

CITY OF ALBERT CITY, IOWA

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

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City of Albert City, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2008)		
Carl Erickson	Mayor	Jan 2010
Doug Anderson	Mayor Pro Tem	Jan 2008
Abe Falkena	Council Member	Jan 2008
Norm Hanson	Council Member	Jan 2008
Keith Moe	Council Member	Jan 2010
Dale Skog	Council Member	Jan 2010
Angie Nielson	City Clerk/Treasurer	Indefinite
Brenda Sundblad	Deputy Clerk	Indefinite
Stern, Diehl, Cornish & Jensen	Attorney	Indefinite
(After January 2008)		
Carl Erickson	Mayor	Jan 2010
Doug Anderson	Mayor Pro Tem	Jan 2012
Keith Moe	Council Member	Jan 2010
Dale Skog	Council Member	Jan 2010
Abe Falkena	Council Member	Jan 2012
Norm Hanson	Council Member	Jan 2012
Angie Nielson	City Clerk/Treasurer	Indefinite
Brenda Sundblad	Deputy Clerk	Indefinite
Stern, Diehl, Cornish & Jensen	Attorney	Indefinite

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Albert City, 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 Albert City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2007.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2007, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Albert City as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated April 27, 2009, on our consideration of the City of Albert City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 6 and 20 through 22 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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

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

April 27, 2009

**CITY OF ALBERT CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

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

2008 FINANCIAL HIGHLIGHTS

- * Receipts of the City-wide activities were approximately \$1,286,000 for fiscal year 2008.
- * Disbursements were approximately \$1,176,000 for fiscal year 2008.
- * The City's total cash basis net assets increased 28%, or approximately \$109,000 from June 30, 2007 to June 30, 2008.

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 City's Financial Statement consists of a Statement of Cash Receipts, Disbursements and Changes in Cash Balances. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

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 City's 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, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

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 Cash Receipts, Disbursements and Changes in Cash Balances reports information which helps answer this question.

The Statement of Cash Receipts, Disbursements and Changes in Cash Balances 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.

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 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides.

Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water Fund and Sewer Fund, considered to be major funds of the City.

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

GOVERNEMENT-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, from \$194,743 to \$243,063. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	<u>Year Ended</u> <u>June 30, 2008</u>
Receipts and Transfers:	
General Receipts	
Property Tax	\$ 285,169
Other City Tax	82,005
Intergovernmental	14,670
Use of Money and Property	7,471
Licenses and Permits	2,805
Charges for Services	72,244
Other General Receipts	71,144
Bond/Note Proceeds	<u>25,494</u>
Total Receipts and Transfers	\$ 561,002
Disbursements:	
Public Safety	\$ 43,972
Public Works	202,353
Health and Social Services	2,140
Culture and Recreation	111,620
Community and Economic Development	10,840
General Government	63,587
Debt Service	78,145
Net Transfers	<u>25</u>
Total Disbursements	<u>\$ 512,682</u>
Increase in Cash Basis Net Assets	\$ 48,320
Cash Basis Net Assets – Beginning of Year	<u>194,743</u>
Cash Basis Net Assets – End of Year	<u>\$ 243,063</u>

Changes in Cash Basis Net Assets of Business Type Activities

	<u>Year Ended</u> <u>June 30, 2008</u>
Receipts:	
Operating Receipts:	
Water	\$ 96,115
Sewer	65,137
Interest	12,774
Revenue Bond Proceeds	550,770
Net Transfers In	<u>25</u>
Total	<u>\$ 724,821</u>
Disbursements:	
Operating Disbursements:	
Water	\$ 123,906
Sewer	73,869
Interest Payments	5,147
Capital Projects	<u>460,805</u>
Total	<u>\$ 663,727</u>
Net Change in Cash Balances	\$ 61,094
Cash Basis Net Assets – Beginning of Year	<u>191,599</u>
Cash Basis Net Assets – End of Year	<u>\$ 252,693</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Albert City completed the year, its governmental funds reported a combined fund balance of \$243,063, an increase of \$48,320 over last year's total of \$194,743. 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 \$42,193 from the prior year to \$94,253.
- * The Road Use Tax Fund cash balance decreased by \$6,504 to \$31,960 during the fiscal year.
- * The Local Option Sales Tax Fund cash balance increased by \$11,024 to \$90,088 during the year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- * The Water Fund cash balance increased by \$68,898 to \$181,681.
- * The Sewer Fund cash balance decreased by \$7,804 to \$71,012.

