



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
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State Capitol Building  
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**NEWS RELEASE**

FOR RELEASE

November 4, 2009

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released a compilation report on the City of Sabula, Iowa, for the six months ended December 31, 2008 and the year ended June 30, 2008.

Receipts totaled \$835,698 for the six months ended December 31, 2008. The receipts included \$86,519 in property and other city tax, \$584,348 from charges for service, \$53,005 from operating grants, contributions and restricted interest, \$44,747 from capital grants, contributions and restricted interest, \$23,439 from local option sales tax, \$2,537 from unrestricted interest on investments, \$5,103 from other general receipts and \$36,000 from bank loan proceeds. The City's receipts totaled \$1,529,808 for the year ended June 30, 2008. The receipts included \$112,571 in property and other city tax, \$1,231,464 from charges for service, \$117,189 from operating grants, contributions and restricted interest, \$44,672 from local option sales tax, \$7,615 from unrestricted interest on investments and \$16,297 from other general receipts.

Disbursements for the six months ended December 31, 2008 totaled \$733,898, and included \$92,934 for public safety, \$52,631 for culture and recreation and \$526,460 for business type activities. Disbursements for the year ended June 30, 2008 totaled \$1,455,531, and included \$163,808 for public safety, \$106,341 for culture and recreation and \$1,044,167 for business type activities.

A copy of the compilation report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/index.html>.

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**CITY OF SABULA**

**ACCOUNTANT'S COMPILATION REPORT  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**SIX MONTHS ENDED DECEMBER 31, 2008  
AND THE YEAR ENDED JUNE 30, 2008**

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**City of Sabula**

**Officials**

| <u>Name</u>                      | <u>Title</u>                | <u>Term Expires</u> |
|----------------------------------|-----------------------------|---------------------|
| <b>(Before January 2008)</b>     |                             |                     |
| Danny Peiffer                    | Mayor                       | Resigned            |
| Darrel Rittmer (Appointed)       | Mayor                       | Jan 2008            |
| Troy Hansen                      | Mayor Pro tem               | Jan 2008            |
| Mike Cotton                      | Council Member              | (Resigned Aug 2006) |
| Judy Rittmer                     | Council Member              | Jan 2008            |
| Sandra J. Figie                  | Council Member              | Jan 2010            |
| Robert Canty                     | Council Member              | Jan 2010            |
| Mike Cotton (Appointed Aug 2006) | City Clerk/Treasurer        | Indefinite          |
| Marian Alimi                     | Office Manager/Deputy Clerk | Indefinite          |
| Paul L. Macek                    | Attorney                    | Indefinite          |
| <b>(After January 2008)</b>      |                             |                     |
| Pam Heidenreich                  | Mayor                       | Jan 2010            |
| Troy A. Hansen                   | Mayor Pro tem               | Jan 2008            |
| Robert Canty                     | Council Member              | (Resigned Jan 2008) |
| Darrel Rittmer (Appointed)       | Council Member              | Nov 2009            |
| Sandra J. Figie                  | Council Member              | (Resigned Dec 2007) |
| Tom Leonard (Elected)            | Council Member              | Jan 2010            |
| Richard Dickinson                | Council Member              | Jan 2012            |
| Judy Rittmer                     | Council Member              | Jan 2012            |
| Darwin Paddock                   | Council Member              | Jan 2012            |
| Mike Cotton                      | City Clerk/Treasurer        | (Resigned Dec 2008) |
| Marian Alimi                     | Office Manager/Deputy Clerk | Indefinite          |
| Paul L. Macek                    | Attorney                    | (Resigned Sep 2008) |
| Mark Lawson (Appointed)          | Attorney                    | Indefinite          |

**City of Sabula**



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Accountant's Compilation Report

To the Honorable Mayor and  
Members of the City Council:

We have compiled the accompanying basic financial statements, the required supplementary information and other information listed in the table of contents of the City of Sabula, Iowa, as of and for the six months ended December 31, 2008 and the year ended June 30, 2008, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements and required and other supplementary schedules information that is the representation of management. We have not audited or reviewed the accompanying financial statements and required and other supplementary information and, accordingly, do not express an opinion or any other form of assurance on them.

We are not independent with respect to the City of Sabula.

The City of Sabula has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the financial statements.

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 Sabula and other parties to whom the City of Sabula may report. This report is not intended to be and should not be used by anyone other than these specified parties.

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 31, 2009

**City of Sabula**

## **Basic Financial Statements**

City of Sabula

Statement of Activities and Net Assets – Cash Basis

As of and for the six months ended December 31, 2008

|                                           | Disbursements | Program Receipts    |                                                         |                                                       |
|-------------------------------------------|---------------|---------------------|---------------------------------------------------------|-------------------------------------------------------|
|                                           |               | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| <b>Functions/Programs:</b>                |               |                     |                                                         |                                                       |
| Governmental activities:                  |               |                     |                                                         |                                                       |
| Public safety                             | \$ 92,934     | 10,956              | 5,780                                                   | 44,747                                                |
| Public works                              | 30,490        | -                   | 27,736                                                  | -                                                     |
| Culture and recreation                    | 52,631        | 1,824               | 19,014                                                  | -                                                     |
| Community and economic development        | 11,561        | 1,125               | 445                                                     | -                                                     |
| General government                        | 13,262        | 1,442               | 30                                                      | -                                                     |
| Debt service                              | 6,560         | -                   | -                                                       | -                                                     |
| Total governmental activities             | 207,438       | 15,347              | 53,005                                                  | 44,747                                                |
| Business type activities:                 |               |                     |                                                         |                                                       |
| Water                                     | 43,407        | 64,760              | -                                                       | -                                                     |
| Sewer                                     | 44,011        | 54,676              | -                                                       | -                                                     |
| Electric                                  | 254,065       | 250,050             | -                                                       | -                                                     |
| Gas                                       | 153,817       | 135,838             | -                                                       | -                                                     |
| Solid waste                               | 25,381        | 58,057              | -                                                       | -                                                     |
| Utility deposits                          | 5,779         | 5,620               | -                                                       | -                                                     |
| Total business type activities            | 526,460       | 569,001             | -                                                       | -                                                     |
| Total                                     | \$ 733,898    | 584,348             | 53,005                                                  | 44,747                                                |
| <b>General Receipts and Transfers:</b>    |               |                     |                                                         |                                                       |
| Property and other city tax levied for:   |               |                     |                                                         |                                                       |
| General purposes                          |               |                     |                                                         |                                                       |
| Debt service                              |               |                     |                                                         |                                                       |
| Local option sales tax                    |               |                     |                                                         |                                                       |
| Unrestricted interest on investments      |               |                     |                                                         |                                                       |
| Loan proceeds                             |               |                     |                                                         |                                                       |
| Miscellaneous                             |               |                     |                                                         |                                                       |
| Transfers                                 |               |                     |                                                         |                                                       |
| Total general receipts and transfers      |               |                     |                                                         |                                                       |
| Change in cash basis net assets           |               |                     |                                                         |                                                       |
| Cash basis net assets beginning of period |               |                     |                                                         |                                                       |
| Cash basis net assets end of period       |               |                     |                                                         |                                                       |
| <b>Cash Basis Net Assets</b>              |               |                     |                                                         |                                                       |
| Restricted:                               |               |                     |                                                         |                                                       |
| Streets                                   |               |                     |                                                         |                                                       |
| Debt service                              |               |                     |                                                         |                                                       |
| Cemetery perpetual care                   |               |                     |                                                         |                                                       |
| Other purposes                            |               |                     |                                                         |                                                       |
| Unrestricted                              |               |                     |                                                         |                                                       |
| <b>Total cash basis net assets</b>        |               |                     |                                                         |                                                       |

See accompanying accountant's compilation report.

