%, or approximately \$292,000 from fiscal 2007 to fiscal 2008. Capital grants, contributions and restricted interest receipts increased approximately \$282,000 and charges for service receipts increased approximately \$18,000.

Disbursements increased 46.6%, or approximately \$435,000, in fiscal 2008 from fiscal 2007. Debt service and capital projects disbursements increased approximately \$125,000 and \$143,000, respectively.

The City's total cash basis net assets decreased 19.8%, or approximately \$192,000, from June 30, 2007 to June 30, 2008. Of this amount, the assets of the governmental activities decreased approximately \$2,000 and the assets of the business type activities decreased by approximately \$190,000.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

### **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 Local Option Sales Tax, 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 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 three Enterprise Funds to provide separate information for the water, sewer and acorn golf park funds, considered to be major funds of the City.

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 decreased from a year ago, decreasing from \$625,673 to \$624,087. 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	\$ 118	\$ 100
Operating grants, contributions and restricted interest	127	120
Capital grants, contributions and restricted interest	401	119
General receipts:		
Property tax	436	421
Local option sales tax	91	77
Unrestricted interest on investment	13	2
Bond proceeds	-	81
Sale of assets	67	40
Other general receipts	58	59
Total receipts	<u>\$1,311</u>	<u>\$1,019</u>
Disbursements:		
Public safety	\$ 98	\$ 84
Public works	190	160
Health and social services	-	1
Culture and recreation	262	228
Community and economic development	101	23
General government	72	60
Debt service	244	119
Capital projects	401	258
Total disbursements	<u>\$1,368</u>	<u>\$ 933</u>
Change in cash basis net assets before transfers	\$ (57)	\$ 86
Transfers, net	<u>55</u>	<u>13</u>
Change in cash basis net assets	\$ (2)	\$ 99
Cash basis net assets beginning of year	<u>626</u>	<u>527</u>
Cash basis net assets end of year	<u>\$ 624</u>	<u>\$ 626</u>

The City's total receipts for governmental activities increased by 28.6%, or approximately \$292,000. The total cost of all programs and services increased by approximately \$435,000, or 46.6%, with no new programs added this year. The increase in receipts was primarily the result of increased capital grants, contributions and interest receipts, while the increase in disbursements was a result of increased disbursements in all categories, with the exception of health and social services. Debt service and capital projects had a combined increase in disbursements of approximately \$268,000.

The cost of all governmental activities this year was \$1,368,000 compared to \$933,000 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 approximately \$722,000 because some of the cost was paid by those directly benefited from the programs (\$118,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$528,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$436,000 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	\$ 165	\$ 130
Sewer	203	188
Acorn park golf	175	83
Capital grants, contributions and restricted interest	56	339
General receipts:		
Unrestricted interest on investments	2	2
Bond proceeds	620	578
Other general receipts	12	123
Total receipts	\$1,233	\$1,443
Disbursements:		
Water	\$ 166	\$ 136
Sewer	1,030	937
Acorn park golf	172	202
Total disbursements	\$1,368	\$1,275
Change in cash basis net assets before transfers	\$ (135)	\$ 168
Transfers, net	(55)	(13)
Change in cash basis net assets	\$ (190)	\$ 155
Cash basis net assets beginning of year	340	185
Cash basis net assets end of year	\$ 150	\$ 340

Total business type activities receipts for the fiscal year were approximately \$1,233,000 compared to approximately \$1,443,000 last year. The cash balance decreased by approximately \$190,000 from the prior year. Total disbursements for the fiscal year increased by 7.2% to a total of approximately \$1,368,000.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of St. Ansgar completed the year, its governmental funds reported a combined fund balance of \$624,087, a decrease of \$1,586 from last year's total of \$625,673. 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 \$89,707 from the prior year to \$414,770. This increase was due to increased transfers in and sale of capital assets for the fiscal year.

The Special Revenue, Local Option Sales Tax Fund cash balance decreased by \$9,273 to \$66,471 during the fiscal year. This decrease was attributable to an operating transfer out.

The Debt Service Fund cash balance was \$4,532, a decrease of \$81,900 from the previous year. The decrease was due to scheduled debt payments in excess of property tax receipts.

The Capital Projects Fund cash balance remained the same as the prior year at \$0.00. This is due to the matching of capital projects expenditures with community development block grant receipts.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The Water Fund cash balance increased by \$14,535 to \$98,437, due primarily to operating transfers in.

The Sewer Fund cash balance decreased by \$215,158 to \$17,842 due primarily to scheduled debt service payments and capital projects in excess of bond proceeds.

The Acorn Park Golf Fund cash balance increased by \$10,278 to \$33,410 due primarily to an increase in operating receipts from the prior year.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was approved on May 27, 2008 and resulted in an increase in operating receipts of \$684,950, of which \$620,000 is other financing sources. The budget amendment also increased operating disbursements by \$998,350.

The City exceeded the amounts budgeted in the general government, debt service and business type activities functions for the year ended June 30, 2008.