DEBT ADMINISTRATION

A comparison of the City's debt at June 30, 2008 to June 30, 2007 follows:

	<u>Year Ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
G.O. Bonds and Notes	\$ 220,000	\$ 285,000
Water Revenue Notes	505,582	-0-
Promissory Notes	<u>76,482</u>	<u>-0-</u>
Total	<u>\$ 802,064</u>	<u>\$ 285,000</u>

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, Angie Nielson, City Clerk, Albert City, Iowa.

Basic Financial Statements

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

		Program Receipts		
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>
Functions/Programs:				
Governmental activities:				
Public safety	\$ 43,972	-	-	-
Public works	202,353	65,509	4,418	-
Health and social services	2,140	-	-	-
Culture and recreation	111,620	6,735	10,252	-
Community and economic development	10,840	-	-	-
General government	63,587	-	-	-
Debt service	78,145	-	-	-
Total governmental activities	512,657	72,244	14,670	-
Business type activities:				
Water	560,120	96,115	-	-
Sewer	103,607	65,137	-	-
Total business type activities	663,727	161,252	-	-
Total	\$ 1,176,384	233,496	14,670	-

General Receipts:

Property tax levied for:
 General purposes
 Debt service
Local option sales tax
Unrestricted interest on investments
Bond/note proceeds
Miscellaneous
Transfers
Total general receipts and transfers
Change in cash basis net assets
Cash basis net assets beginning of year
Cash basis net assets end of year

Cash Basis Net Assets

Restricted:
 Streets
 Debt service
 Other purposes
Unrestricted

Total cash basis net assets

See notes to financial statements.

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

Governmental Activities	Business Type Activities	Total
(43,972)	-	(43,972)
(132,426)	-	(132,426)
(2,140)	-	(2,140)
(94,633)	-	(94,633)
(10,840)	-	(10,840)
(63,587)	-	(63,587)
(78,145)	-	(78,145)
<u>(425,743)</u>	<u>-</u>	<u>(425,743)</u>
-	(464,005)	(464,005)
<u>-</u>	<u>(38,470)</u>	<u>(38,470)</u>
<u>-</u>	<u>(502,475)</u>	<u>(502,475)</u>
<u>(425,743)</u>	<u>(502,475)</u>	<u>(928,218)</u>
221,282	-	221,282
78,669	-	78,669
67,222	-	67,222
5,529	12,774	18,303
25,494	550,770	576,264
75,892	-	75,892
(25)	25	-
<u>474,063</u>	<u>563,569</u>	<u>1,037,632</u>
48,320	61,094	109,414
<u>194,743</u>	<u>191,599</u>	<u>386,342</u>
<u>\$ 243,063</u>	<u>252,693</u>	<u>495,756</u>
\$ 31,960	-	31,960
2,161	-	2,161
92,908	-	92,908
<u>116,034</u>	<u>252,693</u>	<u>368,727</u>
<u>\$ 243,063</u>	<u>252,693</u>	<u>495,756</u>

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

		Special Revenue	
	General	Road Use	Local Option Sales Tax
Receipts:			
Property tax	\$ 129,083	60,742	-
Other city tax	8,658	-	67,222
Licenses and permits	2,805	-	-
Use of money and property	6,020	-	-
Intergovernmental	10,252	4,418	-
Charges for service	72,244	-	-
Miscellaneous	68,537	-	2,350
Total receipts	297,599	65,160	69,572
Disbursements:			
Operating:			
Public safety	43,972	-	-
Public works	120,867	76,664	-
Health and social services	2,140	-	-
Culture and recreation	105,905	-	-
Community and economic development	2,708	-	8,132
General government	54,805	-	-
Debt service	-	-	-
Total disbursements	330,397	76,664	8,132
Excess (deficiency) of receipts over (under) disbursements	(32,798)	(11,504)	61,440
Other financing sources (uses):			
Bond/note proceeds	25,494	-	-
Operating transfers in	54,522	5,000	-
Operating transfers out	(5,025)	-	(50,416)
Total other financing sources (uses)	74,991	5,000	(50,416)
Net change in cash balances	42,193	(6,504)	11,024
Cash balances beginning of year	52,060	38,464	79,064
Cash balances end of year	\$ 94,253	31,960	90,088
Cash Basis Fund Balances			
Reserved:			
Debt service	\$ -	-	-
Unreserved:			
General fund	94,253	-	-
Special revenue funds	-	31,960	90,088
Capital projects funds	-	-	-
Total cash basis fund balances	\$ 94,253	31,960	90,088

See notes to financial statements.

