

CITY OF BUFFALO CENTER, IOWA  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2008

- Prepared By -

Larry Pump, CPA  
117 North Jackson Street  
Charles City, IA 50616-2036  
Phone (641) 257-4222

CITY OF BUFFALO CENTER, IOWA

TABLE OF CONTENTS

	<u>PAGE</u>
<u>OFFICIALS</u> . . . . .	1
<u>INDEPENDENT AUDITOR'S REPORT</u> . . . . .	2-3
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u> . . . . .	4-8
 <u>BASIC FINANCIAL STATEMENTS:</u>	
	<u>Exhibit</u>
Government-wide Financial Statement:	
Statement of Activities and Net Assets - Cash Basis . . . . .	A 9-12
Governmental Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash Balances . . . . .	B 13-14
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash Balances . . . . .	C 15
Notes to Financial Statements . . . . .	16-21
 <u>REQUIRED SUPPLEMENTARY INFORMATION:</u>	
Budgetary Comparison Schedule of Receipts, Disbursements and	
Changes in Balances - Budget and Actual (Cash Basis) - All	
Governmental Funds and Proprietary Funds . . . . .	22-23
Notes to Required Supplementary Information	
- Budgetary Reporting . . . . .	24
 <u>OTHER SUPPLEMENTARY INFORMATION:</u>	
	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in	
Cash Balances - Nonmajor Governmental Funds . . . . .	1 25
Schedule of Indebtedness . . . . .	2 26-27
Note Maturities . . . . .	3 28
 <u>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER</u>	
<u>FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS</u>	
<u>BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN</u>	
<u>ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</u> . . . . .	
	29-30
<u>SCHEDULE OF FINDINGS</u> . . . . .	31-34

CITY OF BUFFALO CENTER, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
(Before January 2008)		
John Davids	Mayor	January 2008
Marty Schaefer	Mayor Pro tem	January 2008
Tim Heitland	Council Member	January 2008
Alroy Krull	Council Member	January 2008
Charles Silber	Council Member	January 2010
Pete Paulson	Council Member	January 2010
Debra Jensvold	Clerk	January 2008
Amy Schaefer	Treasurer	January 2008
Don Hemphill	Attorney	January 2008
(After January 2008)		
Reinert Levik	Mayor	January 2010
Marty Schaefer	Mayor Pro tem	January 2012
Pete Paulson	Council Member	January 2010
Charles Silber	Council Member	January 2010
Charles Clark	Council Member	January 2012
Alroy Krull	Council Member	January 2012
Debra Jensvold	Clerk	January 2009
Amy Schaefer	Treasurer	January 2009
Don Hemphill	Attorney	January 2009



Larry Pump, CPA  
117 North Jackson Street  
Charles City, IA 50616

E-mail: rlp@fiai.net

(641) 257-4222  
or (641) 228-2812  
Fax (641) 228-1513

**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 Buffalo Center, 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 Buffalo Center'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 Buffalo Center 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 November 25, 2008 on my consideration of the City of Buffalo Center'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 our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or 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 22 through 24 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 Buffalo Center'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".

November 25, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Buffalo Center 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 8%, or approximately \$73,000 from fiscal 2007 to fiscal 2008. Operating grants, contributions and restricted interest receipts increased approximately \$43,000 and note proceeds increased \$60,000.

Disbursements decreased 1%, or approximately \$11,000, in fiscal 2008 from fiscal 2007. Public works disbursements increased approximately \$34,000 while capital project disbursements decreased approximately \$111,000.

The City's total cash basis net assets increased 11%, or approximately \$74,000, from June 30, 2007 to June 30, 2008. Of this amount, the assets of the governmental activities increased approximately \$68,000 and the assets of the business type activities increased by approximately \$6,000.