**DEBT ADMINISTRATION**

At June 30, 2008, the City had approximately \$1,122,000 in bonds, notes and other long-term debt outstanding, compared to approximately \$1,422,000 last year, as shown below.

**Outstanding Debt at Year-End**  
(Expressed in Thousands)

	June 30,	
	2008	2007
General obligation bonds and notes	\$ 495	\$ 650
Urban renewal tax increment financing revenue bonds	188	205
Revenue bond and notes	387	467
Other	52	100
Total	<u>\$ 1,122</u>	<u>\$ 1,422</u>

Debt decreased as a result of scheduled debt payments. The City issued general obligation bonds for a sewer project during the fiscal year.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and tax increment financing debt of \$683,000 is significantly below its constitutional debt limit of \$2,485,119.

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

The City of St. Ansgar'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. Another concern evolves around increased energy costs for the ensuing year and beyond. The increased costs have added as much as thirty percent to segments of the budget. Holding the budget in line becomes challenging while attempting to maintain and improve city services.

**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 Diane Collier, City Clerk, P.O. Box 307, St. Ansgar, Iowa 50472-0307.

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

	<u>Disbursements</u>	<u>Program Receipts</u>		
		<u>Charges for Service</u>	<u>Contributions and Restricted Interest</u>	<u>Operating Grants, Capital Grants, Contributions and Restricted Interest</u>
<b>FUNCTIONS/PROGRAMS:</b>				
Governmental activities:				
Public safety	\$ 98,078	\$ 1,336	\$ 10,712	\$ -
Public works	190,506	50,907	88,533	-
Culture and recreation	262,293	59,694	28,276	-
Community and economic development	100,660	750	-	-
General government	71,884	5,299	-	-
Debt service	243,740	-	-	-
Capital projects	<u>400,824</u>	<u>-</u>	<u>-</u>	<u>400,812</u>
Total governmental activities	<u>\$1,367,985</u>	<u>\$ 117,986</u>	<u>\$ 127,521</u>	<u>\$ 400,812</u>
Business type activities:				
Water	\$ 166,156	\$ 164,700	\$ -	\$ -
Sewer	1,030,286	203,020	-	56,801
Acorn park golf	<u>171,989</u>	<u>174,925</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$1,368,431</u>	<u>\$ 542,645</u>	<u>\$ -</u>	<u>\$ 56,801</u>
Total	<u>\$2,736,416</u>	<u>\$ 660,631</u>	<u>\$ 127,521</u>	<u>\$ 457,613</u>

(Continued)

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

Governmental Activities	Business Type Activities	Total
\$ (86,030)	\$ -	\$ (86,030)
(51,066)	-	(51,066)
(174,323)	-	(174,323)
(99,910)	-	(99,910)
(66,585)	-	(66,585)
(243,740)	-	(243,740)
(12)	-	(12)
\$ (721,666)	\$ -	\$ (721,666)
\$ -	\$ (1,456)	\$ (1,456)
-	(770,465)	(770,465)
-	2,936	2,936
\$ -	\$ (768,985)	\$ (768,985)
\$ (721,666)	\$ (768,985)	\$(1,490,651)

CITY OF ST. ANSGAR, 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  
Bond proceeds  
Miscellaneous  
Sale of assets  
Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted for debt service  
Unrestricted

**Total cash basis net assets**

*See Notes to Financial Statements.*

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 296,030	\$ -	\$ 296,030
94,131	-	94,131
45,843	-	45,843
91,411	-	91,411
12,656	1,723	14,379
-	620,000	620,000
57,956	11,970	69,926
67,000	-	67,000
<u>55,053</u>	<u>(55,053)</u>	<u>-</u>
<u>\$ 720,080</u>	<u>\$ 578,640</u>	<u>\$ 1,298,720</u>
\$ (1,586)	\$ (190,345)	\$ (191,931)
<u>625,673</u>	<u>340,034</u>	<u>965,707</u>
<u><b>\$ 624,087</b></u>	<u><b>\$ 149,689</b></u>	<u><b>\$ 773,776</b></u>
\$ 4,532	\$ -	\$ 4,532
<u>619,555</u>	<u>149,689</u>	<u>769,244</u>
<u><b>\$ 624,087</b></u>	<u><b>\$ 149,689</b></u>	<u><b>\$ 773,776</b></u>