| Net (Disbursements) Receipts and<br>Changes in Cash Basis Net Assets |                             |          |
|----------------------------------------------------------------------|-----------------------------|----------|
| Governmental<br>Activities                                           | Business Type<br>Activities | Total    |
| (31,451)                                                             | -                           | (31,451) |
| (2,754)                                                              | -                           | (2,754)  |
| (31,793)                                                             | -                           | (31,793) |
| (9,991)                                                              | -                           | (9,991)  |
| (11,790)                                                             | -                           | (11,790) |
| (6,560)                                                              | -                           | (6,560)  |
| (94,339)                                                             | -                           | (94,339) |
| -                                                                    | 21,353                      | 21,353   |
| -                                                                    | 10,665                      | 10,665   |
| -                                                                    | (4,015)                     | (4,015)  |
| -                                                                    | (17,979)                    | (17,979) |
| -                                                                    | 32,676                      | 32,676   |
| -                                                                    | (159)                       | (159)    |
| -                                                                    | 42,541                      | 42,541   |
| (94,339)                                                             | 42,541                      | (51,798) |
| 75,400                                                               | -                           | 75,400   |
| 11,119                                                               | -                           | 11,119   |
| 23,439                                                               | -                           | 23,439   |
| 2,537                                                                | -                           | 2,537    |
| -                                                                    | 36,000                      | 36,000   |
| 5,103                                                                | -                           | 5,103    |
| 50,058                                                               | (50,058)                    | -        |
| 167,656                                                              | (14,058)                    | 153,598  |
| 73,317                                                               | 28,483                      | 101,800  |
| 165,712                                                              | 173,391                     | 339,103  |
| \$ 239,029                                                           | 201,874                     | 440,903  |
| \$ 11,224                                                            | -                           | 11,224   |
| 47,059                                                               | -                           | 47,059   |
| 45,727                                                               | -                           | 45,727   |
| 64,275                                                               | 17,369                      | 81,644   |
| 70,744                                                               | 184,505                     | 255,249  |
| \$ 239,029                                                           | 201,874                     | 440,903  |

City of Sabula

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2008

|                                    | Disbursements | Program Receipts    |                                                         |                                                       |
|------------------------------------|---------------|---------------------|---------------------------------------------------------|-------------------------------------------------------|
|                                    |               | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| <b>Functions/Programs:</b>         |               |                     |                                                         |                                                       |
| Governmental activities:           |               |                     |                                                         |                                                       |
| Public safety                      | \$ 163,808    | 29,471              | 13,398                                                  | -                                                     |
| Public works                       | 71,090        | 268                 | 57,401                                                  | -                                                     |
| Health and social services         | 1,105         | -                   | -                                                       | -                                                     |
| Culture and recreation             | 106,341       | 4,130               | 46,175                                                  | -                                                     |
| Community and economic development | 2,183         | 5,755               | 215                                                     | -                                                     |
| General government                 | 24,689        | 7,939               | -                                                       | -                                                     |
| Debt service                       | 42,148        | -                   | -                                                       | -                                                     |
| Total governmental activities      | 411,364       | 47,563              | 117,189                                                 | -                                                     |
| Business type activities:          |               |                     |                                                         |                                                       |
| Water                              | 117,624       | 124,275             | -                                                       | -                                                     |
| Sewer                              | 89,345        | 104,894             | -                                                       | -                                                     |
| Electric                           | 386,645       | 458,508             | -                                                       | -                                                     |
| Gas                                | 385,239       | 430,755             | -                                                       | -                                                     |
| Solid waste                        | 53,210        | 53,737              | -                                                       | -                                                     |
| Utility deposits                   | 12,104        | 11,732              | -                                                       | -                                                     |
| Total business type activities     | 1,044,167     | 1,183,901           | -                                                       | -                                                     |
| Total                              | \$ 1,455,531  | 1,231,464           | 117,189                                                 | -                                                     |

**General Receipts and Transfers:**

Property and other city tax levied for:  
  General purposes  
  Debt service  
  Local option sales tax  
  Unrestricted interest on investments  
  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  
  Cemetery perpetual care  
  Other purposes

Unrestricted

**Total cash basis net assets**

See accompanying accountant's compilation report.

| Net (Disbursements) Receipts and<br>Changes in Cash Basis Net Assets |                             |           |
|----------------------------------------------------------------------|-----------------------------|-----------|
| Governmental<br>Activities                                           | Business Type<br>Activities | Total     |
| (120,939)                                                            | -                           | (120,939) |
| (13,421)                                                             | -                           | (13,421)  |
| (1,105)                                                              | -                           | (1,105)   |
| (56,036)                                                             | -                           | (56,036)  |
| 3,787                                                                | -                           | 3,787     |
| (16,750)                                                             | -                           | (16,750)  |
| (42,148)                                                             | -                           | (42,148)  |
| (246,612)                                                            | -                           | (246,612) |
| -                                                                    | 6,651                       | 6,651     |
| -                                                                    | 15,549                      | 15,549    |
| -                                                                    | 71,863                      | 71,863    |
| -                                                                    | 45,516                      | 45,516    |
| -                                                                    | 527                         | 527       |
| -                                                                    | (372)                       | (372)     |
| -                                                                    | 139,734                     | 139,734   |
| (246,612)                                                            | 139,734                     | (106,878) |
| 93,177                                                               | -                           | 93,177    |
| 19,394                                                               | -                           | 19,394    |
| 44,672                                                               | -                           | 44,672    |
| 7,615                                                                | -                           | 7,615     |
| 16,297                                                               | -                           | 16,297    |
| 75,455                                                               | (75,455)                    | -         |
| 256,610                                                              | (75,455)                    | 181,155   |
| 9,998                                                                | 64,279                      | 74,277    |
| 155,714                                                              | 109,112                     | 264,826   |
| \$ 165,712                                                           | 173,391                     | 339,103   |
| \$ 3,978                                                             | -                           | 3,978     |
| 5,701                                                                | -                           | 5,701     |
| 45,379                                                               | -                           | 45,379    |
| 50,900                                                               | 17,528                      | 68,428    |
| 59,754                                                               | 155,863                     | 215,617   |
| \$ 165,712                                                           | 173,391                     | 339,103   |

City of Sabula

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

As of and for the six months ended December 31, 2008

|                                                            | Special          |                 |                         |
|------------------------------------------------------------|------------------|-----------------|-------------------------|
|                                                            | General          | FEMA            | Economic<br>Development |
| <b>Receipts:</b>                                           |                  |                 |                         |
| Property tax                                               | \$ 68,393        | -               | -                       |
| Other city tax                                             | 202              | -               | 3,599                   |
| Licenses and permits                                       | 1,755            | -               | -                       |
| Use of money and property                                  | 5,546            | -               | -                       |
| Intergovernmental                                          | 5,426            | 44,747          | -                       |
| Charges for service                                        | 2,525            | -               | -                       |
| Miscellaneous                                              | 2,357            | -               | -                       |
| Total receipts                                             | <u>86,204</u>    | <u>44,747</u>   | <u>3,599</u>            |
| <b>Disbursements:</b>                                      |                  |                 |                         |
| Operating:                                                 |                  |                 |                         |
| Public safety                                              | 50,965           | 20,395          | -                       |
| Public works                                               | -                | -               | -                       |
| Culture and recreation                                     | 42,388           | -               | -                       |
| Community and economic development                         | 382              | -               | 11,179                  |
| General government                                         | 13,262           | -               | -                       |
| Debt service                                               | -                | -               | -                       |
| Total disbursements                                        | <u>106,997</u>   | <u>20,395</u>   | <u>11,179</u>           |
| Excess (deficiency) of receipts over (under) disbursements | <u>(20,793)</u>  | <u>24,352</u>   | <u>(7,580)</u>          |
| <b>Other financing sources (uses):</b>                     |                  |                 |                         |
| Operating transfers in                                     | 39,934           | -               | 11,121                  |
| Operating transfers out                                    | -                | (14,956)        | (10,000)                |
| Total other financing sources (uses)                       | <u>39,934</u>    | <u>(14,956)</u> | <u>1,121</u>            |
| Net change in cash balances                                | 19,141           | 9,396           | (6,459)                 |
| Cash balances beginning of period                          | <u>28,323</u>    | <u>-</u>        | <u>17,336</u>           |
| Cash balances end of period                                | <u>\$ 47,464</u> | <u>9,396</u>    | <u>10,877</u>           |
| <b>Cash Basis Fund Balances</b>                            |                  |                 |                         |
| Reserved for debt service                                  | \$ -             | -               | -                       |
| Unreserved:                                                |                  |                 |                         |
| General fund                                               | 47,464           | -               | -                       |
| Special revenue funds                                      | -                | 9,396           | 10,877                  |
| Permanent fund                                             | -                | -               | -                       |
| Total cash basis fund balances                             | <u>\$ 47,464</u> | <u>9,396</u>    | <u>10,877</u>           |