<u>Debt Service</u>	Other Nonmajor Governmental <u>Funds</u>	<u>Total</u>
73,721	21,623	285,169
4,948	1,177	82,005
-	-	2,805
-	1,451	7,471
-	-	14,670
-	-	72,244
-	257	71,144
<u>78,669</u>	<u>24,508</u>	<u>535,508</u>
-	-	43,972
-	4,822	202,353
-	-	2,140
-	5,715	111,620
-	-	10,840
-	8,782	63,587
<u>78,145</u>	<u>-</u>	<u>78,145</u>
<u>78,145</u>	<u>19,319</u>	<u>512,657</u>
<u>524</u>	<u>5,189</u>	<u>22,851</u>
-	-	25,494
-	-	59,522
-	(4,106)	(59,547)
-	(4,106)	25,469
524	1,083	48,320
<u>1,637</u>	<u>23,518</u>	<u>194,743</u>
<u>2,161</u>	<u>24,601</u>	<u>243,063</u>
2,161	-	2,161
-	-	94,253
-	2,820	124,868
-	21,781	21,781
<u>2,161</u>	<u>24,601</u>	<u>243,063</u>

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

As of and for the year ended June 30, 2008

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 96,115	65,137	161,252
Total operating receipts	96,115	65,137	161,252
Operating disbursements:			
Business type activities	123,906	73,869	197,775
Total operating disbursements	123,906	73,869	197,775
Excess (deficiency) of operating receipts over (under) operating disbursements	(27,791)	(8,732)	(36,523)
Non-operating receipts (disbursements):			
Interest on investments	7,602	5,172	12,774
Revenue bond/note proceeds	525,276	25,494	550,770
Debt Service			
Interest payments	(5,147)	-	(5,147)
Capital equipment	(28,198)	(29,738)	(57,936)
Capital projects	(402,869)	-	(402,869)
Net non-operating receipts (disbursements)	96,664	928	97,592
Excess (deficiency) of receipts over (under) disbursements	68,873	(7,804)	61,069
Operating transfers in	25	-	25
Net change in cash balances	68,898	(7,804)	61,094
Cash balances beginning of year	112,783	78,816	191,599
Cash balances end of year	\$ 181,681	\$ 71,012	\$ 252,693
Cash Basis Fund Balances			
Reserved for improvements	83,461	96,578	180,039
Unreserved	\$ 98,220	(25,566)	72,654
Total cash basis fund balances	\$ 181,681	71,012	252,693

See notes to financial statements.

City of Albert City, Iowa

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

The City of Albert City is a political subdivision of the State of Iowa located in Buena Vista County. It operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, 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 Albert City 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 does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating government. City officials are members of the Buena Vista County Assessor's Conference Board.

City of Albert City, Iowa

Notes to Financial Statements

June 30, 2008

B. Basis of Presentation

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

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

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

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

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

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

City of Albert City, Iowa

Notes to Financial Statements

June 30, 2008

The City reports the following major governmental funds:

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

Special Revenue:

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

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and used for capital improvements, equipment and community programs and services.

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

The City reports the following major proprietary fund:

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 wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Albert 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.

City of Albert City, Iowa

Notes to Financial Statements

June 30, 2008

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 20, 2008, disbursements exceeded the amounts budgeted in the public works function.