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

	<b>Special Revenue</b>	
	<b>General</b>	<b>Local Option Sales Tax</b>
<b>RECEIPTS:</b>		
Property tax	\$ 248,868	\$ -
Tax increment financing	-	-
Other city tax	-	91,411
Licenses and permits	3,739	-
Use of money and property	10,000	3,534
Intergovernmental	38,988	-
Charges for service	52,419	57,294
Miscellaneous	27,591	30,311
Total receipts	\$ 381,605	\$ 182,550
<b>DISBURSEMENTS:</b>		
Operating:		
Public safety	\$ 81,382	\$ -
Public works	75,363	-
Culture and recreation	94,290	155,248
Community and economic development	99,758	-
General government	64,778	-
Debt service	-	-
Capital projects	-	-
Total disbursements	\$ 415,571	\$ 155,248
Excess (deficiency) of receipts over (under) disbursements	\$ (33,966)	\$ 27,302
Other financing sources (uses):		
Sale of capital assets	\$ 67,000	\$ -
Operating transfers in	59,061	-
Operating transfers out	(2,388)	(36,575)
Total other financing sources (uses)	\$ 123,673	\$ (36,575)
Net change in cash balances	\$ 89,707	\$ (9,273)
Cash balances beginning of year	325,063	75,744
<b>Cash balances end of year</b>	<b>\$ 414,770</b>	<b>\$ 66,471</b>
<b>Cash Basis Fund Balances:</b>		
Reserved for debt service	\$ -	\$ -
Unreserved:		
General fund	414,770	-
Special revenue funds	-	66,471
Permanent fund	-	-
Total cash basis fund balances	<b>\$ 414,770</b>	<b>\$ 66,471</b>

*See Notes to Financial Statements.*

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 45,843	\$ -	\$ 47,162	\$ 341,873
-	-	94,131	94,131
-	-	-	91,411
-	-	-	3,739
390	-	2,120	16,044
-	400,812	88,533	528,333
-	-	-	109,713
-	-	1,200	59,102
<u>\$ 46,233</u>	<u>\$ 400,812</u>	<u>\$ 233,146</u>	<u>\$1,244,346</u>
\$ -	\$ -	\$ 16,696	\$ 98,078
-	-	115,143	190,506
-	-	12,755	262,293
-	-	902	100,660
-	-	7,106	71,884
243,740	-	-	243,740
-	400,824	-	400,824
<u>\$ 243,740</u>	<u>\$ 400,824</u>	<u>\$ 152,602</u>	<u>\$1,367,985</u>
\$ (197,507)	\$ (12)	\$ 80,544	\$ (123,639)
\$ -	\$ -	\$ -	\$ 67,000
115,607	12	-	174,680
-	-	(80,664)	(119,627)
<u>\$ 115,607</u>	<u>\$ 12</u>	<u>\$ (80,664)</u>	<u>\$ 122,053</u>
\$ (81,900)	\$ -	\$ (120)	\$ (1,586)
86,432	-	138,434	625,673
<u>\$ 4,532</u>	<u>\$ -</u>	<u>\$ 138,314</u>	<u>\$ 624,087</u>
\$ 4,532	\$ -	\$ -	\$ 4,532
-	-	-	414,770
-	-	89,534	156,005
-	-	48,780	48,780
<u>\$ 4,532</u>	<u>\$ -</u>	<u>\$ 138,314</u>	<u>\$ 624,087</u>

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

	<u>Enterprise</u>			<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	<u>Acorn Park Golf</u>	
Operating receipts:				
Charges for service	\$ 164,700	\$ 203,020	\$ 159,350	\$ 527,070
Miscellaneous	4,127	556	22,862	27,545
Total operating receipts	<u>\$ 168,827</u>	<u>\$ 203,576</u>	<u>\$ 182,212</u>	<u>\$ 554,615</u>
Operating disbursements:				
Business type activities	<u>166,156</u>	<u>188,773</u>	<u>170,609</u>	<u>525,538</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>\$ 2,671</u>	<u>\$ 14,803</u>	<u>\$ 11,603</u>	<u>\$ 29,077</u>
Non-operating receipts (disbursements):				
Intergovernmental	\$ -	\$ 56,801	\$ -	\$ 56,801
Interest on investments	884	730	109	1,723
Bond proceeds	-	620,000	-	620,000
Debt service	-	(735,125)	(1,380)	(736,505)
Capital projects	-	(106,388)	-	(106,388)
Net non-operating receipts (disbursements)	<u>\$ 884</u>	<u>\$(163,982)</u>	<u>\$ (1,271)</u>	<u>\$(164,369)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 3,555</u>	<u>\$(149,179)</u>	<u>\$ 10,332</u>	<u>\$(135,292)</u>
Other financing sources (uses):				
Operating transfers in	\$ 14,950	\$ 10	\$ -	\$ 14,960
Operating transfers out	<u>(3,970)</u>	<u>(65,989)</u>	<u>(54)</u>	<u>(70,013)</u>
Total other financing sources (uses)	<u>\$ 10,980</u>	<u>\$ (65,979)</u>	<u>\$ (54)</u>	<u>\$ (55,053)</u>
Net change in cash balances	\$ 14,535	\$(215,158)	\$ 10,278	\$(190,345)
Cash balances beginning of year	<u>83,902</u>	<u>233,000</u>	<u>23,132</u>	<u>340,034</u>
<b>Cash balances end of year</b>	<b><u>\$ 98,437</u></b>	<b><u>\$ 17,842</u></b>	<b><u>\$ 33,410</u></b>	<b><u>\$ 149,689</u></b>
<b>Cash Basis Fund Balances</b>				
Unreserved	<u>\$ 98,437</u>	<u>\$ 17,842</u>	<u>\$ 33,410</u>	<u>\$ 149,689</u>

*See Notes to Financial Statements.*

CITY OF ST. ANSGAR, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

(1) Summary of Significant Accounting Policies

The City of St. Ansgar is a political subdivision of the State of Iowa located in Mitchell County. It was first incorporated in 1876 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 St. Ansgar 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 Mitchell County Assessor's Conference Board, Mitchell County E-911 Board, North Iowa Area Council of Governments and St. Ansgar Rescue.