See accompanying accountant's compilation report.

| Revenue          | Debt    | Permanent      |          |          |
|------------------|---------|----------------|----------|----------|
| Sabula Ambulance | Service | Cemetery       | Nonmajor | Total    |
| Service          | Service | Perpetual Care |          |          |
| -                | 11,086  | -              | 6,776    | 86,255   |
| -                | 33      | -              | 19,869   | 23,703   |
| -                | -       | -              | -        | 1,755    |
| 82               | -       | 98             | 190      | 5,916    |
| -                | -       | -              | 27,736   | 77,909   |
| 10,513           | -       | -              | -        | 13,038   |
| -                | -       | 250            | 19,514   | 22,121   |
| 10,595           | 11,119  | 348            | 74,085   | 230,697  |
| 18,746           | -       | -              | 2,828    | 92,934   |
| -                | -       | -              | 30,490   | 30,490   |
| -                | -       | -              | 10,243   | 52,631   |
| -                | -       | -              | -        | 11,561   |
| -                | -       | -              | -        | 13,262   |
| -                | 6,560   | -              | -        | 6,560    |
| 18,746           | 6,560   | -              | 43,561   | 207,438  |
| (8,151)          | 4,559   | 348            | 30,524   | 23,259   |
| -                | 36,799  | -              | 10,000   | 97,854   |
| -                | -       | -              | (22,840) | (47,796) |
| -                | 36,799  | -              | (12,840) | 50,058   |
| (8,151)          | 41,358  | 348            | 17,684   | 73,317   |
| 31,431           | 5,701   | 45,379         | 37,542   | 165,712  |
| 23,280           | 47,059  | 45,727         | 55,226   | 239,029  |
| -                | 47,059  | -              | -        | 47,059   |
| -                | -       | -              | -        | 47,464   |
| 23,280           | -       | -              | 55,226   | 98,779   |
| -                | -       | 45,727         | -        | 45,727   |
| 23,280           | 47,059  | 45,727         | 55,226   | 239,029  |

City of Sabula

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

As of and for the year ended June 30, 2008

|                                                            | Special          |                 |                         |
|------------------------------------------------------------|------------------|-----------------|-------------------------|
|                                                            | General          | FEMA            | Economic<br>Development |
| <b>Receipts:</b>                                           |                  |                 |                         |
| Property tax                                               | \$ 92,817        | -               | -                       |
| Other city tax                                             | 360              | -               | -                       |
| Licenses and permits                                       | 10,143           | -               | -                       |
| Use of money and property                                  | 15,242           | -               | -                       |
| Intergovernmental                                          | 9,145            | 1,350           | -                       |
| Charges for service                                        | 4,748            | -               | -                       |
| Miscellaneous                                              | 13,893           | -               | -                       |
| Total receipts                                             | <u>146,348</u>   | <u>1,350</u>    | <u>-</u>                |
| <b>Disbursements:</b>                                      |                  |                 |                         |
| Operating:                                                 |                  |                 |                         |
| Public safety                                              | 114,175          | 13,425          | -                       |
| Public works                                               | -                | -               | -                       |
| Health and social service                                  | 1,105            | -               | -                       |
| Culture and recreation                                     | 73,815           | -               | -                       |
| Community and economic development                         | 1,926            | -               | -                       |
| General government                                         | 24,689           | -               | -                       |
| Debt service                                               | -                | -               | -                       |
| Total disbursements                                        | <u>215,710</u>   | <u>13,425</u>   | <u>-</u>                |
| Excess (deficiency) of receipts over (under) disbursements | <u>(69,362)</u>  | <u>(12,075)</u> | <u>-</u>                |
| <b>Other financing sources (uses):</b>                     |                  |                 |                         |
| Operating transfers in                                     | 85,086           | -               | 22,336                  |
| Operating transfers out                                    | (10,000)         | (5,750)         | (5,000)                 |
| Total other financing sources (uses)                       | <u>75,086</u>    | <u>(5,750)</u>  | <u>17,336</u>           |
| Net change in cash balances                                | 5,724            | (17,825)        | 17,336                  |
| Cash balances beginning of year                            | <u>22,599</u>    | <u>17,825</u>   | <u>-</u>                |
| Cash balances end of year                                  | <u>\$ 28,323</u> | <u>-</u>        | <u>17,336</u>           |
| <b>Cash Basis Fund Balances</b>                            |                  |                 |                         |
| Reserved for debt service                                  | \$ -             | -               | -                       |
| Unreserved:                                                |                  |                 |                         |
| General fund                                               | 28,323           | -               | -                       |
| Special revenue funds                                      | -                | -               | 17,336                  |
| Permanent fund                                             | -                | -               | -                       |
| Total cash basis fund balances                             | <u>\$ 28,323</u> | <u>-</u>        | <u>17,336</u>           |

See accompanying accountant's compilation report.

| Revenue<br>Sabula Ambulance<br>Service | Debt<br>Service | Permanent<br>Cemetery<br>Perpetual Care | Nonmajor        | Total           |
|----------------------------------------|-----------------|-----------------------------------------|-----------------|-----------------|
| -                                      | 18,539          | -                                       | -               | 111,356         |
| -                                      | 855             | -                                       | 44,672          | 45,887          |
| -                                      | -               | -                                       | -               | 10,143          |
| 322                                    | -               | 753                                     | 652             | 16,969          |
| -                                      | -               | -                                       | 57,401          | 67,896          |
| 28,344                                 | -               | -                                       | -               | 33,092          |
| -                                      | -               | 1,200                                   | 45,471          | 60,564          |
| <u>28,666</u>                          | <u>19,394</u>   | <u>1,953</u>                            | <u>148,196</u>  | <u>345,907</u>  |
| 26,709                                 | -               | -                                       | 9,499           | 163,808         |
| -                                      | -               | -                                       | 71,090          | 71,090          |
| -                                      | -               | -                                       | -               | 1,105           |
| -                                      | -               | -                                       | 32,526          | 106,341         |
| -                                      | -               | -                                       | 257             | 2,183           |
| -                                      | -               | -                                       | -               | 24,689          |
| -                                      | 42,148          | -                                       | -               | 42,148          |
| <u>26,709</u>                          | <u>42,148</u>   | <u>-</u>                                | <u>113,372</u>  | <u>411,364</u>  |
| <u>1,957</u>                           | <u>(22,754)</u> | <u>1,953</u>                            | <u>34,824</u>   | <u>(65,457)</u> |
| -                                      | 28,455          | -                                       | 5,000           | 140,877         |
| -                                      | -               | -                                       | (44,672)        | (65,422)        |
| -                                      | <u>28,455</u>   | -                                       | <u>(39,672)</u> | <u>75,455</u>   |
| 1,957                                  | 5,701           | 1,953                                   | (4,848)         | 9,998           |
| <u>29,474</u>                          | <u>-</u>        | <u>43,426</u>                           | <u>42,390</u>   | <u>155,714</u>  |
| <u>31,431</u>                          | <u>5,701</u>    | <u>45,379</u>                           | <u>37,542</u>   | <u>165,712</u>  |
| -                                      | 5,701           | -                                       | -               | 5,701           |
| -                                      | -               | -                                       | -               | 28,323          |
| 31,431                                 | -               | -                                       | 37,542          | 86,309          |
| -                                      | -               | 45,379                                  | -               | 45,379          |
| <u>31,431</u>                          | <u>5,701</u>    | <u>45,379</u>                           | <u>37,542</u>   | <u>165,712</u>  |