### **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, 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 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 three Enterprise Funds to provide separate information for the water, sewer and garbage 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 increased from a year ago, increasing from \$464,103 to \$531,842. 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)

	<u>Year ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
Receipts:		
Program receipts:		
Charges for service	\$ 146	\$ 136
Operating grants, contributions and restricted interest	140	97
Capital grants, contributions and restricted interest	67	146
General receipts:		
Property tax	230	226
Local option sales tax	67	71
Unrestricted interest on investments	3	4
Note proceeds	270	210
Other general receipts	59	19
Total receipts	<u>\$ 982</u>	<u>\$ 909</u>
Disbursements:		
Public safety	\$ 152	\$ 110
Public works	119	85
Culture and recreation	96	86
General government	82	74
Debt service	99	93
Capital projects	366	477
Total disbursements	<u>\$ 914</u>	<u>\$ 925</u>
Change in cash basis net assets	\$ 68	\$ (16)
Cash basis net assets beginning of year	<u>464</u>	<u>480</u>
Cash basis net assets end of year	<u>\$ 532</u>	<u>\$ 464</u>

The City's total receipts for governmental activities increased by 8%, or \$73,000. The total cost of all programs and services increased by approximately \$4,000, or 1%, with no new programs added this year. The increase in receipts was primarily the result of increased operating grants, contributions and restricted interest and unrestricted interest on investments.

The cost of all governmental activities this year was approximately \$914,000 compared to approximately \$925,000 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 \$561,647 because some of the cost was paid by those directly benefited from the programs (\$145,679) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$206,936). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$230,000 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	\$ 71	\$ 60
Sewer	85	99
Garbage	73	67
General receipts:		
Unrestricted interest on investments	1	-
Total receipts	\$ 230	\$ 226
Disbursements:		
Water	\$ 91	\$ 65
Sewer	89	87
Garbage	44	108
Total disbursements	\$ 224	\$ 260
Change in cash basis net assets	\$ 6	\$ (34)
Cash basis net assets beginning of year	232	266
Cash basis net assets end of year	\$ 238	\$ 232

Total business type activities receipts for the fiscal year were \$230,000 compared to \$226,000 last year. The cash balance increased by approximately \$6,000 from the prior year. Total disbursements for the fiscal year decreased by 14% to a total of \$224,000.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Buffalo Center completed the year, its governmental funds reported a combined fund balance of \$531,842, an increase of more than \$67,000 from last year's total of \$464,103. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance decreased \$33,112 from the prior year to \$81,374. This decrease was due to increased operating expenses for the fiscal year.

The Special Revenue, Road Use Tax Fund cash balance increased by \$5,912 to \$134,156 during the fiscal year. This increase was attributable to increased operating receipts.

The Special Revenue, Local Option Sales Tax Fund cash balance increased by \$16,537 to \$130,797. This is due to receipts coming in faster than project expenditures are made. The balance will be used on future projects.

The Debt Service Fund cash balance increased \$4,963 to \$72,003, due to increased property taxes.

The Capital Projects, Street Project Fund cash balance increased by \$74,421 from the prior year to \$75,172. This is due to special assessments, received by the City from citizens affected by the street project.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The Water Utility Fund cash balance decreased by \$19,890 to \$57,664, due primarily to an increase in operating expenses from the prior year.

The Sewer Utility Fund cash balance decreased by \$2,523 to \$137,448 due primarily to decreased operating receipts.

The Garbage Fund cash balance increased by \$29,061 to \$43,112 due to increased operating receipts.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on May 14, 2008 and resulted in an increase in operating disbursements of \$448,918. The City increased other miscellaneous receipts and financing sources as well.

Even with the budget amendment, actual disbursements for the public safety, culture and recreation and debt service functions were \$36,038, \$4,828 and \$8,001, respectively, more than the amended budget.

**DEBT ADMINISTRATION**

At June 30, 2008, the City had approximately \$548,000 in notes outstanding, compared to approximately \$360,000 last year, as shown below.

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

	June 30,	
	2008	2007
General obligation notes	<u>\$ 548</u>	<u>\$ 360</u>

Debt increased as a result of issuing general obligation notes for a street project.

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 \$548,000 is significantly below its constitutional debt limit of \$1,204,246.

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

The City of Buffalo Center'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 Deb Jensvold, City Clerk, P.O. Box 430, Buffalo Center, Iowa 54024.