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.

CITY OF ST. ANSGAR, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

(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 not paid from other funds.

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

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

The Capital Projects Fund is used to account for capital improvements.

The City reports the following major proprietary funds:

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

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

The Acorn Park Golf Fund accounts for the operation of the City's golf course and club house.

CITY OF ST. ANSGAR, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

(1) Summary of Significant Accounting Policies - continued

C. Measurement Focus and Basis of Accounting

The City of St. Ansgar 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 amounts budgeted in the general government, debt service and business type activities functions.

(2) Cash and 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.

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.

**CITY OF ST. ANSGAR, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**(3) Bonds and Notes Payable**

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

Year Ending June 30,	General Obligation Bonds		Urban Renewal Tax Increment Financing (TIF) Revenue Bonds		Revenue Bonds and Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 30,000	\$ 18,730	\$ 18,870	\$ 10,962	\$ 96,576	\$ 25,772	\$ 145,446	\$ 55,464
2010	30,000	17,875	20,020	9,812	105,464	21,174	155,484	48,861
2011	30,000	16,975	21,238	8,594	108,405	16,110	159,643	41,679
2012	30,000	16,030	22,512	7,320	77,389	10,884	129,901	34,234
2013	30,000	15,040	23,902	5,930	63,000	2,678	116,902	23,648
2014-2018	175,000	57,861	80,797	8,654	-	-	255,797	66,515
2019-2022	170,000	18,717	-	-	-	-	170,000	18,717
<b>Total</b>	<b><u>\$495,000</u></b>	<b><u>\$161,228</u></b>	<b><u>\$187,339</u></b>	<b><u>\$ 51,272</u></b>	<b><u>\$450,834</u></b>	<b><u>\$ 76,618</u></b>	<b><u>\$1,133,173</u></b>	<b><u>\$289,118</u></b>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund. However, during the year, \$670,728 of general obligation bond principal and interest was paid from the Enterprise, Sewer Fund.

Urban Renewal Tax Increment Financing Revenue Bonds

The urban renewal tax increment revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the TIF receipts generated by property values in the City's TIF district and credited to the Special Revenue, Tax Increment Financing Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bond. The proceeds of the urban renewal tax increment financing notes shall be expended only for the purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City, however the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$238,611, payable through June 2016. For the current year, interest paid and total TIF receipts were \$12,085 and \$94,131, respectively.

Revenue Bonds

The City has pledged local option sales tax receipts, net of specified operating disbursements, to repay \$280,000 in local option sales and service tax revenue bonds issued in June 2001. Proceeds from the bonds provided financing for the construction of aquatics center. The bonds are payable solely from local option sales tax receipts and are payable through 2011. Annual principal and interest payments on the bonds are expected to require less than 45 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$110,530. For the current year, principal and interest paid and total local option sales tax receipts were \$36,575 and \$91,411, respectively.

CITY OF ST. ANSGAR, IOWA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2008

(3) Bonds and Notes Payable - continued

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$515,000 in sewer revenue bonds issued in April 2003. Proceeds from the bonds provided financing for the construction of improvements to the sewer treatment plant. The bonds are payable solely from sewer customer net receipts and are payable through 2013. Annual principal and interest payments on the bonds are expected to require less than 40 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$324,742. For the current year, principal and interest paid and total customer net receipts were \$64,322 and \$14,247, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activities and local option sales tax revenue and note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate sewer revenue and local option sales note sinking accounts for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers shall be made to sewer revenue and local option sales note reserve accounts until the required balances are accumulated. The sewer revenue note reserve account is restricted for the purpose of paying for unusual or extraordinary maintenance, repairs, renewals and replacements to the system and when necessary for the purpose of making payments of principal and interest. The local option sales note reserve account is restricted for the purpose of paying principal and interest due on the local option sales notes when sufficient money is not available in the sinking account.

The required local option sales and services tax revenue bond sinking and reserve accounts have not been established at June 30, 2008.

Notes Payable

The City has also entered into the following loan agreement with the St. Ansgar State Bank, St. Ansgar, Iowa:

<u>Date of Loan</u>	<u>6-11-07</u>
Original amount	\$ 6,000
Interest rate	5%
Payment dates	Semi-annually
Payment amount	\$ 690
Maturity date	6-11-12
At June 30, 2008:	
Number of payments remaining	8
Outstanding balance	\$ 4,911

The REC note payable has a balance of \$47,164 at June 30, 2008. Principal payments of \$47,164 are due annually. The loan is non-interest bearing, with the final payment due August 3, 2008.