City of Sabula

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

As of and for the six months ended December 31, 2008

|                                                                                   | Water           | Sewer          | Electric        |
|-----------------------------------------------------------------------------------|-----------------|----------------|-----------------|
| Operating receipts:                                                               |                 |                |                 |
| Charges for service                                                               | \$ 64,760       | 54,004         | 250,050         |
| Miscellaneous                                                                     | -               | 672            | -               |
| Total operating receipts                                                          | <u>64,760</u>   | <u>54,676</u>  | <u>250,050</u>  |
| Operating disbursements:                                                          |                 |                |                 |
| Business type activities                                                          | <u>42,842</u>   | <u>43,447</u>  | <u>215,388</u>  |
| Excess (deficiency) of operating receipts over<br>(under) operating disbursements | <u>21,918</u>   | <u>11,229</u>  | <u>34,662</u>   |
| Non-operating disbursements:                                                      |                 |                |                 |
| Capital outlay                                                                    | -               | -              | (36,000)        |
| Debt service                                                                      | (565)           | (564)          | (2,677)         |
| Total non-operating disbursements                                                 | <u>(565)</u>    | <u>(564)</u>   | <u>(38,677)</u> |
| Excess (deficiency) of receipts over (under)<br>disbursements                     | <u>21,353</u>   | <u>10,665</u>  | <u>(4,015)</u>  |
| Other financing sources (uses):                                                   |                 |                |                 |
| Loan proceeds                                                                     | -               | -              | 36,000          |
| Operating transfers in                                                            | -               | -              | 11,741          |
| Operating transfers out                                                           | (30,957)        | (5,842)        | (25,000)        |
| Total other financing sources (uses)                                              | <u>(30,957)</u> | <u>(5,842)</u> | <u>22,741</u>   |
| Net change in cash balances                                                       | (9,604)         | 4,823          | 18,726          |
| Cash balances beginning of period                                                 | <u>19,244</u>   | <u>24,261</u>  | <u>60,837</u>   |
| Cash balances end of period                                                       | <u>\$ 9,640</u> | <u>29,084</u>  | <u>79,563</u>   |
| <b>Cash Basis Fund Balances</b>                                                   |                 |                |                 |
| Reserved for utility deposits                                                     | \$ -            | -              | -               |
| Unreserved                                                                        | <u>9,640</u>    | <u>29,084</u>  | <u>79,563</u>   |
| Total cash basis fund balances                                                    | <u>\$ 9,640</u> | <u>29,084</u>  | <u>79,563</u>   |

See accompanying accountant's compilation report.

| Enterprise |             |                  |          |
|------------|-------------|------------------|----------|
| Gas        | Solid Waste | Utility Deposits | Total    |
| 133,312    | 58,057      | -                | 560,183  |
| 2,526      | -           | 5,620            | 8,818    |
| 135,838    | 58,057      | 5,620            | 569,001  |
| 153,252    | 25,381      | 5,779            | 486,089  |
| (17,414)   | 32,676      | (159)            | 82,912   |
| -          | -           | -                | (36,000) |
| (565)      | -           | -                | (4,371)  |
| (565)      | -           | -                | (40,371) |
| (17,979)   | 32,676      | (159)            | 42,541   |
| -          | -           | -                | 36,000   |
| -          | -           | -                | 11,741   |
| -          | -           | -                | (61,799) |
| -          | -           | -                | (14,058) |
| (17,979)   | 32,676      | (159)            | 28,483   |
| 43,311     | 8,210       | 17,528           | 173,391  |
| 25,332     | 40,886      | 17,369           | 201,874  |
| -          | -           | 17,369           | 17,369   |
| 25,332     | 40,886      | -                | 184,505  |
| 25,332     | 40,886      | 17,369           | 201,874  |

City of Sabula

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

As of and for the year ended June 30, 2008

|                                                                                   | Water      | Sewer    | Electric |
|-----------------------------------------------------------------------------------|------------|----------|----------|
| Operating receipts:                                                               |            |          |          |
| Charges for service                                                               | \$ 124,275 | 104,153  | 457,537  |
| Miscellaneous                                                                     | -          | 741      | 971      |
| Total operating receipts                                                          | 124,275    | 104,894  | 458,508  |
| Operating disbursements:                                                          |            |          |          |
| Business type activities                                                          | 112,703    | 84,668   | 385,610  |
| Excess (deficiency) of operating receipts over (under)<br>operating disbursements | 11,572     | 20,226   | 72,898   |
| Non-operating disbursements:                                                      |            |          |          |
| Debt service                                                                      | (4,921)    | (4,677)  | (1,035)  |
| Excess (deficiency) of receipts over (under)<br>disbursements                     | 6,651      | 15,549   | 71,863   |
| Other financing sources (uses):                                                   |            |          |          |
| Operating transfers in                                                            | 5,000      | 10,000   | 22,000   |
| Operating transfers out                                                           | (30,000)   | (13,455) | (50,000) |
| Total other financing sources (uses)                                              | (25,000)   | (3,455)  | (28,000) |
| Net change in cash balances                                                       | (18,349)   | 12,094   | 43,863   |
| Cash balances beginning of year                                                   | 37,593     | 12,167   | 16,974   |
| Cash balances end of year                                                         | \$ 19,244  | 24,261   | 60,837   |
| <b>Cash Basis Fund Balances</b>                                                   |            |          |          |
| Reserved for utility deposits                                                     | \$ -       | -        | -        |
| Unreserved                                                                        | 19,244     | 24,261   | 60,837   |
| Total cash basis fund balances                                                    | \$ 19,244  | 24,261   | 60,837   |

See accompanying accountant's compilation report.

| Enterprise |             |                  |           |
|------------|-------------|------------------|-----------|
| Gas        | Solid Waste | Utility Deposits | Total     |
| 429,453    | 53,731      | -                | 1,169,149 |
| 1,302      | 6           | 11,732           | 14,752    |
| 430,755    | 53,737      | 11,732           | 1,183,901 |
| 383,828    | 53,210      | 12,104           | 1,032,123 |
| 46,927     | 527         | (372)            | 151,778   |
| (1,411)    | -           | -                | (12,044)  |
| 45,516     | 527         | (372)            | 139,734   |
| 27,000     | -           | -                | 64,000    |
| (46,000)   | -           | -                | (139,455) |
| (19,000)   | -           | -                | (75,455)  |
| 26,516     | 527         | (372)            | 64,279    |
| 16,795     | 7,683       | 17,900           | 109,112   |
| 43,311     | 8,210       | 17,528           | 173,391   |
| -          | -           | 17,528           | 17,528    |
| 43,311     | 8,210       | -                | 155,863   |
| 43,311     | 8,210       | 17,528           | 173,391   |

**Exhibit G**

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City of Sabula

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balance  
Fiduciary Fund

As of and for the six months ended December 31, 2008

|                                       | <u>Agency</u>        |
|---------------------------------------|----------------------|
|                                       | <u>Customer</u>      |
|                                       | <u>Contributions</u> |
| Receipts:                             |                      |
| Contributions                         | \$ 30                |
| Disbursements:                        |                      |
| None                                  | <u>-</u>             |
| Excess of receipts over disbursements | 30                   |
| Cash balance beginning of period      | <u>27</u>            |
| Cash balance end of period            | <u>\$ 57</u>         |

See accompanying accountant's compilation report.

City of Sabula

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balance  
Fiduciary Fund

As of and for the year ended June 30, 2008

|                                       | <u>Agency</u>        |
|---------------------------------------|----------------------|
|                                       | <u>Customer</u>      |
|                                       | <u>Contributions</u> |
| Receipts:                             |                      |
| Contributions                         | \$ 27                |
| Disbursements:                        |                      |
| None                                  | -                    |
| Excess of receipts over disbursements | 27                   |
| Cash balance beginning of year        | -                    |
| Cash balance end of year              | <u>\$ 27</u>         |

See accompanying accountant's compilation report.

City of Sabula

Notes to Financial Statements

December 31, 2008 and June 30, 2008

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

The City of Sabula is a political subdivision of the State of Iowa located in Jackson County. It was first incorporated in 1864 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer electric, gas and solid waste utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Sabula 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: Jackson County Assessor's Conference Board, Jackson County Emergency Management Commission and the Jackson County 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 revenues, 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 not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

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

The City reports the following major governmental funds:

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

Special Revenue:

The FEMA Fund is used to account for FEMA resources used in the repair of flood damage.

