

CITY OF STANWOOD

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

June 30, 2008

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CITY OF STANWOOD

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2008)		
Todd Sawyer	Mayor	Jan 2008
Jeffery Freeman	Mayor Pro tem	Jan 2008
Dean Boesenberg	Council Member	Jan 2008
Rebecca Wachendorf	Council Member	Jan 2010
Joan Koch	Council Member	Jan 2010
Rodney Ohrt	Council Member	Resigned Aug 31, 2007
Alan Robenson	Council Member	
(Appointed Sep 10, 2007)		
Karen Bixler	Clerk/Treasurer	Indefinite
Doug Wolfe	City Attorney	Indefinite
(After December 2007)		
Dean Boesenberg	Mayor	Jan 2012
Alan Robinson	Mayor Pro tem	Jan 2010
Rebecca Wachendorf	Council Member	Jan 2010
Joan Koch	Council Member	Jan 2010
Todd Sawyer	Council Member	Jan 2012
Alfred Procopio	Council Member	Jan 2012
Karen Bixler	Clerk/Treasurer	Resigned Feb 18, 2008
Victoria Bendixen	Clerk/Treasurer	
(Appointed Mar 12, 2008)		
Doug Wolfe	Attorney	Indefinite

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

124A Main • P.O. Box 359

Elkader, Iowa 52043

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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 Stanwood, 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 Stanwood's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 activity of the cash basis net assets and by fund of the cash balances 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 activity of the cash basis net assets and by fund of the cash balances 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 Stanwood 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.

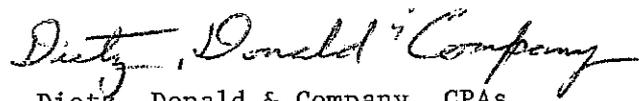
In accordance with Government Auditing Standards, we have also issued our report dated December 8, 2008 on our consideration of the City of Stanwood's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 6 through 13 and 26 through 27 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain 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 Stanwood's basic financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, 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 cash balances at July 1, 2007, as it relates to Schedules 1 and 2, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Elkader, Iowa

December 8, 2008


Dietz, Donald & Company, CPAs
FEIN 42-1172392

CITY OF STANWOOD

— Office of the Clerk —

563-942-3340

209 E. Broadway P.O. Box 146
Stanwood, Iowa 52337

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Stanwood 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. However, keep in mind that Chapter 11 of the Code of Iowa does not require cities with a population of less than 2000 to have an annual audit. The last audit the City of Stanwood has had performed was for the fiscal year ended June 30, 2006, therefore, any financial information presented herein for the fiscal year ended June 30, 2007 had not been audited.

2008 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities decreased 17.9%, or approximately \$ 88,000 from fiscal 2007 to fiscal 2008. Operating grants, contributions and restricted interest decreased approximately \$ 50,000, while tax increment financing collections decreased approximately \$ 38,000.

Disbursements of the City's governmental activities decreased 23.7%, or approximately \$ 109,000 in fiscal 2008 from fiscal 2007. Public safety, culture and recreation, and community and economic development disbursements decreased approximately \$ 29,000, \$ 28,000 and \$ 41,000, respectively.

The City's total cash basis net assets increased 5.1%, or approximately \$ 21,000, from June 30, 2007 to June 30, 2008. Of this amount, the assets of the governmental activities increased approximately \$ 40,000 and the assets of the business type activities decreased by approximately \$ 19,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds and the City's long-term debt.

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

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 and storm sewer systems. 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. Those 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 Urban Renewal Tax Increment, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and storm water funds. The former two are 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 \$ 354,000 to 394,000. The analysis that follows focuses on the changes in cash balances for 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	\$ 74	81
Operating grants, contributions and restricted interest	84	134
General Receipts:		
Property tax	182	213
Local option sales tax	51	32
Unrestricted interest on investments	9	16
Other general receipts	4	16
Total receipts	<u>404</u>	<u>492</u>
Disbursements:		
Public safety	51	79
Public works	154	147
Culture and recreation	31	59
Community and economic development	5	46
General government	65	77
Debt service	40	50
Capital projects	3	-
Total disbursements	<u>349</u>	<u>458</u>
Change in cash basis net assets before transfers	55	34
Transfers, net	<u>(15)</u>	-
Change in cash basis net assets	40	34
Cash basis net assets beginning of year	<u>354</u>	<u>320</u>
Cash basis net assets end of year	<u>\$ 394</u>	<u>354</u>

The City's total receipts for governmental activities decreased 17.9% or approximately \$ 88,000. The total cost of all programs and services

decreased approximately \$ 109,000, or 23.7%.