CITY OF ST. ANSGAR, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

(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.

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 \$16,283, which was equal to the required contribution for the year.

(5) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, comp time 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 payable, comp time payable, and sick leave payable to employees at June 30, 2008, primarily relating to the General Fund, is \$11,633. This liability has been computed based on rates of pay in effect at June 30, 2008.

(6) **Risk Management**

The City 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 during the past fiscal year.

(7) **Economic Development**

On July 6, 2004, the City loaned \$6,000 to T.D. Machines. The loan proceeds were used to start up and operate a hairstyling center in St. Ansgar. The loan bears interest at 3%. T.D. Machines is obligated to repay the City in semi-annual installments of \$651 beginning January 6, 2005. The loan balance at June 30, 2008 was \$1,895.

On March 7, 2007, the City loaned \$4,000 to Fourth Street Coffee Company. The loan proceeds were used to start up and operate a business in St. Ansgar. The loan bears interest at 3%. Fourth Street Coffee Company is obligated to repay the City in semi-annual installments of \$434 beginning September 7, 2007. The loan balance at June 30, 2008 was \$3,247.

On March 7, 2007, the City loaned \$4,000 to Sainly Stiches. The loan proceeds were used to start up and operate a business in St. Ansgar. The loan bears interest at 3%. Sainly Stiches is obligated to repay the City in semi-annual installments of \$434 beginning September 7, 2007. The loan balance at June 30, 2008 was \$3,247.

**CITY OF ST. ANSGAR, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

(7) **Economic Development** - continued

The City has entered into four development assistance agreements. The assistance is in the form of a rebate by the City of 100% of the Tax Increment received by the City. During the year ended June 30, 2008 no rebates were paid.

(8) **Interfund Loans**

During the year ended June 30, 2002, the Enterprise, Water Fund loaned \$16,923 to the Debt Service Fund. The loan bears interest at 5%. During the year ended June 30, 2008, principal repayments of \$1,888 were made, leaving a balance of \$8,558.

During the year ended June 30, 1998, Enterprise, Water Fund loaned \$4,385 to the Debt Service Fund. The loan bears interest at 7%. During the year ended June 30, 2008, the remaining loan balance of \$586 was paid off.

(9) **Commitments**

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

<u>Project</u>	<u>Total Contract</u>	<u>Costs Incurred to Date</u>
2007 Street Project	\$ 26,974	\$ 25,735
Water and Sewer Mains	29,000	-
South Summer Street	13,500	-
	<u>\$ 69,474</u>	<u>\$ 25,735</u>

(10) **Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Employee Benefits	\$ 3,986
	Enterprise:	
	Water	3,970
	Sewer	51,051
	Acorn Park Golf	54
		<u>\$ 59,061</u>
Debt Service	General	\$ 2,387
	Special Revenue:	
	Tax Increment Financing	76,645
	Local Option Sales Tax	36,575
		<u>\$ 115,607</u>
Capital Projects	Special Revenue:	
	Tax Increment Financing	\$ 12

CITY OF ST. ANSGAR, IOWA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2008

(10) **Interfund Transfers** - continued

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Enterprise: Water	General	\$ 1
	Special Revenue: Employee Benefits	10
	Enterprise: Sewer	<u>14,939</u>
		<u>\$ 14,950</u>
Enterprise: Sewer	Special Revenue: Employee Benefits	<u>\$ 10</u>
 Total		 <u>\$ 189,640</u>

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

(11) **Related party Transactions**

The City had business transactions between the City and City officials totaling \$9,145 during the year ended June 30, 2008.

(12) **Litigation**

The City is involved in litigation to attempt to recover damages as a result of lagoon leakage problems after the 2002 plant upgrade. The probability of recovery, if any, is undeterminable.

**Required Supplementary Information**

CITY OF ST. ANSGAR, 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

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Less Funds Not Required To Be Budgeted</u>
<b>RECEIPTS:</b>			
Property tax	\$ 341,873	\$ -	\$ -
Tax increment financing	94,131	-	-
Other city tax	91,411	-	-
Licenses and permits	3,739	-	-
Use of money and property	16,044	17,298	-
Intergovernmental	528,333	56,801	-
Charges for service	109,713	527,070	-
Miscellaneous	59,102	11,970	-
Total receipts	<u>\$ 1,244,346</u>	<u>\$ 613,139</u>	<u>\$ -</u>
<b>DISBURSEMENTS:</b>			
Public safety	\$ 98,078	\$ -	\$ -
Public works	190,506	-	-
Health and social services	-	-	-
Culture and recreation	262,293	-	-
Community and economic development	100,660	-	-
General government	71,884	-	-
Debt service	243,740	-	-
Capital projects	400,824	-	-
Business type activities	-	1,368,431	-
Total disbursements	<u>\$ 1,367,985</u>	<u>\$1,368,431</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	\$ (123,639)	\$ (755,292)	\$ -
Other financing sources, net	<u>122,053</u>	<u>564,947</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ (1,586)	\$ (190,345)	\$ -
Balances beginning of year	<u>625,673</u>	<u>340,034</u>	<u>-</u>
<b>Balances end of year</b>	<u><b>\$ 624,087</b></u>	<u><b>\$ 149,689</b></u>	<u><b>\$ -</b></u>