The Economic Development Fund is used to account for resources used to encourage economic development in the City.

The Sabula Ambulance Service Fund is used to account for the operation and maintenance of the City's ambulance service.

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

The Permanent, Cemetery Perpetual Care Fund is used to account for resources used for care and maintenance of the cemetery.

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 is used to account for the operation and maintenance of the City's wastewater treatment system.

The Electric Fund accounts for the operation and maintenance of the City's electrical system.

The Gas Fund accounts for the operation and maintenance of the City's gas system.

The Solid Waste Fund accounts for the operation and maintenance of the City's solid waste system.

The Utility Deposit Fund accounts for the utility deposits for the various City owned utilities.

The City reports a Fiduciary, Agency Fund to account for the assets held by the City in the Customer Contributions Fund to assist with payment of utilities through Project Share.

C. Measurement Focus and Basis of Accounting

The City of Sabula 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.

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

**(2) Cash and Pooled Investments**

The City's deposits in banks at December 31, 2008 and 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.

As December 31, 2008 and June 30, 2008, the City had the following investments:

| Type                                    | Carrying Amount | Fair Value | Maturity   |
|-----------------------------------------|-----------------|------------|------------|
| United State Savings Bonds<br>Series HH | \$ 5,000        | 5,000      | March 2021 |

Interest rate risk – The City has not adopted an investment policy.

**(3) Long Term Debt**

Annual debt service requirements to maturity for general obligation capital loan notes at December 31, 2008 are as follows:

| Period Ending<br>December 31, | Principal  | Interest | Total   |
|-------------------------------|------------|----------|---------|
| 2009                          | \$ 40,000  | 6,160    | 46,160  |
| 2010                          | 40,000     | 10,895   | 50,895  |
| 2011                          | 40,000     | 9,400    | 49,400  |
| 2012                          | 45,000     | 7,835    | 52,835  |
| 2013                          | 45,000     | 6,012    | 51,012  |
| 2014-2017                     | 95,000     | 8,780    | 103,780 |
| Total                         | \$ 305,000 | 49,082   | 354,082 |

Annual debt service requirements to maturity for general obligation notes at June 30, 2008 are as follows:

| Year<br>Ending<br>June 30, | Principal  | Interest | Total   |
|----------------------------|------------|----------|---------|
| 2009                       | \$ 40,000  | 12,320   | 52,320  |
| 2010                       | 40,000     | 10,895   | 50,895  |
| 2011                       | 40,000     | 9,400    | 49,400  |
| 2012                       | 45,000     | 7,835    | 52,835  |
| 2013                       | 45,000     | 6,012    | 51,012  |
| 2014-2017                  | 95,000     | 8,780    | 103,780 |
| Total                      | \$ 305,000 | 55,242   | 360,242 |

#### Bank Loans

On July 18, 2005, the City obtained a bank loan for \$36,924 to purchase a pickup and bucket truck. The loan is to be repaid in sixty monthly installments of \$697, including interest at 5 percent per annum, beginning August 18, 2005. During the six months ended December 31, 2008, the City paid \$3,808 of principal on the loan, leaving a balance at December 31, 2008 of \$12,704. During the year ended June 30, 2008, the City paid \$7,335 of principal on the loan, leaving a balance at June 30, 2008 of \$16,512.

On September 25, 2008, the City obtained a bank loan for \$36,000 to purchase a truck. The loan is to be repaid in 60 monthly installments of \$704, including interest at 6.50 percent per annum, beginning October 25, 2008. During the six months ended December 31, 2008, the City paid \$1,539 of principal on the loan, leaving a balance at December 31, 2008 of \$34,461.

#### **(4) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary during the year ended June 30, 2008. Effective July 1, 2008, these rates changed to 4.10% and 6.35% for plan members and the City, respectively. 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 six months ended December 31, 2008 and the year ended June 30, 2008 were \$9,771 and \$16,092, respectively, equal to the required contributions for each period.

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid.

The City's approximate liability for earned vacation and compensatory time payable to employees at December 31, 2008, primarily relating to the General Fund, is as follows:

| Type of Benefit   | Amount          |
|-------------------|-----------------|
| Vacation          | \$ 8,300        |
| Compensatory time | <u>900</u>      |
| Total             | <u>\$ 9,200</u> |

This liability has been computed based on rates of pay in effect at December 31, 2008.

The City's approximate liability for earned vacation and compensatory time payable to employees at June 30, 2008, primarily relating to the General Fund, is as follows:

| Type of Benefit   | Amount           |
|-------------------|------------------|
| Vacation          | \$ 15,600        |
| Compensatory time | <u>1,200</u>     |
| Total             | <u>\$ 16,800</u> |

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

**(6) Interfund Transfers**

The detail of interfund transfers for the six months ended December 31, 2008 is as follows:

| Transfer to          | Transfer from               | Amount            |
|----------------------|-----------------------------|-------------------|
| General              | Special Revenue:            |                   |
|                      | FEMA                        | \$ 3,215          |
|                      | Local Option Sales Tax      | 11,719            |
|                      | Enterprise:                 |                   |
|                      | Electric                    | <u>25,000</u>     |
|                      |                             | <u>39,934</u>     |
| Special Revenue:     | Special Revenue:            |                   |
| Road Use Tax         | Economic Development        | <u>10,000</u>     |
| Economic Development | Local Option Sales Tax      | 8,121             |
|                      | Restricted Gifts Playground | <u>3,000</u>      |
|                      |                             | <u>11,121</u>     |
| Debt Service         | Enterprise:                 |                   |
|                      | Water                       | 30,957            |
|                      | Sewer                       | <u>5,842</u>      |
|                      |                             | <u>36,799</u>     |
| Enterprise:          | Special Revenue:            |                   |
| Electric             | FEMA                        | <u>11,741</u>     |
| Total                |                             | <u>\$ 109,595</u> |

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

| Transfer to          | Transfer from          | Amount            |
|----------------------|------------------------|-------------------|
| General              | Special Revenue:       |                   |
|                      | FEMA                   | \$ 5,750          |
|                      | Local Option Sales Tax | 22,336            |
|                      | Enterprise:            |                   |
|                      | Sewer                  | 10,000            |
|                      | Electric               | 28,000            |
|                      | Gas                    | 19,000            |
|                      |                        | <u>85,086</u>     |
| Special Revenue:     | Special Revenue:       |                   |
| Road Use Tax         | Economic Development   | <u>5,000</u>      |
| Economic Development | Local Option Sales Tax | <u>22,336</u>     |
| Debt Service         | Enterprise:            |                   |
|                      | Water                  | 25,000            |
|                      | Sewer                  | 3,455             |
|                      |                        | <u>28,455</u>     |
| Enterprise:          | Enterprise:            |                   |
| Water                | Gas                    | <u>5,000</u>      |
| Sewer                | General                | <u>10,000</u>     |
|                      | Enterprise:            |                   |
| Electric             | Gas                    | <u>22,000</u>     |
| Gas                  | Electric               | <u>22,000</u>     |
|                      | Water                  | <u>5,000</u>      |
|                      |                        | <u>27,000</u>     |
| Total                |                        | <u>\$ 204,877</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 is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 563 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any

year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the six months ended December 31, 2008 and the year ended June 30, 2008 were \$24,686 and \$20,577, respectively.

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

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

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation and employee blanket bond. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **(8) Employee Health Insurance Plan**

The City participates in a split-funded health insurance benefit plan. The plan is funded by both employee and City contributions and is administered through a service agreement with American Administrator's, Inc. (formerly Select Benefit Administrator's, Inc.) The plan provides for a maximum out-of-pocket expense per employee of \$1,000 for single plans and \$2,000 for family plans on the first \$12,000 of expenses per individual. The maximum exposure for the City per employee is \$3,000 for a single plan and \$6,000 for a family plan on the first \$12,000 of expenses per individual. In network claims for covered expenses are paid 100% by the insurer after the first \$12,000 of expenses. Monthly payments of administrative services fees and claims are paid from the City's General Fund. The City made no contributions to the plan for the six months ended December 31, 2008 and the year June 30, 2008.