CITY OF BUFFALO CENTER, 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>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<b>FUNCTIONS/PROGRAMS:</b>				
Governmental activities:				
Public safety	\$ 151,741	\$ 6,758	\$ 4,950	\$ 9,900
Public works	119,221	12,901	83,023	-
Culture and recreation	95,828	22,625	51,945	-
General government	82,324	-	-	-
Debt service	98,692	30,763	-	-
Capital projects	<u>366,456</u>	<u>72,632</u>	<u>-</u>	<u>57,118</u>
Total governmental activities	<u>\$ 914,262</u>	<u>\$ 145,679</u>	<u>\$ 139,918</u>	<u>\$ 67,018</u>
Business type activities:				
Water	\$ 91,275	\$ 70,934	\$ -	\$ -
Sewer	89,247	85,751	-	-
Garbage	<u>43,662</u>	<u>72,723</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$ 224,184</u>	<u>\$ 229,408</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$1,138,446</u>	<u>\$ 375,087</u>	<u>\$ 139,918</u>	<u>\$ 67,018</u>

(Continued)

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (130,133)	\$ -	\$ (130,133)
(23,297)	-	(23,297)
(21,258)	-	(21,258)
(82,324)	-	(82,324)
(67,929)	-	(67,929)
<u>(236,706)</u>	<u>-</u>	<u>(236,706)</u>
<u>\$ (561,647)</u>	<u>\$ -</u>	<u>\$ (561,647)</u>
\$ -	\$ (20,341)	\$ (20,341)
-	(3,496)	(3,496)
<u>-</u>	<u>29,061</u>	<u>29,061</u>
<u>\$ -</u>	<u>\$ 5,224</u>	<u>\$ 5,224</u>
<u>\$ (561,647)</u>	<u>\$ 5,224</u>	<u>\$ (556,423)</u>

CITY OF BUFFALO CENTER, 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  
    Debt service  
Local option sales tax  
Unrestricted interest on investments  
Note proceeds  
Miscellaneous

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  
    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>
\$ 156,730	\$ -	\$ 156,730
72,892	-	72,892
67,349	-	67,349
3,533	1,424	4,957
270,000	-	270,000
<u>58,882</u>	<u>-</u>	<u>58,882</u>
<u>\$ 629,386</u>	<u>\$ 1,424</u>	<u>\$ 630,810</u>
\$ 67,739	\$ 6,648	\$ 74,387
<u>464,103</u>	<u>231,576</u>	<u>695,679</u>
<u><b>\$ 531,842</b></u>	<u><b>\$ 238,224</b></u>	<u><b>\$ 770,066</b></u>
\$ 134,156	\$ -	\$ 134,156
72,003	-	72,003
<u>325,683</u>	<u>238,224</u>	<u>563,907</u>
<u><b>\$ 531,842</b></u>	<u><b>\$ 238,224</b></u>	<u><b>\$ 770,066</b></u>

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

	<u>General</u>	<u>Special Revenue</u>	
		<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>
<b>RECEIPTS:</b>			
Property tax	\$ 142,445	\$ -	\$ -
Other city tax	-	-	67,349
Use of money and property	2,900	-	815
Licenses and permits	2,004	-	-
Intergovernmental	99,813	82,475	-
Charges for service	33,780	-	-
Special assessments	-	-	-
Miscellaneous	89,753	-	-
Total receipts	<u>\$ 370,695</u>	<u>\$ 82,475</u>	<u>\$ 68,164</u>
<b>DISBURSEMENTS:</b>			
Operating:			
Public safety	\$ 146,004	\$ -	\$ -
Public works	37,590	76,563	-
Culture and recreation	92,084	-	-
General government	81,511	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>\$ 357,189</u>	<u>\$ 76,563</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 13,506</u>	<u>\$ 5,912</u>	<u>\$ 68,164</u>
Other financing sources (uses):			
Proceeds from anticipatory warrants	\$ -	\$ -	\$ -
Anticipatory warrants redeemed	-	-	-
Note proceeds	-	-	-
Operating transfers in	10,500	-	-
Operating transfers out	(57,118)	-	(51,627)
Total other financing sources (uses)	<u>\$ (46,618)</u>	<u>\$ -</u>	<u>\$ (51,627)</u>
Net change in cash balances	\$ (33,112)	\$ 5,912	\$ 16,537
Cash balances beginning of year	<u>114,486</u>	<u>128,244</u>	<u>114,260</u>
<b>Cash balances end of year</b>	<b><u>\$ 81,374</u></b>	<b><u>\$ 134,156</u></b>	<b><u>\$ 130,797</u></b>
<b>Cash Basis Fund Balances:</b>			
Reserved for debt service	\$ -	\$ -	\$ -
Unreserved:			
General fund	81,374	-	-
Special revenue funds	-	134,156	130,797
Capital projects funds	-	-	-
Total cash basis fund balances	<u>\$ 81,374</u>	<u>\$ 134,156</u>	<u>\$ 130,797</u>