The cost of all governmental activities this year was \$ 349,000 compared to \$ 458,000 last year. However, as shown in the Statement of Activities and Net Assets on page 15 the amount taxpayers ultimately financed for these activities was only \$ 192,000 because some of the cost was paid by those directly benefited from the programs (\$ 74,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$ 84,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in 2008 from approximately \$ 215,000 to approximately \$ 158,000, principally due to receiving less grant proceeds. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$ 234,000 in tax (some of which could only be used for certain programs) and other receipts, such as interest and other general receipts.

Changes in Cash Basis Net Assets of Business Type Activities
(Expressed in Thousands)

	<u>Year Ended June 30,</u>	
	2008	2007
Receipts:		
Program receipts:		
Water	\$ 77	79
Sewer	52	51
Storm water	2	2
General receipts:		
Unrestricted interest on investments	2	3
Other general receipts	1	-
Total receipts	134	135
Disbursements:		
Water	81	111
Sewer	87	76
Total disbursements	168	187
Change in cash basis net assets before transfers	(34)	(52)
Transfers, net	15	-
Change in cash basis net assets	(19)	(52)
Cash basis net assets beginning of year	63	115
Cash basis net assets end of year	\$ 44	63

Total business type activities receipts for the fiscal year were \$ 134,000 compared to \$ 135,000 last year. The cash balance decreased by approximately \$ 19,000 from the prior year. Total disbursements for the fiscal year decreased 10.3% to a total of approximately \$ 168,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Stanwood completed the year, its governmental funds reported a combined fund balance of \$ 394,321, an increase of \$ 39,849 over last year's total of \$ 354,472. 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 \$ 7,243 from the prior year to \$ 132,725, a relatively insignificant increase.

The Special Revenue Road Use Tax Fund cash balance increased \$ 5,233 to \$ 56,842 during the fiscal year. This increase was attributable to spending only 91% of current road use tax receipts.

The Special Revenue, Local Option Sales Tax Fund was established in the previous fiscal year to account for local option sales tax receipts which are to be used 100% for infrastructure improvements. The fund cash balance increased \$ 328 to \$ 9,204 during fiscal 2008.

The Special Revenue, Urban Renewal Tax Increment Fund, was established to account for urban renewal projects within the City. At the end of the fiscal year, the cash balance was \$ 48,221 an increase of \$ 2,859 from the previous year. This balance can be used to finance future urban renewal projects or retire previously incurred tax increment financing debt.

The Special Revenue, Ambulance Expendable Trust Fund, was established to account for funds set aside for purchasing rescue equipment. Interest of \$ 4,105, donations of \$ 5,021 and a General Fund transfer of \$ 2,868 increased the cash balance to \$ 105,691.

The Debt Service Fund cash balance increased \$ 197 to \$ 1,505 during the fiscal year. Bond principal and interest payments decreased \$ 10,068 in fiscal 2008.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance increased by \$ 12,995 to \$ 46,338, due primarily to infrastructure improvements being paid with a \$ 14,970 transfer from the Special Revenue, Local Option Sales Tax Fund.

The Sewer Fund cash balance decreased by \$ 33,591 to \$ (6,113), due primarily to disbursements exceeding receipts for the second consecutive year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 20, 2008 and resulted in decreases in operating disbursements of nearly \$ 163,000.

The City exceeded the amount budgeted in the culture and recreation function for the year ended June 30, 2008 by \$ 9.

DEBT ADMINISTRATION

At June 30, 2008, the City had \$ 122,509 in bonds and other long-term debt outstanding, compared to \$ 188,321 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)

	June 30,	
	2008	2007
General obligation bonds	\$ 32	37
General obligation notes	12	17
Urban renewal tax increment financing revenue bonds	54	79
Revenue bonds	-	20
Land contract	25	35
Total	<u>\$ 123</u>	<u>188</u>

Debt decreased as a result of making annual debt service payments and issuing no new debt in the current year.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$ 122,509 is significantly below its constitutional debt limit of \$ 1.450 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Stanwood'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 City growth. As is typical with most rural communities, growth has been minimal. Official population over the last 30 years has increased 5.9% to 680.