**City of Sabula**

**Required Supplementary Information**

City of Sabula  
 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<br>Funds<br>Actual | Proprietary<br>Funds<br>Actual | Total            |
|--------------------------------------------------------------------------------------------------------------------|---------------------------------|--------------------------------|------------------|
| Receipts:                                                                                                          |                                 |                                |                  |
| Property tax                                                                                                       | \$ 111,356                      | -                              | 111,356          |
| Other city tax                                                                                                     | 45,887                          | -                              | 45,887           |
| Licenses and permits                                                                                               | 10,143                          | -                              | 10,143           |
| Use of money and property                                                                                          | 16,969                          | -                              | 16,969           |
| Intergovernmental                                                                                                  | 67,896                          | -                              | 67,896           |
| Charges for service                                                                                                | 33,092                          | 1,169,149                      | 1,202,241        |
| Miscellaneous                                                                                                      | 60,564                          | 14,752                         | 75,316           |
| Total receipts                                                                                                     | <u>345,907</u>                  | <u>1,183,901</u>               | <u>1,529,808</u> |
| Disbursements:                                                                                                     |                                 |                                |                  |
| Public safety                                                                                                      | 163,808                         | -                              | 163,808          |
| Public works                                                                                                       | 71,090                          | -                              | 71,090           |
| Health and social services                                                                                         | 1,105                           | -                              | 1,105            |
| Culture and recreation                                                                                             | 106,341                         | -                              | 106,341          |
| Community and economic development                                                                                 | 2,183                           | -                              | 2,183            |
| General government                                                                                                 | 24,689                          | -                              | 24,689           |
| Debt service                                                                                                       | 42,148                          | -                              | 42,148           |
| Business type activities                                                                                           | -                               | 1,044,167                      | 1,044,167        |
| Total disbursements                                                                                                | <u>411,364</u>                  | <u>1,044,167</u>               | <u>1,455,531</u> |
| Excess (deficiency) of receipts over (under) disbursements                                                         | (65,457)                        | 139,734                        | 74,277           |
| Other financing sources (uses), net                                                                                | 75,455                          | (75,455)                       | -                |
| Excess (deficiency) of receipts and other financing sources<br>over (under) disbursements and other financing uses | 9,998                           | 64,279                         | 74,277           |
| Balances beginning of year                                                                                         | 155,714                         | 109,112                        | 264,826          |
| Balances end of year                                                                                               | <u>\$ 165,712</u>               | <u>173,391</u>                 | <u>339,103</u>   |

See accompanying accountant's compilation report.

| Budgeted Amounts |           | Final to  |
|------------------|-----------|-----------|
| Original         | Final     | Total     |
|                  |           | Variance  |
| 112,729          | 112,729   | (1,373)   |
| 48,267           | 36,915    | 8,972     |
| 4,095            | 4,095     | 6,048     |
| 13,773           | 13,773    | 3,196     |
| 61,635           | 95,177    | (27,281)  |
| 1,323,609        | 1,323,609 | (121,368) |
| 49,396           | 100,270   | (24,954)  |
| 1,613,504        | 1,686,568 | (156,760) |
| 124,907          | 124,907   | (38,901)  |
| 54,415           | 75,000    | 3,910     |
| 1,105            | 61,889    | 60,784    |
| 79,126           | 84,726    | (21,615)  |
| 15,400           | 26,343    | 24,160    |
| 19,057           | 41,205    | 16,516    |
| 20,000           | 20,000    | (22,148)  |
| 1,108,744        | 1,108,744 | 64,577    |
| 1,422,754        | 1,542,814 | 87,283    |
| 190,750          | 143,754   | (69,477)  |
| 15,000           | 48,455    | (48,455)  |
| 205,750          | 192,209   | (117,932) |
| 194,707          | 194,707   | 70,119    |
| 400,457          | 386,916   | (47,813)  |

City of Sabula

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Permanent Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$120,060. The budget amendment is reflected in the final budgeted amounts.

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

**Other Supplementary Information**

City of Sabula

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

As of and for the six months ended December 31, 2008

|                                                            | Road<br>Use<br>Tax | Employee<br>Benefits | Special<br>Local<br>Option Sales<br>Tax |
|------------------------------------------------------------|--------------------|----------------------|-----------------------------------------|
| Receipts:                                                  |                    |                      |                                         |
| Property tax                                               | \$ -               | 6,776                | -                                       |
| Other city tax                                             | -                  | 29                   | 19,840                                  |
| Use of money and property                                  | -                  | -                    | -                                       |
| Intergovernmental                                          | 27,736             | -                    | -                                       |
| Miscellaneous                                              | -                  | -                    | -                                       |
| Total receipts                                             | 27,736             | 6,805                | 19,840                                  |
| Disbursements:                                             |                    |                      |                                         |
| Operating:                                                 |                    |                      |                                         |
| Public safety                                              | -                  | -                    | -                                       |
| Public works                                               | 30,490             | -                    | -                                       |
| Culture and recreation                                     | -                  | -                    | -                                       |
| Total disbursements                                        | 30,490             | -                    | -                                       |
| Excess (deficiency) of receipts over (under) disbursements | (2,754)            | 6,805                | 19,840                                  |
| Other financing sources (uses):                            |                    |                      |                                         |
| Operating transfers in                                     | 10,000             | -                    | -                                       |
| Operating transfers out                                    | -                  | -                    | (19,840)                                |
| Total other financing sources (uses)                       | 10,000             | -                    | (19,840)                                |
| Net change in cash balances                                | 7,246              | 6,805                | -                                       |
| Cash balances beginning of year                            | 3,978              | -                    | -                                       |
| Cash balances end of year                                  | \$ 11,224          | 6,805                | -                                       |
| <b>Cash Basis Fund Balances</b>                            |                    |                      |                                         |
| Unreserved:                                                |                    |                      |                                         |
| Special revenue funds                                      | \$ 11,224          | 6,805                | -                                       |

See accompanying accountant's compilation report.

| Revenue                           |                             |                  |                                         |                                   |          |
|-----------------------------------|-----------------------------|------------------|-----------------------------------------|-----------------------------------|----------|
| Restricted<br>Gifts<br>Playground | Sabula<br>Volunteer<br>Fire | Sabula<br>Rescue | Sabula<br>Krabbenhoft<br>Public Library | Sabula<br>Business<br>Association | Total    |
| -                                 | -                           | -                | -                                       | -                                 | 6,776    |
| -                                 | -                           | -                | -                                       | -                                 | 19,869   |
| -                                 | 50                          | 5                | 135                                     | -                                 | 190      |
| -                                 | -                           | -                | -                                       | -                                 | 27,736   |
| 3,020                             | 5,780                       | -                | 10,469                                  | 245                               | 19,514   |
| 3,020                             | 5,830                       | 5                | 10,604                                  | 245                               | 74,085   |
| -                                 | 2,828                       | -                | -                                       | -                                 | 2,828    |
| -                                 | -                           | -                | -                                       | -                                 | 30,490   |
| 7,475                             | -                           | -                | 2,768                                   | -                                 | 10,243   |
| 7,475                             | 2,828                       | -                | 2,768                                   | -                                 | 43,561   |
| (4,455)                           | 3,002                       | 5                | 7,836                                   | 245                               | 30,524   |
| -                                 | -                           | -                | -                                       | -                                 | 10,000   |
| (3,000)                           | -                           | -                | -                                       | -                                 | (22,840) |
| (3,000)                           | -                           | -                | -                                       | -                                 | (12,840) |
| (7,455)                           | 3,002                       | 5                | 7,836                                   | 245                               | 17,684   |
| 7,475                             | 9,268                       | 2,588            | 13,779                                  | 454                               | 37,542   |
| 20                                | 12,270                      | 2,593            | 21,615                                  | 699                               | 55,226   |
| 20                                | 12,270                      | 2,593            | 21,615                                  | 699                               | 55,226   |