*See Notes to Financial Statements.*

<u>Debt Service General Obligation Notes</u>	<u>Capital Projects Street Project</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 72,892	\$ -	\$ 14,285	\$ 229,622
-	-	-	67,349
-	-	95	3,810
-	-	-	2,004
-	-	-	182,288
-	-	-	33,780
20,103	72,632	-	92,735
10,660	-	-	100,413
<u>\$ 103,655</u>	<u>\$ 72,632</u>	<u>\$ 14,380</u>	<u>\$ 712,001</u>
\$ -	\$ -	\$ 5,737	\$ 151,741
-	-	5,068	119,221
-	-	3,744	95,828
-	-	813	82,324
98,692	-	-	98,692
-	309,338	57,118	366,456
<u>\$ 98,692</u>	<u>\$ 309,338</u>	<u>\$ 72,480</u>	<u>\$ 914,262</u>
<u>\$ 4,963</u>	<u>\$ (236,706)</u>	<u>\$ (58,100)</u>	<u>\$ (202,261)</u>
\$ -	\$ 256,881	\$ -	\$ 256,881
-	(256,881)	-	(256,881)
-	270,000	-	270,000
-	41,127	57,118	108,745
-	-	-	(108,745)
<u>\$ -</u>	<u>\$ 311,127</u>	<u>\$ 57,118</u>	<u>\$ 270,000</u>
\$ 4,963	\$ 74,421	\$ (982)	\$ 67,739
67,040	751	39,322	464,103
<u>\$ 72,003</u>	<u>\$ 75,172</u>	<u>\$ 38,340</u>	<u>\$ 531,842</u>
\$ 72,003	\$ -	\$ -	\$ 72,003
-	-	-	81,374
-	-	16,356	281,309
-	75,172	21,984	97,156
<u>\$ 72,003</u>	<u>\$ 75,172</u>	<u>\$ 38,340</u>	<u>\$ 531,842</u>

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

	Enterprise			Total
	Water Utility	Sewer Utility	Garbage	
Operating receipts:				
Charges for service	\$ 70,916	\$ 83,352	\$ 72,723	\$ 226,991
Miscellaneous	18	2,399	-	2,417
Total operating receipts	\$ 70,934	\$ 85,751	\$ 72,723	\$ 229,408
Operating disbursements:				
Business type activities	74,470	89,247	43,662	207,379
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ (3,536)	\$ (3,496)	\$ 29,061	\$ 22,029
Non-operating receipts (disbursements):				
Interest on investments	\$ 451	\$ 973	\$ -	\$ 1,424
Capital projects	(16,805)	-	-	(16,805)
Net non-operating receipts (disbursements)	\$ (16,354)	\$ 973	\$ -	\$ (15,381)
Net change in cash balances	\$ (19,890)	\$ (2,523)	\$ 29,061	\$ 6,648
Cash balances beginning of year	77,554	139,971	14,051	231,576
<b>Cash balances end of year</b>	<b><u>\$ 57,664</u></b>	<b><u>\$ 137,448</u></b>	<b><u>\$ 43,112</u></b>	<b><u>\$ 238,224</u></b>
<b>Cash Basis Fund Balances</b>				
Unreserved	<b><u>\$ 57,664</u></b>	<b><u>\$ 137,448</u></b>	<b><u>\$ 43,112</u></b>	<b><u>\$ 238,224</u></b>

*See Notes to Financial Statements.*

**CITY OF BUFFALO CENTER, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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

The City of Buffalo Center is a political subdivision of the State of Iowa located in Winnebago County. It was first incorporated in 1892 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 Buffalo Center 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 Winnebago County Assessor's Conference Board and North Iowa Area Council of Governments.

B. Basis of Presentation

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

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

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

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

CITY OF BUFFALO CENTER, 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 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 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 Street Project Fund is used to account for street improvement receipts and disbursements.