These indicators were taken into account when adopting the budget for fiscal year 2009. Amounts available for appropriation in the operating budget are \$ 725,000, an increase of 38% over the final 2008 budget. Increases in revenue bond proceeds of \$ 225,000 accounted for most of the increase. Budgeted disbursements increased by \$ 225,000. The City has added one major new program to the 2009 budget, a water well project.

If these estimates are realized, the City's budgeted cash balance is expected to increase by approximately \$ 18,000 by the close of 2009.

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 Victoria Bendixen, City Clerk, 209 East Broadway, Stanwood, Iowa 52337-0146.

BASIC FINANCIAL STATEMENTS

CITY OF STANWOOD
STATEMENT OF ACTIVITIES AND NET ASSETS-CASH BASIS
As of and for the Year Ended June 30, 2008

Exhibit A

Functions/Programs:	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
		Charges for Service	Operating Grants, Contributions and Restricted Interest			
				Governmental Activities	Business Type Activities	Total
Governmental activities:						
Public safety	\$ 50,778	19,794	18,304	(12,680)	-	(12,680)
Public works	154,437	46,844	58,257	(49,336)	-	(49,336)
Culture and recreation	31,325	5,968	7,351	(18,006)	-	(18,006)
Community and economic development	5,393	-	-	(5,393)	-	(5,393)
General government	64,993	1,211	-	(63,782)	-	(63,782)
Debt service	39,686	-	-	(39,686)	-	(39,686)
Capital projects	2,863	-	-	(2,863)	-	(2,863)
Total governmental activities	349,475	73,817	83,912	(191,746)	-	(191,746)
Business type activities:						
Water	81,108	77,653	-	(3,455)	(3,455)	(3,455)
Sewer	86,662	51,766	-	(34,896)	(34,896)	(34,896)
Storm water	-	2,031	-	2,031	(2,031)	-
Total business type activities	167,770	131,450	-	(36,320)	(36,320)	(36,320)
Total	\$ 517,245	\$ 205,267	\$ 83,912	\$ (191,746)	\$ (36,320)	\$ (228,066)
General Receipts:						
Property and other city tax levied for:						
General purposes				138,300	-	138,300
Tax increment financing				31,579	-	31,579
Debt service				12,657	-	12,657
Local option sales tax				51,364	-	51,364
Unrestricted interest on investments				8,606	2,250	10,856
Miscellaneous				4,059	535	4,594
Transfers				(14,970)	14,970	-
Total general receipts and transfers				231,535	17,755	249,350
Change in cash basis net assets				39,849	(18,565)	21,284
Cash basis net assets beginning of year				354,472	62,544	417,016
Cash basis net assets end of year				\$ 394,321	43,979	438,300
Cash Basis Net Assets:						
Restricted:						
Streets				56,842	-	56,842
Urban renewal purposes				48,221	-	48,221
Ambulance				105,691	-	105,691
Debt service				1,505	-	1,505
Fire department				27,832	-	27,832
Library				14,971	-	14,971
Infrastructure				9,204	-	9,204
Unrestricted				130,085	43,979	174,034
Total cash basis net assets				\$ 394,321	43,979	438,300

See notes to financial statements.

CITY OF STANWOOD
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH BALANCES
 GOVERNMENTAL FUNDS
 As of and for the Year Ended June 30, 2008