City of Sabula  
Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2008

|                                                            | Road<br>Use<br>Tax | Local<br>Option Sales<br>Tax | Special<br>Restricted<br>Gifts<br>Playground |
|------------------------------------------------------------|--------------------|------------------------------|----------------------------------------------|
| Receipts:                                                  |                    |                              |                                              |
| Other city tax                                             | \$ -               | 44,672                       | -                                            |
| Use of money and property                                  | -                  | -                            | -                                            |
| Intergovernmental                                          | 57,401             | -                            | -                                            |
| Miscellaneous                                              | -                  | -                            | 34,927                                       |
| Total receipts                                             | <u>57,401</u>      | <u>44,672</u>                | <u>34,927</u>                                |
| Disbursements:                                             |                    |                              |                                              |
| Operating:                                                 |                    |                              |                                              |
| Public safety                                              | -                  | -                            | -                                            |
| Public works                                               | 71,090             | -                            | -                                            |
| Culture and recreation                                     | -                  | -                            | 28,307                                       |
| Community and economic development                         | -                  | -                            | -                                            |
| Total disbursements                                        | <u>71,090</u>      | <u>-</u>                     | <u>28,307</u>                                |
| Excess (deficiency) of receipts over (under) disbursements | <u>(13,689)</u>    | <u>44,672</u>                | <u>6,620</u>                                 |
| Other financing sources (uses):                            |                    |                              |                                              |
| Operating transfers in                                     | 5,000              | -                            | -                                            |
| Operating transfers out                                    | -                  | (44,672)                     | -                                            |
| Total other financing sources (uses)                       | <u>5,000</u>       | <u>(44,672)</u>              | <u>-</u>                                     |
| Net change in cash balances                                | (8,689)            | -                            | 6,620                                        |
| Cash balances beginning of year                            | 12,667             | -                            | 855                                          |
| Cash balances end of year                                  | <u>\$ 3,978</u>    | <u>-</u>                     | <u>7,475</u>                                 |
| <b>Cash Basis Fund Balances</b>                            |                    |                              |                                              |
| Unreserved:                                                |                    |                              |                                              |
| Special revenue funds                                      | <u>\$ 3,978</u>    | <u>-</u>                     | <u>7,475</u>                                 |

See accompanying accountant's compilation report.

| Revenue               |               |                                   |                             |          |
|-----------------------|---------------|-----------------------------------|-----------------------------|----------|
| Sabula Volunteer Fire | Sabula Rescue | Sabula Krabbenhoft Public Library | Sabula Business Association | Total    |
| -                     | -             | -                                 | -                           | 44,672   |
| 117                   | 9             | 526                               | -                           | 652      |
| -                     | -             | -                                 | -                           | 57,401   |
| 8,105                 | 874           | 1,350                             | 215                         | 45,471   |
| 8,222                 | 883           | 1,876                             | 215                         | 148,196  |
| 9,399                 | 100           | -                                 | -                           | 9,499    |
| -                     | -             | -                                 | -                           | 71,090   |
| -                     | -             | 4,219                             | -                           | 32,526   |
| -                     | -             | -                                 | 257                         | 257      |
| 9,399                 | 100           | 4,219                             | 257                         | 113,372  |
| (1,177)               | 783           | (2,343)                           | (42)                        | 34,824   |
| -                     | -             | -                                 | -                           | 5,000    |
| -                     | -             | -                                 | -                           | (44,672) |
| -                     | -             | -                                 | -                           | (39,672) |
| (1,177)               | 783           | (2,343)                           | (42)                        | (4,848)  |
| 10,445                | 1,805         | 16,122                            | 496                         | 42,390   |
| 9,268                 | 2,588         | 13,779                            | 454                         | 37,542   |
| 9,268                 | 2,588         | 13,779                            | 454                         | 37,542   |

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City of Sabula

Schedule of Indebtedness

As of and for the six months ended December 31, 2008

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| Obligation                             | Date of Issue | Interest Rates | Amount Originally Issued |
|----------------------------------------|---------------|----------------|--------------------------|
| General obligation capital loan notes: |               |                |                          |
| Fire and water improvements            | Jan 1, 2004   | 1.95-4.30%     | \$ 265,000               |
| Street and water utility improvements  | May 15, 2007  | 4.00-4.45%     | 150,000                  |
| Total                                  |               |                |                          |
| Bank loans:                            |               |                |                          |
| Vehicles                               | Jul 18, 2005  | 5.00%          | \$ 36,924                |
| Truck                                  | Sep 25, 2008  | 6.50%          | 36,000                   |
| Total                                  |               |                |                          |

See accompanying accountant's compilation report.

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| Balance<br>Beginning<br>of Period | Issued<br>During<br>Period | Redeemed<br>During<br>Period | Balance<br>End of<br>Period | Interest<br>Paid |
|-----------------------------------|----------------------------|------------------------------|-----------------------------|------------------|
| 165,000                           | -                          | -                            | 165,000                     | 3,199            |
| 140,000                           | -                          | -                            | 140,000                     | 2,961            |
| <u>\$ 305,000</u>                 | <u>-</u>                   | <u>-</u>                     | <u>305,000</u>              | <u>6,160</u>     |
| 16,512                            | -                          | 3,808                        | 12,704                      | 373              |
| -                                 | 36,000                     | 1,539                        | 34,461                      | 574              |
| <u>\$ 16,512</u>                  | <u>36,000</u>              | <u>5,347</u>                 | <u>47,165</u>               | <u>947</u>       |

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City of Sabula

Schedule of Indebtedness

As of and for the year ended June 30, 2008

| Obligation                             | Date of Issue | Interest Rates | Amount Originally Issued |
|----------------------------------------|---------------|----------------|--------------------------|
| General obligation capital loan notes: |               |                |                          |
| Fire and water improvements            | Jan 1, 2004   | 1.95-4.30%     | \$ 265,000               |
| Street and water utility improvements  | May 15, 2007  | 4.00-4.45%     | 150,000                  |
| Total                                  |               |                |                          |
| Bank loan:                             |               |                |                          |
| Vehicles                               | Jul 18, 2005  | 5.00%          | \$ 36,924                |

See accompanying accountant's compilation report.

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| Balance<br>Beginning<br>of Year | Issued<br>During<br>Year | Redeemed<br>During<br>Year | Balance<br>End of<br>Year | Interest<br>Paid |
|---------------------------------|--------------------------|----------------------------|---------------------------|------------------|
| 190,000                         | -                        | 25,000                     | 165,000                   | 7,173            |
| 150,000                         | -                        | 10,000                     | 140,000                   | 6,604            |
| <u>\$ 340,000</u>               | <u>-</u>                 | <u>35,000</u>              | <u>305,000</u>            | <u>13,777</u>    |
| <br>                            |                          |                            |                           |                  |
| <u>23,847</u>                   | <u>-</u>                 | <u>7,335</u>               | <u>16,512</u>             | <u>1,027</u>     |

**Schedule 5**

## City of Sabula

## Note Maturities

December 31, 2008 and June 30, 2008

| General Obligation Capital Loan Notes |                             |                   |                                          |                   |                   |
|---------------------------------------|-----------------------------|-------------------|------------------------------------------|-------------------|-------------------|
| Year<br>Ending<br>June 30,            | Fire and Water Improvements |                   | Street and<br>Water Utility Improvements |                   | Total             |
|                                       | Issued Jan 1, 2004          |                   | Issued May 15, 2007                      |                   |                   |
|                                       | Interest<br>Rates           | Amount            | Interest<br>Rates                        | Amount            |                   |
| 2009                                  | 3.30%                       | \$ 25,000         | 4.00%                                    | \$ 15,000         | \$ 40,000         |
| 2010                                  | 3.55                        | 25,000            | 4.05                                     | 15,000            | 40,000            |
| 2011                                  | 3.80                        | 25,000            | 4.10                                     | 15,000            | 40,000            |
| 2012                                  | 4.00                        | 30,000            | 4.15                                     | 15,000            | 45,000            |
| 2013                                  | 4.15                        | 30,000            | 4.20                                     | 15,000            | 45,000            |
| 2014                                  | 4.30                        | 30,000            | 4.30                                     | 15,000            | 45,000            |
| 2015                                  |                             | -                 | 4.35                                     | 15,000            | 15,000            |
| 2016                                  |                             | -                 | 4.40                                     | 15,000            | 15,000            |
| 2017                                  |                             | -                 | 4.45                                     | 20,000            | 20,000            |
| Total                                 |                             | <u>\$ 165,000</u> |                                          | <u>\$ 140,000</u> | <u>\$ 305,000</u> |

See accompanying accountant's compilation report.