The City reports the following major proprietary funds:

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

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

The Garbage Fund accounts for the operation of the City's garbage collection.

CITY OF BUFFALO CENTER, 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 Buffalo Center 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 public safety, culture and recreation and debt service 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 BUFFALO CENTER, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**(3) Notes Payable**

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

Year Ending June 30,	General Obligation Notes	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 97,440	\$ 28,957
2010	64,280	23,392
2011	58,280	19,610
2012	60,280	16,859
2013	49,000	13,996
2014-2018	<u>219,000</u>	<u>31,917</u>
Total	<u>\$548,280</u>	<u>\$134,731</u>

**(4) Pension and Retirement Benefits**

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

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 \$10,753, 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 \$7,573. This liability has been computed based on rates of pay in effect at June 30, 2008.

**(6) Anticipatory Warrants**

Anticipatory warrants are warrants which are legally drawn on City funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented for redemption.

The City issued \$256,881 of anticipatory warrants, at 5% interest per annum, for street construction. As of June 30, 2008, all of those anticipatory warrants had been redeemed.

**CITY OF BUFFALO CENTER, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**(7) Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 10,500
Capital Projects:		
Housing Rehab	General	\$ 57,118
Street Project	Special Revenue:	
	Local Option Sales Tax	41,127
		<u>\$ 98,245</u>
Total		<u>\$ 108,745</u>

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

**(8) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$33,419 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.

CITY OF BUFFALO CENTER, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

(9) **Risk Management** - continued

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 \$27,913.

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

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

The City is subject to pending litigation. The probability of loss, if any, is undeterminable.

(11) **Subsequent Event**

On October 15, 2008, the City approved a City owned building site demolition in the amount of \$11,300.

**Required Supplementary Information**

CITY OF BUFFALO CENTER, 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	\$ 229,622	\$ -	\$ -
Other city tax	67,349	-	-
Licenses and permits	3,810	-	-
Use of money and property	2,004	1,424	-
Intergovernmental	182,288	-	-
Charges for service	33,780	226,991	-
Special assessments	92,735	-	-
Miscellaneous	100,413	2,417	-
Total receipts	<u>\$ 712,001</u>	<u>\$ 230,832</u>	<u>\$ -</u>
<b>DISBURSEMENTS:</b>			
Public safety	\$ 151,741	\$ -	\$ -
Public works	119,221	-	-
Culture and recreation	95,828	-	-
General government	82,324	-	-
Debt service	98,692	-	-
Capital projects	366,456	-	-
Business type activities	-	224,184	-
Total disbursements	<u>\$ 914,262</u>	<u>\$ 224,184</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	\$ (202,261)	\$ 6,648	\$ -
Other financing sources, net	<u>270,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 67,739	\$ 6,648	\$ -
Balances beginning of year	<u>464,103</u>	<u>231,576</u>	<u>-</u>
<b>Balances end of year</b>	<u><b>\$ 531,842</b></u>	<u><b>\$ 238,224</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>	
\$ 229,622	\$ 214,562	\$ 214,562	\$ 15,060
67,349	74,949	74,949	(7,600)
3,810	1,800	1,800	2,010
3,428	1,350	1,350	2,078
182,288	115,660	115,660	66,628
260,771	228,500	228,500	32,271
92,735	-	-	92,735
102,830	47,100	135,018	(32,188)
<u>\$ 942,833</u>	<u>\$ 683,921</u>	<u>\$ 771,839</u>	<u>\$ 170,994</u>
\$ 151,741	\$ 88,503	\$ 115,703	\$ (36,038)
119,221	115,500	125,700	6,479
95,828	91,000	91,000	(4,828)
82,324	82,200	131,600	49,276
98,692	90,691	90,691	(8,001)
366,456	350,000	677,118	310,662
224,184	216,000	251,000	26,816
<u>\$1,138,446</u>	<u>\$1,033,894</u>	<u>\$1,482,812</u>	<u>\$ 344,366</u>
\$ (195,613)	\$ (349,973)	\$ (710,973)	\$ 515,360
<u>270,000</u>	<u>350,000</u>	<u>620,000</u>	<u>(350,000)</u>
\$ 74,387	\$ 27	\$ (90,973)	\$ 165,360
<u>695,679</u>	<u>672,565</u>	<u>672,565</u>	<u>23,114</u>
<u><b>\$ 770,066</b></u>	<u><b>\$ 672,592</b></u>	<u><b>\$ 581,592</b></u>	<u><b>\$ 188,474</b></u>

**CITY OF BUFFALO CENTER, 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 Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$448,918. The budget amendment is reflected in the final budgeted amounts.