Exhibit B

	Special Revenue							Total
	General	Road Use Tax	Local Option Sales Tax	Urban Renewal Tax Increment	Ambulance Expendable Trust	Debt Service	Nonmajor	
Receipts:								
Property tax	\$ 134,762	-	-	-	-	12,534	-	147,296
Tax increment financing collections	-	-	-	31,579	-	-	-	31,579
Other city tax	3,538	-	51,364	-	-	123	-	55,025
Licenses and permits	1,175	-	-	-	-	-	-	1,175
Use of money and property	10,106	-	-	-	4,105	-	-	15,187
Intergovernmental	21,734	58,257	-	-	-	-	938	80,929
Charges for service	51,381	-	-	-	-	-	-	51,381
Miscellaneous	11,290	-	-	-	5,021	-	5,411	21,722
Total receipts	232,986	58,257	51,364	31,579	9,126	12,657	7,325	404,294
Disbursements:								
Operating:								
Public safety	49,855	-	-	-	-	88	-	50,778
Public works	63,853	53,024	36,066	1,494	-	-	-	154,437
Culture and recreation	29,781	-	-	-	-	-	1,544	31,325
Community and economic development	5,393	-	-	-	-	-	-	5,393
General government	64,993	-	-	-	-	39,686	-	64,993
Debt service	-	-	-	-	-	-	-	39,686
Capital projects	-	-	-	-	-	-	2,863	2,863
Total disbursements	213,875	53,024	36,066	1,494	88	39,686	5,242	349,475
Excess (deficiency) of receipts over (under) disbursements	20,111	5,233	15,298	30,085	9,038	(27,029)	2,083	54,819
Other financing sources (uses):								
Operating transfers in	-	-	-	-	2,868	27,226	10,000	40,094
Operating transfers out	(12,868)	-	(14,970)	(27,226)	-	-	-	(55,064)
Total other financing sources (uses):	(12,868)	-	(14,970)	(27,226)	2,868	27,226	10,000	(14,970)
Net change in cash balances	7,243	5,233	328	2,859	11,906	197	12,083	39,849
Cash balances beginning of year	123,482	51,609	8,876	45,362	93,785	1,308	28,050	354,472
Cash balances end of year	\$ 132,725	56,842	9,204	48,221	105,691	1,505	40,133	394,321
Cash Basis Fund Balances:								
Unreserved:								
General fund	\$ -	-	-	-	-	1,505	-	1,505
Special revenue funds	132,725	56,842	9,204	48,221	105,691	-	(2,670)	262,761
Capital projects fund	-	-	-	-	-	-	-	(2,670)
Total cash basis fund balances	\$ 132,725	56,842	9,204	48,221	105,691	1,505	40,133	394,321

See notes to financial statements.

CITY OF STANWOOD
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	Nonmajor	Total
Operating receipts:				
Charges for service	\$ 77,653	51,766	2,031	131,450
Operating disbursements:				
Business type activities	81,108	66,352	-	147,460
Excess (deficiency) of operating receipts over (under) operating disbursements	(3,455)	(14,586)	2,031	(16,010)
Non-operating receipts (disbursements):				
Interest on investments	945	1,305	-	2,250
Miscellaneous	535	-	-	535
Debt service	-	(20,310)	-	(20,310)
Net non-operating receipts (disbursements)	1,480	(19,005)	-	(17,525)
Excess (deficiency) of receipts over (under) disbursements	(1,975)	(33,591)	2,031	(33,535)
Operating transfers in	14,970	-	-	14,970
Net change in cash balances	12,995	(33,591)	2,031	(18,565)
Cash balances beginning of year	33,343	27,478	1,723	62,544
Cash balances end of year	\$ 46,338	(6,113)	3,754	43,979
 Cash Basis Fund Balances				
Unreserved	\$ 46,338	(6,113)	3,754	43,979

See notes to financial statements.

CITY OF STANWOOD

Notes to Financial Statements

June 30, 2008

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

The City of Stanwood is a political subdivision of the State of Iowa located in Cedar County. It was first incorporated in 1886 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, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and storm water utilities for its citizens.

A. Reporting Entity

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating

governments. City officials are members of the following boards and commissions: Cedar County Assessor's Conference Board, Cedar County Emergency Management Commission and Cedar County Joint E911 Service Board.

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 receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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 proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated

and reported as nonmajor governmental funds. All remaining enterprise funds are aggregated and reported as nonmajor proprietary funds.

The City reports the following major governmental funds:

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

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 sales tax receipts which are authorized by voter referendum.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Ambulance Expendable Trust Fund is used to account for funds that are being set aside to purchase rescue equipment.

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 funds:

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

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

C. Measurement Focus and Basis of Accounting

The City of Stanwood maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of

the funds in accordance with U.S. generally accepted accounting principles.

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

D. Budgets and Budgetary Accounting

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

(2) **Cash and Pooled Investments**

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

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered openend 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) in 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. At June 30, 2008, the City had no money invested in certificates of deposit.