*See Accompanying Independent Auditor's Report.*

<u>Total</u>	<u>Budgeted Amounts</u>		<u>Final to Total Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 341,873	\$ 340,430	\$ 340,430	\$ 1,443
94,131	79,165	79,165	14,966
91,411	83,620	83,620	7,791
3,739	3,080	3,080	659
33,342	34,758	34,758	(1,416)
585,134	510,836	525,436	59,698
636,783	491,502	491,502	145,281
71,072	161,595	211,945	(140,873)
<u>\$1,857,485</u>	<u>\$1,704,986</u>	<u>\$1,769,936</u>	<u>\$ 87,549</u>
\$ 98,078	\$ 112,974	\$ 112,974	\$ 14,896
190,506	177,883	214,083	23,577
-	776	876	876
262,293	250,612	305,612	43,319
100,660	52,040	112,440	11,780
71,884	63,895	63,895	(7,989)
243,740	163,817	163,817	(79,923)
400,824	391,312	401,312	488
1,368,431	525,466	1,362,116	(6,315)
<u>\$2,736,416</u>	<u>\$1,738,775</u>	<u>\$2,737,125</u>	<u>\$ 709</u>
\$ (878,931)	\$ (33,789)	\$ (967,189)	\$ 88,258
<u>687,000</u>	<u>-</u>	<u>620,000</u>	<u>67,000</u>
\$ (191,931)	\$ (33,789)	\$ (347,189)	\$ 155,258
<u>965,707</u>	<u>751,090</u>	<u>751,090</u>	<u>214,617</u>
<u><b>\$ 773,776</b></u>	<u><b>\$ 717,301</b></u>	<u><b>\$ 403,901</b></u>	<u><b>\$ 369,875</b></u>

**CITY OF ST. ANSGAR, IOWA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING**  
**JUNE 30, 2008**

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major 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, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$998,350. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the general government, debt service and business type activities functions.

Other Supplementary Information

CITY OF ST. ANSGAR, 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	
	Road Use Tax	Employee Benefits
<b>RECEIPTS:</b>		
Property tax	\$ -	\$ 47,162
Tax increment financing	-	-
Use of money and property	-	95
Intergovernmental	88,533	-
Miscellaneous	-	-
Total receipts	\$ 88,533	\$ 47,257
<b>DISBURSEMENTS:</b>		
Operating:		
Public safety	\$ -	\$ 16,696
Public works	112,096	3,047
Culture and recreation	-	12,755
Community and economic development	-	902
General government	-	7,106
Total disbursements	\$ 112,096	\$ 40,506
Excess (deficiency) of receipts over (under) disbursements	\$ (23,563)	\$ 6,751
Operating transfers out	-	(4,007)
Net change in cash balances	\$ (23,563)	\$ 2,744
Cash balances beginning of year	41,006	20,540
<b>Cash balances end of year</b>	<b>\$ 17,443</b>	<b>\$ 23,284</b>
<b>Cash Basis Fund Balances:</b>		
Unreserved:		
Special revenue funds	\$ 17,443	\$ 23,284
Permanent fund	-	-
Total cash basis fund balances	<b>\$ 17,443</b>	<b>\$ 23,284</b>

*See Accompanying Independent Auditor's Report.*

<u>Tax Increment Financing</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
\$ -	\$ -	\$ 47,162
94,131	-	94,131
124	1,901	2,120
-	-	88,533
-	1,200	1,200
<u>\$ 94,255</u>	<u>\$ 3,101</u>	<u>\$ 233,146</u>
\$ -	\$ -	\$ 16,696
-	-	115,143
-	-	12,755
-	-	902
-	-	7,106
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,602</u>
\$ 94,255	\$ 3,101	\$ 80,544
<u>(76,657)</u>	<u>-</u>	<u>(80,664)</u>
\$ 17,598	\$ 3,101	\$ (120)
<u>31,209</u>	<u>45,679</u>	<u>138,434</u>
<b><u>\$ 48,807</u></b>	<b><u>\$ 48,780</u></b>	<b><u>\$ 138,314</u></b>
\$ 48,807	\$ -	\$ 89,534
<u>-</u>	<u>48,780</u>	<u>48,780</u>
<b><u>\$ 48,807</u></b>	<b><u>\$ 48,780</u></b>	<b><u>\$ 138,314</u></b>