(2) **Cash**

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

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

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$59,672 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

City of Albert City, Iowa

Notes to Financial Statements

June 30, 2008

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Bonds	
	Principal	Interest	Principal	Interest
2009	\$ 65,000	9,820	21,000	15,167
2010	70,000	6,670	22,000	14,537
2011	25,000	3,570	22,000	13,877
2012	30,000	2,580	23,000	13,217
2013	30,000	1,320	24,000	12,527
2014-2018	---	---	132,000	51,328
2019-2023	---	---	155,000	30,237
2024-2027	---	---	<u>106,582</u>	<u>6,552</u>
Total	\$ 220,000	24,050	505,582	157,442
	=====	=====	=====	=====

Year Ending June 30,	Total	
	Principal	Interest
2009	\$ 86,000	24,987
2010	92,000	21,297
2011	47,000	17,447
2012	53,000	15,797
2013	54,000	13,847
2014-2018	132,000	51,328
2019-2023	155,000	30,237
2024-2027	<u>106,582</u>	<u>6,552</u>
Total	\$ 725,582	181,492
	=====	=====

Revenue Notes – The City has pledged future water customer receipts, net of operating disbursements, to repay \$505,582 in water revenue bonds issued throughout the fiscal year. Proceeds from the bonds provided financing for water improvement projects. The notes are payable solely from water customer net receipts and are payable through 2027. Annual principal and interest payments on the notes are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$663,024. For the current year, principal and interest paid and total customer net deficit were \$5,147 and \$30,495, respectively.

City of Albert City, Iowa

Notes to Financial Statements

June 30, 2008

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

- (a) The bonds/notes will only be redeemed from the future earnings of the enterprise activity and the bond/note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate water revenue bond sinking fund for the purpose of making the bond principal and interest payments when due.
- (c) There shall be a special fund to be known and designated as the Surplus Fund into which there shall be set apart and paid all of the net revenues remaining after first making the required payments into the Sinking Fund. All money credited to the Surplus Fund shall be transferred and credited to the Sinking Fund whenever necessary to prevent or remedy a default in the payment of principal or interest on the bonds.
- (d) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

Promissory Note

The City of Albert City approved a loan agreement to purchase a boom truck. The interest rate is six percent and will be repaid as follows:

Year Ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u> 2009	\$ 16,656	176	16,832
2010	13,710	3,590	17,300
2011	14,533	2,767	17,300
2012	15,405	1,895	17,300
2013	<u>16,178</u>	<u>1,122</u>	<u>17,300</u>
	<u>\$ 76,482</u>	<u>9,550</u>	<u>86,032</u>

City of Albert City, 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 annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2008 was \$7,656, equal to the required contribution for the year.

(5) Compensated Absences

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

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ <u>125</u>

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

City of Albert City, Iowa
Notes to Financial Statements
June 30, 2008

(6) Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 50,416
	Emergency	4,106
Special Revenue		
Road Use	General	5,000
Enterprise		
Water	General	<u>25</u>
Total		\$ <u>59,547</u>

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

(7) Risk Management

The City of Albert 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 in the past three fiscal years.

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$8,943.

(9) Commitments

The City has committed to a water improvement project. The project is expected to cost approximately \$580,000. As of June 30, 2008 \$420,000 has been spent on this project, leaving approximately \$160,000. This project will be financed from the issuance of revenue bonds as was completed by the date of this audit report.

Required Supplementary Information

City of Albert City, Iowa

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

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Total</u>
Receipts:			
Property tax	\$ 285,169	-	285,169
Other city tax	82,005	-	82,005
Licenses and permits	2,805	-	2,805
Use of money and property	7,471	12,774	20,245
Intergovernmental	14,670	-	14,670
Charges for service	72,244	161,252	233,496
Miscellaneous	71,144	-	71,144
Total receipts	<u>535,508</u>	<u>174,026</u>	<u>709,534</u>
Disbursements:			
Public safety	43,972	-	43,972
Public works	202,353	-	202,353
Health and social services	2,140	-	2,140
Culture and recreation	111,620	-	111,620
Community and economic development	10,840	-	10,840
General government	63,587	-	63,587
Debt service	78,145	-	78,145
Capital projects	-	-	-
Business type activities	-	663,727	663,727
Total disbursements	<u>512,657</u>	<u>663,727</u>	<u>1,176,384</u>
Excess (deficiency) of receipts over (under) disbursements	22,851	(489,701)	(466,850)
Other financing sources (uses), net	<u>25,469</u>	<u>550,795</u>	<u>576,264</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	48,320	61,094	109,414
Balances beginning of year	<u>194,743</u>	<u>191,599</u>	<u>386,342</u>
Balances end of year	<u>\$ 243,063</u>	<u>252,693</u>	<u>495,756</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to
<u>Original</u>	<u>Final</u>	Net
		<u>Variance</u>
222,598	222,598	62,571
81,072	82,072	(67)
1,965	2,000	805
24,832	17,747	2,498
71,600	75,693	(61,023)
236,745	230,886	2,610
31,920	55,600	15,544
<u>670,732</u>	<u>686,596</u>	<u>22,938</u>
44,628	44,778	806
210,025	190,455	(11,898)
2,300	2,140	-
123,565	131,385	19,765
10,530	16,370	5,530
62,075	64,035	448
78,145	78,145	-
-	-	-
<u>130,200</u>	<u>853,920</u>	<u>190,193</u>
<u>661,468</u>	<u>1,381,228</u>	<u>204,844</u>
9,264	(694,632)	(181,906)
<u>-</u>	<u>580,000</u>	<u>(3,736)</u>
9,264	(114,632)	224,046
<u>350,163</u>	<u>438,203</u>	<u>-</u>
<u>359,427</u>	<u>323,571</u>	<u>224,046</u>