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

Other Supplementary Information

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

	<u>Special Revenue</u>	<u>Capital Projects</u>		
	<u>Employee Benefits</u>	<u>Housing Rehab</u>	<u>Building</u>	<u>Total</u>
<b>RECEIPTS:</b>				
Property tax	\$ 14,285	\$ -	\$ -	\$ 14,285
Use of money and property	-	-	95	95
Total receipts	<u>\$ 14,285</u>	<u>\$ -</u>	<u>\$ 95</u>	<u>\$ 14,380</u>
<b>DISBURSEMENTS:</b>				
Operating:				
Public safety	\$ 5,737	\$ -	\$ -	\$ 5,737
Public works	5,068	-	-	5,068
Culture and recreation	3,744	-	-	3,744
General government	813	-	-	813
Capital projects	-	57,118	-	57,118
Total disbursements	<u>\$ 15,362</u>	<u>\$ 57,118</u>	<u>\$ -</u>	<u>\$ 72,480</u>
Excess (deficiency) of receipts over (under) disbursements	\$ (1,077)	\$(57,118)	\$ 95	\$ (58,100)
Other financing sources:				
Operating transfers in	-	57,118	-	57,118
Net change in cash balances	\$ (1,077)	\$ -	\$ 95	\$ (982)
Cash balances beginning of year	<u>17,433</u>	<u>8,387</u>	<u>13,502</u>	<u>39,322</u>
<b>Cash balances end of year</b>	<b><u>\$ 16,356</u></b>	<b><u>\$ 8,387</u></b>	<b><u>\$ 13,597</u></b>	<b><u>\$ 38,340</u></b>
<b>Cash Basis Fund Balances:</b>				
Unreserved:				
Special revenue fund	\$ 16,356	\$ -	\$ -	\$ 16,356
Capital project funds	-	8,387	13,597	21,984
Total cash basis fund balances	<u>\$ 16,356</u>	<u>\$ 8,387</u>	<u>\$ 13,597</u>	<u>\$ 38,340</u>

*See Accompanying Independent Auditor's Report.*

CITY OF BUFFALO CENTER, 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 Notes:</b>			
1999 Fire Truck	12-19-01	4.00%	\$ 132,800
2003 Street Improvement Fire Station	06-18-03	4.75	80,000
1999 Street and Vehicle	07-21-99	5.15	51,600
2005 Street Improvement	09-01-99	5.15	300,000
2007 Street Improvement	08-30-06	4.95	210,000
Total	04-24-08	5.00	270,000
<b>Anticipatory Warrants:</b>			
Street Improvement	11-18-07	5.00	\$ 256,881
<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>
\$ 66,400	\$ -	\$ 13,280	\$ 53,120	\$ 2,656	\$ -
32,000	-	16,000	16,000	1,520	-
10,320	-	5,160	5,160	532	-
60,000	-	30,000	30,000	3,090	-
191,000	-	17,000	174,000	9,454	-
-	270,000	-	270,000	-	-
<u>\$ 359,720</u>	<u>\$ 270,000</u>	<u>\$ 81,440</u>	<u>\$ 548,280</u>	<u>\$ 17,252</u>	<u>\$ -</u>
\$ -	\$ 256,881	\$ 256,881	\$ -	\$ 6,993	\$ -
<u>\$ 359,720</u>	<u>\$ 526,881</u>	<u>\$ 338,321</u>	<u>\$ 548,280</u>	<u>\$ 24,245</u>	<u>\$ -</u>