(3) Long-Term Debt Payable

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

Year Ending June 30,	General Obligation Bonds and Notes		Urban Renewal Tax Increment Financing (TIF) Revenue Bonds		Land Contract		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 15,833	1,292	26,253	1,535	10,000	1,000	52,086	3,827
2010	16,833	826	27,590	786	10,000	600	54,423	2,212
2011	11,000	330	-	-	5,000	200	16,000	530
Total	\$ 43,666	2,448	53,843	2,321	25,000	1,800	122,509	6,569

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Special Revenue, Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

(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.

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. Contribution requirements are established by state statute. The

City's contributions to IPERS for the year ended June 30, 2008 were \$ 5,187, equal to the required contributions for the year.

(5) Interfund Transfers

The detail of interfund transfers for the year ended June 20, 2008 is as follows.

Transfer to	Transfer from	Amount
Special Revenue Fire Department Expendable Trust	General	\$ 10,000
Special Revenue: Ambulance Expendable Trust	General	2,868
Debt Service	Special Revenue: Urban Renewal Tax Increment	27,226
Enterprise: Water	Special Revenue: Local Option Sales Tax	<u>14,970</u>
Total		<u>\$ 55,064</u>

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

(6) Risk Management

The City is exposed to various risks of loss related to torts; 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 for these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Deficit Balance

The Capital Projects, Municipal Well Fund had a deficit balance of \$ 2,670 at June 30, 2008. The deficit balance was a result of project

costs incurred prior to the availability of funds. The deficit will be eliminated upon receipt of state revolving loan fund proceeds.

The Enterprise, Sewer Fund had a deficit balance of \$ 6,113 at June 30, 2008. The deficit balance was a result of the sewer fund sustaining losses for two consecutive years. The City is exploring an increase in sewer rates to eliminate the deficit balance.

(8) Subsequent Events

In July, 2008 the City issued \$ 225,000 of water revenue bonds through the Iowa Finance Authority State Revolving Loan Fund and entered into construction contracts totaling \$ 105,433 for a water well project.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF STANWOOD
 BUDGETARY COMPARISON SCHEDULE
 OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES-
 BUDGET AND ACTUAL (CASH BASIS)-ALL GOVERNMENTAL AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 Year Ended June 30, 2008

	Governmental Funds		Proprietary Funds		Total	Budgeted Amounts		Final to Total Variance
	Actual	Actual	Actual	Actual		Original	Final	
Receipts:								
Property tax	\$ 147,296	-	147,296	-	147,296	144,985	144,985	2,311
Tax increment financing	31,579	-	31,579	-	31,579	29,480	29,480	2,089
collections	55,025	-	55,025	-	55,025	50,212	51,598	3,427
Other city tax	1,175	-	1,175	-	1,175	740	810	365
Licenses and permits	15,187	-	15,187	-	15,187	15,150	16,965	472
Use of money and property	80,929	-	80,929	-	80,929	76,915	76,915	4,014
Intergovernmental	51,381	-	51,381	-	51,381	406,735	191,332	(8,501)
Charges for service	21,722	-	21,722	-	21,722	10,095	10,095	12,162
Miscellaneous	404,294	-	404,294	-	404,294	734,322	522,190	18,339
Total receipts	1,311,235	-	1,311,235	-	1,311,235	1,311,235	1,311,235	-
Disbursements:								
Public safety	50,778	-	50,778	-	50,778	59,900	66,546	15,768
Public works	154,437	-	154,437	-	154,437	174,960	157,322	2,885
Culture and recreation	31,325	-	31,325	-	31,325	24,557	31,316	(9)
Community and economic development	5,393	-	5,393	-	5,393	5,440	6,005	612
General government	64,993	-	64,993	-	64,993	59,749	67,400	2,407
Debt service	39,686	-	39,686	-	39,686	39,688	39,688	2
Capital projects	2,863	-	2,863	-	2,863	216,000	3,000	137
Business type activities	-	-	-	-	-	136,167	182,208	14,438
Total disbursements	399,475	-	399,475	-	399,475	716,461	553,485	36,240
Excess (deficiency) of receipts over (under) disbursements	54,819	(33,535)	21,284	-	21,284	17,861	(31,295)	52,579
Other financing sources, net	(14,970)	14,970	-	-	-	-	(45,696)	45,696
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	39,849	(18,565)	21,284	-	21,284	17,861	(76,991)	98,275
Balances beginning of year	354,472	62,544	417,016	-	417,016	365,503	694,275	(277,259)
Balances end of year	\$ 394,321	\$ 43,979	\$ 438,300	\$ -	\$ 438,300	\$ 383,364	\$ 557,284	\$ (118,984)

See accompanying Independent Auditor's report.