CITY OF ST. ANSGAR, 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>
<b>General Obligation Bonds and Notes:</b>			
Waste Water Project Anticipation Note	06-28-07	4.00%	\$ 650,000
Waste Water Project	04-15-08	2.70 - 3.70%	620,000
<b>Urban Renewal Tax Increment Financing (TIF) Revenue Bonds:</b>			
R.A. Wold & Sons, Inc.	06-01-04	6.00%	\$ 119,000
Storgaard	11-05-04	6.00	31,000
Buntrock	02-11-05	6.00	21,400
Buringrud	02-11-05	6.00	49,800
<b>Revenue Bonds and Notes:</b>			
Aquatics	06-01-01	4.30 - 5.20%	\$ 280,000
Sewer Lagoon	04-11-03	4.25	515,000
<b>REC Loan</b>			
Heartland Power Coop	08-03-00	0.00%	\$ 337,313
<b>Bank Loan:</b>			
Acorn Water System	06-11-07	5.00%	\$ 6,000
<b>Total indebtedness</b>			

*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>
\$ 650,000	\$ -	\$ 650,000	\$ -	\$ 20,728	\$ -
-	620,000	125,000	495,000	2,824	-
<u>\$ 650,000</u>	<u>\$ 620,000</u>	<u>\$ 775,000</u>	<u>\$ 495,000</u>	<u>\$ 23,552</u>	<u>\$ -</u>
\$ 110,008	\$ -	\$ 9,523	\$ 100,485	\$ 6,477	\$ -
28,658	-	2,481	26,177	1,687	-
19,783	-	1,712	18,071	1,165	-
46,646	-	3,370	43,276	2,756	-
<u>\$ 205,095</u>	<u>\$ -</u>	<u>\$ 17,086</u>	<u>\$ 188,009</u>	<u>\$ 12,085</u>	<u>\$ -</u>
\$ 130,000	\$ -	\$ 30,000	\$ 100,000	\$ 6,575	\$ -
337,000	-	50,000	287,000	14,322	-
<u>\$ 467,000</u>	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ 387,000</u>	<u>\$ 20,897</u>	<u>\$ -</u>
<u>\$ 94,328</u>	<u>\$ -</u>	<u>\$ 47,164</u>	<u>\$ 47,164</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,000	\$ -	\$ 1,089	\$ 4,911	\$ 291	\$ -
<u>\$ 6,000</u>	<u>\$ -</u>	<u>\$ 1,089</u>	<u>\$ 4,911</u>	<u>\$ 291</u>	<u>\$ -</u>
<b><u>\$1,422,423</u></b>	<b><u>\$ 620,000</u></b>	<b><u>\$ 920,339</u></b>	<b><u>\$1,122,084</u></b>	<b><u>\$ 56,825</u></b>	<b><u>\$ -</u></b>

CITY OF ST. ANSGAR, IOWA  
 BOND AND NOTE MATURITIES  
 JUNE 30, 2008

<u>GENERAL OBLIGATION BONDS</u>		
<u>Waste Water Project</u>		
<u>Issued April 15, 2008</u>		
<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>
2009	4.00%	\$ 30,000
2010	4.00	30,000
2011	4.00	30,000
2012	4.00	30,000
2013	4.00	30,000
2014	4.00	30,000
2015	4.00	35,000
2016	4.00	35,000
2017	4.00	35,000
2018	4.00	40,000
2019	4.00	40,000
2020	4.00	40,000
2021	4.00	45,000
2022	4.00	45,000
<b>Total</b>		<b><u>\$495,000</u></b>

<u>URBAN RENEWAL TAX INCREMENT FINANCING</u>				
<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>R.A. Wold &amp; Sons, Inc.</u>		<u>Storgaard</u>	
	<u>Issued June 1, 2004</u>		<u>Issued November 5, 2004</u>	
	<u>Interest</u>		<u>Interest</u>	
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
2009	6.00%	\$ 10,120	6.00%	\$ 2,636
2010	6.00	10,736	6.00	2,797
2011	6.00	11,390	6.00	2,967
2012	6.00	12,073	6.00	3,145
2013	6.00	12,819	6.00	3,339
2014	6.00	13,599	6.00	3,543
2015	6.00	14,428	6.00	3,758
2016	6.00	15,320	6.00	3,992
<b>Total</b>		<b><u>\$100,485</u></b>		<b><u>\$ 26,177</u></b>

*See Accompanying Independent Auditor's Report.*

REVENUE BONDS AND NOTES

Year Ending June 30,	Aquatics Issued June 1, 2001		Sewer Lagoon Issued April 11, 2003		Total
	Interest Rates	Amount	Interest Rates	Amount	
2009	5.00%	\$ 30,000	4.25%	\$ 52,000	\$ 82,000
2010	5.10	35,000	4.25	55,000	90,000
2011	5.20	35,000	4.25	57,000	92,000
2012		-	4.25	60,000	60,000
2013		-	4.25	63,000	63,000
<b>Total</b>		<b><u>\$100,000</u></b>		<b><u>\$287,000</u></b>	<b><u>\$ 387,000</u></b>