City of Albert City, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. 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 revenues by \$15,864 and budgeted disbursements by \$719,760 and other financing sources by \$580,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the public works function.

Other Supplementary Information

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

As of and for the year ended June 30, 2008

	Special Revenue			Total
	Emergency	Trust & Agency	Capital Projects	
Receipts:				
Property tax	\$ 4,106	17,517	-	21,623
Other city tax	-	1,177	-	1,177
Use of money and property	-	-	1,451	1,451
Miscellaneous	-	-	257	257
Total receipts	<u>4,106</u>	<u>18,694</u>	<u>1,708</u>	<u>24,508</u>
Disbursements:				
Operating:				
Public works	-	4,822	-	4,822
Culture and recreation	-	5,715	-	5,715
General government	-	8,122	660	8,782
Total disbursements	<u>-</u>	<u>18,659</u>	<u>660</u>	<u>19,319</u>
Excess of receipts over disbursements	<u>4,106</u>	<u>35</u>	<u>1,048</u>	<u>5,189</u>
Other financing uses:				
Operating transfers out	<u>(4,106)</u>	<u>-</u>	<u>-</u>	<u>(4,106)</u>
Net change in cash balances	-	35	1,048	1,083
Cash balances beginning of year	-	2,785	20,733	23,518
Cash balances end of year	<u>\$ -</u>	<u>2,820</u>	<u>21,781</u>	<u>24,601</u>
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	\$ -	2,820	-	2,820
Capital project fund	-	-	21,781	21,781
Total cash basis fund balances	<u>\$ -</u>	<u>2,820</u>	<u>21,781</u>	<u>24,601</u>

See accompanying independent auditor's report.

City of Albert City, Iowa

Schedule of Indebtedness

Year ended June 30, 2008

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
Corporate purpose loan	Jul 1, 1999	4.50-5.30 %	\$ 350,000
Corporate purpose loan	Sep 1, 2002	2.75-4.50 %	240,000
Total			
<u>Revenue Bonds</u>			
Water System Improvement Project	Dec 1, 2007	3.00 %	\$ 505,582
<u>Promissory Note</u>			
Equipment loan	June 17, 2008	6.00 %	\$ 76,482

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>
125,000	-	40,000	85,000	6,505	-
<u>160,000</u>	<u>-</u>	<u>25,000</u>	<u>135,000</u>	<u>6,640</u>	<u>-</u>
<u>\$ 285,000</u>	<u>-</u>	<u>65,000</u>	<u>220,000</u>	<u>13,145</u>	<u>-</u>
<u>-</u>	<u>505,582</u>	<u>-</u>	<u>505,582</u>	<u>5,147</u>	<u>-</u>
<u>-</u>	<u>76,482</u>	<u>-</u>	<u>76,482</u>	<u>-</u>	<u>-</u>

City of Albert City, Iowa

Bond and Note Maturities

June 30, 2008

General Obligation Bonds						
Year Ending <u>June 30.</u>	<u>Corporate Purpose Loan</u> Issued Jul 1, 1999			<u>Corporate Purpose Loan</u> Issued Sep 1, 2002		<u>Total</u>
	Interest			Interest		
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>		
2009	5.20 %	\$ 40,000	4.00 %	\$ 25,000		65,000
2010	5.30	45,000	4.10	25,000		70,000
2011			4.20	25,000		25,000
2012			4.30	30,000		30,000
2013		-	4.40	30,000		30,000
Total		<u>\$ 85,000</u>		<u>\$ 135,000</u>		<u>220,000</u>

See accompanying independent auditor's report.