CITY OF STANWOOD

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 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. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted disbursements by \$ 162,976. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the culture and recreation fund.

OTHER SUPPLEMENTARY INFORMATION

CITY OF STANWOOD
 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>			Total
	<u>Fire Department Expendable Trust</u>	<u>Library Expendable Trust</u>	<u>Capital Project Municipal Well</u>	
Receipts:				
Use of money and property	\$ 516	460	-	976
Intergovernmental	-	938	-	938
Miscellaneous	4,686	725	-	5,411
Total receipts	<u>5,202</u>	<u>2,123</u>	<u>-</u>	<u>7,325</u>
Disbursements:				
Public safety	835	-	-	835
Culture and recreation	-	1,544	-	1,544
Capital projects	-	-	2,863	2,863
Total disbursements	<u>835</u>	<u>1,544</u>	<u>2,863</u>	<u>5,242</u>
Excess (deficiency) of receipts over (under) disbursements	4,367	579	(2,863)	2,083
Operating transfers in	10,000	-	-	10,000
Net change in cash balances	<u>14,367</u>	<u>579</u>	<u>(2,863)</u>	<u>12,083</u>
Cash balances beginning of year	13,465	14,392	193	28,050
Cash balances end of year	<u>\$ 27,832</u>	<u>14,971</u>	<u>(2,670)</u>	<u>40,133</u>
 Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	\$ 27,832	14,971	-	42,803
Capital projects fund	-	-	(2,670)	(2,670)
Total cash basis fund balances	<u>\$ 27,832</u>	<u>14,971</u>	<u>(2,670)</u>	<u>40,133</u>

See accompanying independent auditor's report.

CITY OF STANWOOD
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH BALANCES
 NONMAJOR PROPRIETARY FUND
 As of and for the Year Ended June 30, 2008

	Enterprise Fund
	Storm Water
Operating receipts:	
Charges for service	\$ 2,031
Operating disbursements:	
None	-
Excess of receipts over disbursements	2,031
Cash balance beginning of year	1,723
Cash balance end of year	\$ 3,754
 Cash Basis Fund Balance:	
Unreserved	\$ 3,754

See accompanying independent auditor's report.

CITY OF STANWOOD
 SCHEDULE OF INDEBTEDNESS
 Year Ended June 30, 2008

Schedule 3

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Redeemed During Year	Balance End of Year	Interest Paid
General obligation bonds:							
Sewer improvement	Dec 28, 1990	3.00%	\$ 117,000	37,000	5,000	32,000	1,110
General obligation notes:							
Fire department	Jun 1, 2004	2.85%	\$ 35,000	17,499	5,833	11,666	499
Urban renewal tax increment financing (TIF) revenue bonds	Aug 1, 1998	2.85%	\$ 252,891	78,822	24,979	53,843	2,246
Revenue bonds:							
Sewer	Dec 28, 1990	3.00%	\$ 177,000	20,000	20,000	-	600
Land contract	Jul 1, 2006	4.00%	\$ 35,000	35,000	10,000	25,000	1,400

See accompanying independent auditor's report.

CITY OF STANWOOD
LONG-TERM DEBT MATURITIES
June 30, 2008

Year Ending June 30,	<u>General Obligation Bonds</u>		<u>General Obligation Notes</u>	
	<u>Sewer Improvement</u>		<u>Fire Department</u>	
	<u>Issued Dec 28, 1990</u>		<u>Issued Jun 1, 2005</u>	
	Interest Rates	Amount	Interest Rates	Amount
2009	3.00%	\$ 10,000	2.85%	\$ 5,833
2010	3.00	11,000	2.85	5,833
2011	3.00	11,000		-
Total		<u>\$ 32,000</u>		<u>\$ 11,666</u>

Year Ending June 30,	<u>Urban Renewal Tax Increment Financing (TIF) Revenue Bonds</u>		<u>Land Contract</u>	
	<u>Issued Aug 1, 1998</u>		<u>Issued Jul 1, 2006</u>	
	Interest Rates	Amount	Interest Rates	Amount
2009	2.85%	\$ 26,253	4.00%	\$ 10,000
2010	2.85	27,591	4.00	10,000
2011		-	4.00	5,000
Total		<u>\$ 53,844</u>		<u>\$ 25,000</u>

See accompanying independent auditor's report.