CITY OF BUFFALO CENTER, IOWA  
NOTE MATURITIES  
JUNE 30, 2008

GENERAL OBLIGATION NOTES

Year Ending June 30,	1999 Fire Truck		2003 Street Improvement		Fire Station	
	Issued December 19, 2001		Issued June 18, 2003		Issued July 21, 1999	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2009	4.00%	\$ 13,280	4.75%	\$ 8,000	5.15%	\$ 5,160
2010	4.00	13,280	4.75	8,000		-
2011	4.00	13,280		-		-
2012	4.00	13,280		-		-
2013		-		-		-
2014		-		-		-
2015		-		-		-
2016		-		-		-
2017		-		-		-
2018		-		-		-
<b>Total</b>		<b><u>\$ 53,120</u></b>		<b><u>\$ 16,000</u></b>		<b><u>\$ 5,160</u></b>

GENERAL OBLIGATION NOTES

Year Ending June 30,	1998 Street and Vehicle		2005 Street Improvement		2007 Street Improvement	
	Issued September 1, 1999		Issued August 30, 2006		Issued April 24, 2008	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2009	5.15%	\$ 30,000	4.95%	\$ 18,000	5.00%	\$ 23,000
2010		-	4.95	19,000	5.00	24,000
2011		-	4.95	20,000	5.00	25,000
2012		-	4.95	21,000	5.00	26,000
2013		-	4.95	22,000	5.00	27,000
2014		-	4.95	23,000	5.00	27,000
2015		-	4.95	25,000	5.00	28,000
2016		-	4.95	26,000	5.00	29,000
2017		-		-	5.00	30,000
2018		-		-	5.00	31,000
<b>Total</b>		<b><u>\$ 30,000</u></b>		<b><u>\$ 174,000</u></b>		<b><u>\$270,000</u></b>

Year Ending June 30,	Total
2009	\$ 97,440
2010	64,280
2011	58,280
2012	60,280
2013	49,000
2014	50,000
2015	53,000
2016	55,000
2017	30,000
2018	31,000
<b>Total</b>	<b><u>\$ 548,280</u></b>

*See Accompanying Independent Auditor's Report.*



Larry Pump, CPA  
117 North Jackson Street  
Charles City, IA 50616

E-mail: rlp@fiai.net

(641) 257-4222  
or (641) 228-2812  
Fax (641) 228-1513

**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 Buffalo Center, 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 November 25, 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 Buffalo Center'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 Buffalo Center's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Buffalo Center'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 Buffalo Center'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 Buffalo Center's financial statements that is more than inconsequential will not be prevented or detected by the City of Buffalo Center'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 Buffalo Center'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, II-C-08 and II-D-08 are material weaknesses.

#### Compliance and Other Matters

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



November 25, 2008

CITY OF BUFFALO CENTER, 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 noncompliance 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 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 BUFFALO CENTER, IOWA  
Schedule of Findings  
Year Ended June 30, 2008

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

II-C-08      Centralized Bookkeeping - The bookkeeping and custody of records for the Volunteer Fire Department funds and Heritage Town Center funds are maintained by individuals outside the City Clerk's office. These transactions and the resulting balances are not recorded in the Clerk's records. Chapter 384.20 of the Code of Iowa states in part that "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose".

Recommendation - For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be recorded in the Clerk's records.

Response - We will look into this.

Conclusion - Response accepted.

II-D-08      Authorized Check Signer - It was noted that individuals who are listed on the Volunteer Fire Department signature card and Heritage Town Center signature card are not City employees or council members. I also noted a former City official on signature cards for City funds.

Recommendation - All bank authorized signature cards should be reviewed and updates. Only current City employees or council members should be authorized signers.

Response - We will review all signature cards and update them per guidelines recommended.

Conclusion - Response accepted.

II-E-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.

II-F-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.

CITY OF BUFFALO CENTER, IOWA  
Schedule of Findings  
Year Ended June 30, 2008

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

**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 amounts budgeted in the public safety, culture and recreation and debt service 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>
Lyle Hippen, Spouse of Employee, Owner of Devries Lumber	Supplies	\$ 1,247
Tim Heitland, Council Member, Owner of Heitland Construction	Construction contracts	32,172

In accordance with Chapter 362.5 (11) of the Code of Iowa, the transactions with Lyle Hippen do not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year. The transaction with Tim Heitland 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.

CITY OF BUFFALO CENTER, IOWA  
Schedule of Findings  
Year Ended June 30, 2008

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

- 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.