Schedule 3

Year Ending <u>June 30,</u>	Revenue Bonds	
	Water	
	Series 2007	
	Issued December 1, 2007	
	Interest	
	<u>Rates</u>	<u>Amount</u>
2009	3.00 %	\$ 21,000
2010	3.00	22,000
2011	3.00	22,000
2012	3.00	23,000
2013	3.00	24,000
2014	3.00	25,000
2015	3.00	26,000
2016	3.00	26,000
2017	3.00	27,000
2018	3.00	28,000
2019	3.00	29,000
2020	3.00	30,000
2021	3.00	31,000
2022	3.00	32,000
2023	3.00	33,000
2024	3.00	34,000
2025	3.00	35,000
2026	3.00	36,000
2027	3.00	<u>1,582</u>
Total		<u>\$ 505,582</u>

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Albert City, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated April 27, 2009. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Albert City'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 Albert City's financial statements that is more than inconsequential will not be prevented or detected by the City of Albert City's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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

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

Compliance and Other Matters

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

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

The City of Albert City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Albert City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Albert City and other parties to whom the City of Albert City may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

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

April 27, 2009

City of Albert City, Iowa

Schedule of Findings

Year ended June 30, 2008

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-08 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The bank reconciliations and financial statements are all done by the same person.

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

Response - We feel we have a division of duties in City Hall; we have a City Clerk/ Treasurer and a Deputy Clerk. We provide detailed reports to the Mayor, Council, and various boards. We try to segregate duties as much as possible with our staff. Therefore, we feel that we are doing as much as we can for internal accounting control based on the size of our City.

Conclusion - Response accepted.

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

City of Albert City, Iowa

Schedule of Findings

Year ended June 30, 2008

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

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

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

Conclusion – Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-08 Certified Budget – Disbursements for the year ended June 30, 2008 exceeded the amounts budgeted in the public works function. 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 sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – An amendment regarding purchase of the boom truck was overlooked as it was originally planned to be a capital lease purchase.

Conclusion – Response accepted.

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

City of Albert City, Iowa

Schedule of Findings

Year ended June 30, 2008

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

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

Name, Title and Business Connection	Transaction Description	Amount
Carl Erickson, Mayor Owner of Erickson Welding	Supplies & Repairs	\$ 6,115
Doug Anderson, Mayor pro-tempore Partner in Anderson Auto	Repairs	2,828

The transactions with the Mayor and Mayor Pro-tempore appear to represent conflicts of interest since they were entered into without competitive bidding in accordance with Chapter 362.5(10) of the Code of Iowa.

Recommendation – The City should comply with Chapter 362.5 of the Code of Iowa and have competitive bidding if transactions with City officials will exceed \$1,500 during the fiscal year.

Response – We will review this with our City attorney.

Conclusion – Response accepted.

II-E-08 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-08 Council Minutes – Out of twenty items tested it was noted that two disbursements were not approved in the council minutes and not all minutes were properly signed. Also, the City did not publish annual gross salaries in accordance with an Attorney General’s opinion dated April 12, 1978.

City of Albert City, Iowa

Schedule of Findings

Year ended June 30, 2008

Recommendation – The City should review their procedures to make sure all disbursements are approved in the minutes. The City should also comply with Chapter 380.7 of the Code of Iowa and sign all minutes and Chapter 21 of the Code of Iowa and publish annual individual salaries as required.

Response- We will do this.

Conclusion- Response accepted

II-G-08 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-H-08 Revenue bonds – The City was in compliance with its revenue bonds.

II-I-08 Annual Report – The City of Albert City filed their annual report timely, however, it was noted that the water revenue bonds were omitted from the debt schedules.

Recommendation – City officials should review their procedures to insure all debt is included on the annual report.

Response – This was a new bond issue and overlooked this year.

Conclusion – Response accepted.