(TIF) REVENUE BONDS

Buntrock Issued February 11, 2005		Buringrud Issued February 11, 2005		Total
Interest Rates	Amount	Interest Rates	Amount	
6.00%	\$ 1,820	6.00%	\$ 4,294	\$ 18,870
6.00	1,931	6.00	4,556	20,020
6.00	2,048	6.00	4,833	21,238
6.00	2,171	6.00	5,123	22,512
6.00	2,305	6.00	5,439	23,902
6.00	2,446	6.00	5,771	25,359
6.00	2,594	6.00	6,122	26,902
6.00	2,756	6.00	7,138	29,206
	<b><u>\$ 18,071</u></b>		<b><u>\$ 43,276</u></b>	<b><u>\$188,009</u></b>



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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 St. Ansgar, 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 October 9, 2008. Since I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2007, my report expressed qualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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 St. Ansgar'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 St. Ansgar's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of St. Ansgar'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 certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies, including deficiencies I 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 St. Ansgar'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 St. Ansgar's financial statements that is more than inconsequential will not be prevented or detected by the City of St. Ansgar's internal control. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of St. Ansgar'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, of the significant deficiencies described above, I believe items II-A-08, II-B-08 and II-C-08 are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of St. Ansgar'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 St. Ansgar'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 St. Ansgar'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 St. Ansgar and other parties to whom the City of St. Ansgar 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 St. Ansgar 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.



October 9, 2008

CITY OF ST. ANSGAR, 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 material weaknesses.
- (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 one person has control over most of the accounting and banking functions.

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.

II-B-08      Countersignature of Checks - The City requires checks to be signed by two authorized individuals. I noted several checks with only one authorized signature.

Recommendation - Checks should be prepared and signed by one individual and then the supporting documentation should be made available along with the check to a second independent individual for review and countersignature.

Response - We will follow procedures for two signatures on all checks.

Conclusion - Response accepted.

CITY OF ST. ANSGAR, IOWA  
Schedule of Findings  
Year Ended June 30, 2008

**Part II: Findings Related to the Financial Statements:** - continued

II-C-08      Countersignature of Checks - Acorn Golf Park - Checks are prepared and signed by one individual.

Recommendation - Checks should be prepared and signed by one individual and then the supporting documentation should be made available along with the check to a second independent individual for review and countersignature.

Response - We will investigate the alternatives.

Conclusion - Response accepted.

II-D-08      Post-dated Checks - I noted one check that cleared the bank on November 30, 2007, however, the check was dated December 1, 2007.

Recommendation - The City should avoid the use of post-dating checks.

Response - We will discontinue the use of post-dating checks in the future.

Conclusion - Response accepted.

II-E-08      Imprest Cash - The City does not include all cash funds in the City's fund balance.

Recommendation - Chapter 384.20 of the Code of Iowa states, in part, "A City shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any City purpose." All funds of the City should be included in the Clerk's report to comply with Chapter 384.20 of the Code of Iowa.

Response - We will include all imprest cash funds in the City's fund balance.

Conclusion - Response accepted.

II-F-08      Information Systems Controls - The City does not have a written disaster recovery plan. Also, adequate fire protection of computers and files does not exist.

Recommendation - The City should implement the controls necessary to protect the processing of computer information.

Response - We will do this.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Part III: Findings and Questioned Costs for Federal Awards:**

Not applicable

**CITY OF ST. ANSGAR, IOWA**  
**Schedule of Findings**  
**Year Ended June 30, 2008**

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-08     Certified Budget - Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the general government, debt service and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

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

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

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

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:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Mike Juhl, employee Owner of St. Ansgar Landscaping	Supplies	\$ 145
Bob McNutt, employee Owner of North Iowa T & C Care	Mowing	9,000

In accordance with Chapter 362.5 (11) of the Code of Iowa, the transactions with Mike Juhl do not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year. The transaction with Bob McNutt does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa.

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 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.

CITY OF ST. ANSGAR, IOWA  
Schedule of Findings  
Year Ended June 30, 2008

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

IV-H-08      Revenue Bonds - The City has not established the Aquatics Local Option Sales and Service Tax Revenue Bond Sinking and Reserve Accounts as required by the bond resolution.

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

Response - We will establish these accounts and make the appropriate transfers.

Conclusion - Response accepted.

IV-I-08      Payment of General Obligation Bonds - Certain general obligation bonds were paid from the Sewer Enterprise Fund. Chapter 384.4 of the Code of Iowa states, in part "Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund."

Recommendation - The City should transfer from the Sewer Enterprise Fund to the Debt Service Fund for future funding contributions. Payments of the bonds should then be disbursed from the Debt Service Fund.

Response - We will transfer in the future as recommended.

Conclusion - Response accepted.

IV-J-08      Employee Benefit Levy - I noted that the proceeds from the Emergency Levy were recorded in the Special Revenue, Employee Benefits Fund.

Recommendation - The City should establish a separate Special Revenue, Emergency Levy Fund for better accountability of the tax levy proceeds.

Response - We will do this.

Conclusion - Response accepted.