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the City of Stanwood, 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 December 8, 2008. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by activity of the cash basis net assets and by fund of the cash balances at July 1, 2007. Except as noted in the Independent Auditor's Report, 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 Stanwood'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 an opinion on the effectiveness of the City of Stanwood's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Stanwood'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 internal control 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 a control does not allow management or employees, in the normal course of performing their assigned functions,

to prevent and detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City of Stanwood'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 Stanwood's financial statements that is more than inconsequential will not be prevented or detected by the City of Stanwood'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 a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Stanwood'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 material weaknesses. However, of the significant deficiencies described above, we believe items I-A-08, I-B-08 and I-C-08 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Stanwood's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance 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 of 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 matters are not intended to constitute legal interpretations of those statutes.

The City of Stanwood's responses to findings 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 Stanwood'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 Stanwood and other parties to whom the City of Stanwood may report. 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 Stanwood 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.

Elkader, Iowa

December 8, 2008


Dietz, Donald & Company, CPAs
FEIN 42-1172392

CITY OF STANWOOD
SCHEDULE OF FINDINGS
Year Ended June 30, 2008

Part I: Findings Related to the Financial Statements:

Significant Deficiencies:

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. One employee at the City prepares bank account reconciliations, initiates cash receipts and disbursements functions and handles and records cash.

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

Response - We will consider this.

Conclusion: Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize elected officials whenever possible to provide additional control through review of financial transactions and reports.

I-B-08 Financial Reporting - As is common in small organizations, the City does not prepare its financial statements, complete with notes, in accordance with U.S generally accepted accounting principles. Accordingly, the City is unable to, and has not established internal controls over the preparation of financial statements.

Recommendation - As part of the audit, we have been requested to prepare a draft of the City's financial statements, including related notes. The City then performs a review of the financial statements. However, in order to provide improved oversight of the financial preparation services and implement controls over the financial reporting process, the City should establish policies and procedures including the performance of some or all of the following:

1. Review the adequacy of financial statement disclosures.
2. Review and approve schedules and calculations supporting amounts included in the notes to the financial statements.
3. Apply analytical procedures to the draft financial statements.
4. Apply other procedures as considered necessary by the City.

Response - We will consider this.

Conclusion- Response accepted.

I-C-08 Reconciliation of Utility Billings, Collections and Delinquencies - Utility billings, collections and delinquent accounts were not reconciled throughout the year and utility collections were not reconciled to deposits.

Recommendations - Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections to deposits. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response - We will attempt to implement this.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF STANWOOD
SCHEDULE OF FINDINGS
Year Ended June 30, 2008

Part II - Other Findings Related to Statutory Reporting:

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

Recommendation - Although the budget was amended, 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 budget.

Response - In the future, we will amend the budget in compliance with the Code of Iowa.

Conclusion - Response accepted.

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

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

II-D-08 Business Transactions - No business transactions between the City and City officials or employees were noted.

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

II-F-08 Council Minutes - Although certified with the County Auditor, approval of the 2008-2009 budget resolution was not noted in the minutes.

Recommendation - The City should comply with Chapter 384.16 of the Code of Iowa. After having a budget hearing, the council shall adopt by resolution a budget for the next fiscal year.

Response - We will do this in the future.

Conclusion - Response accepted.

II-G-08 Deposits and Investments - No instances of noncompliance with the deposit and

investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-H-08 Financial Condition - The Capital Projects and Enterprise, Sewer Funds had deficit balances of \$ 2,670 and \$ 6,113, respectively.

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return these funds to sound financial positions.

Response - The deficit in the Capital Projects Funds was due to construction costs being incurred prior to receipt of revenue bond proceeds. The Council is aware of the deficit in the Enterprise, Sewer Fund and is investigating the possibility of increasing sewer rates.

Conclusion - Response accepted.