**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

To the Honorable Mayor and  
Members of the City Council:

At your request, we made inquiries and observations regarding the City of Sabula's operations during the eighteen months ended December 31, 2008. Following are the findings we identified as a result of our inquiries and observations, along with related recommendations.

- (A) Bank Reconciliations – Monthly reconciliations of the Clerk's balances to the bank accounts and investments were not prepared. A listing of outstanding checks was not prepared each month.

Recommendation – To improve financial accountability and control, a monthly reconciliation of the book and bank balances should be prepared and retained. Any variances should be investigated and resolved in a timely manner. A listing of outstanding checks should also be prepared each month and retained.

Response – The current City Clerk runs check reconciliation journals, budget revenues and expenditures, check register, check reconciliation (listing of outstanding checks), YTD balance sheet and revenue receipt register reports. Monthly reconciliation and balancing has been performed and retained in a binder since May 2009 and will continue to be balanced monthly.

Conclusion – Response accepted.

- (B) Monthly Reports – Monthly reports to the City Council consisted of a summary of receipts and disbursements by fund and by function. The monthly reports did not include month-end balances of each of the City's funds.

Recommendation – The balances of all City funds should be included in the Clerk's monthly report to the City Council.

Response – The current City Clerk provides the City Council a financial statement report that contains beginning balances, MTD revenue, MTD expenses, bank balance, outstanding checks, clerk balances, petty cash, savings, CD's and total cash savings/CD for each month in the Council packet and will continue to provide this information.

Conclusion – Response accepted.

- (C) Records of Accounts – The Volunteer Fire Department, the Sabula Ambulance Service, the Sabula Rescue, the Sabula Krabbenhoft Public Library and the Sabula Business Association maintain bank accounts separate from the City Clerk's accounting records. The City Clerk also maintains an account for FEMA activity. The transactions and resulting balances of these accounts were not recorded in the City Clerk's accounting records and were not reported to the City Council each month.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records, including budget reports, and should be reported to the City Council on a monthly basis.

City of Sabula

Schedule of Findings

Six months ended December 31, 2008  
and the year ended June 30, 2008

Response – The City Clerk will present the Council with a recommendation regarding the Volunteer Fire Department, Sabula Ambulance Service, Sabula Rescue, Krabbenhoft Public Library, and the Sabula Business Association bank accounts and request direction. The separate FEMA account has been closed and deposited into the regular City bank account.

Conclusion – Response accepted.

- (D) Interest Earned – The City did not record interest on savings accounts for the period ended December 31, 2008 and the year ended June 30, 2008.

Recommendation – The City should establish procedures to ensure all interest receipts are properly recorded.

Response – When the monthly bank statement arrives, the current City Clerk receipts in the interest and enters the interest into the finance database in order to balance with the bank statement.

Conclusion – Response accepted.

- (E) Transfers – Certain transfers between funds were not approved by the City Council and certain approved transfers were not recorded.

Recommendation – The City should establish procedures to ensure all transfers between funds are properly approved and all approved transfers are properly recorded.

Response – The City Clerk will put transfers on the monthly Council agenda for approval. After approval by the City Council, the City Clerk will transfer approved monies to the approved accounts and support those transfers with history in the financial reports and Council meeting minutes.

Conclusion – Response accepted.

- (F) Record of Investments – A detailed record of investment transactions was not available.

Recommendation – A detailed record of investment transactions should be maintained. This record should include investment number, purchase date, redemption date, interest rate and amount of principal and interest received.

Response – The City Clerk will investigate and find all investment transactions and create a spreadsheet that will show the investment number, purchase date, redemption date, interest rate and amount of principal and interest received.

Conclusion – Response accepted.

- (G) Receipts – Although the City issues receipts, the receipts are not prenumbered by the printer.

Recommendation – Prenumbered receipts should be issued at the time of collection to provide additional control over the proper collection and recording of all City money.

City of Sabula

Schedule of Findings

Six months ended December 31, 2008  
and the year ended June 30, 2008

Response – The City of Sabula intends to convert to prenumbered receipt books on or before January 1, 2010.

Conclusion – Response accepted.

- (H) Vacation/Compensatory Time – In accordance with the City’s personnel policy, “no employee may accumulate more than 20 days of vacation at any time.” At June 30, 2008, one employee carried a balance in excess of the allowable maximum.

Recommendation – The City should establish procedures to ensure employees do not accumulate vacation and compensatory time in excess of the maximum allowed.

Response – The City’s Personnel Policy needs to be amended to allow an employee to accumulate no more than 25 days of vacation at anytime. We currently have an employee that accrues 25 days of vacation on January 1. The City Clerk checks the vacation and compensatory time in the payroll reports to ensure employees have not exceeded the maximum amount.

Conclusion – Response accepted.

At the request of City personnel, we performed special procedures on the Sabula Police Department for the period July 1, 2007 through December 31, 2008. Items (I) through (M) address the issues identified during the special procedures.

- (I) Personal Cell Phone Charges – During the period July 1, 2007 through December 31, 2008, the City paid \$591.21 for charges incurred on the personal cell phone of the former Police Chief, Brian LeClere. A portion of the charges were reimbursed to Mr. LeClere. The remaining payments were made by the City directly to Mr. LeClere’s cell phone service provider. Of the \$591.21 paid by the City, we determined:

- \$82.03 was reimbursed to Mr. LeClere twice for his August 2, 2008 cell phone bill. The bill was submitted for reimbursement and paid on September 16, 2008 and again on November 18, 2008.
- \$16.98 was paid for Easy Edge data service charges, a provider service allowing download and purchase of music and ringtones.

Written policies governing the use of cellular phones have not been adopted by the City. Also, according to City officials, the City Council did not approve payment for the charges incurred on Mr. LeClere’s personal cell phone.

In addition, the payments made by the City for Mr. LeClere’s personal cell phone bills were not included in his taxable wages in accordance with regulations established by the Internal Revenue Service.

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Recommendation – The City should establish written policies governing the use of cellular telephones and should seek reimbursement for any inappropriate reimbursements and charges. The City should ensure future reimbursements are properly processed through payroll.

Response – The City of Sabula will establish a written policy for the use of the City owned cellular telephones and any future reimbursements will be processed through payroll.

Conclusion – Response accepted.

- (J) Inappropriate Internet Usage – According to City employees we spoke with, they saw photos on Mr. LeClere’s City computer which were inappropriate in nature. We also obtained a message log for the period December 9, 2008 through January 7, 2009 which showed Mr. LeClere “chatted” on-line with a female friend during normal City work hours. The discussion was non-work related.

The City does not have a policy governing appropriate use of the internet while using City equipment.

Recommendation – The City should establish and implement procedures regarding appropriate use of the internet. The City should consider consulting legal counsel regarding this matter.

Response – The City will establish and implement procedures for appropriate use of the internet.

Conclusion – Response accepted.

- (K) Credit Card – The City has a credit card which may be used by various employees for purchases made on behalf of the City. The credit card was issued in the name of the City and the former City Clerk, T. M. Cotton. According to City officials we spoke with, Mr. Cotton was the authorized custodian of the credit card. According to Mr. Cotton, he allowed Mr. LeClere to use the credit card to make purchases for the Police Department.

On December 30, 2008, the credit card was used to make a \$435.59 purchase from Amazon.com. According to the Deputy Clerk, when she asked Mr. LeClere for receipts to support the purchase, he stated it was software and the Deputy Clerk should pay the credit card bill without the vendor receipt. The Deputy Clerk refused.

She was subsequently provided a printout from Amazon.com by Mr. LeClere which showed a Garmin Navigator® portable global positioning system (GPS) had been purchased rather than the software he described. According to the Deputy Clerk, she was told by Mr. LeClere at that time to not pay for the item because he was going to return it and get the same software at no cost from the City of Preston. The GPS was subsequently returned and a credit was issued on the credit card by Amazon.com. According to City staff, because the Police Department already had a GPS unit, it was unclear why another GPS unit would be needed or purchased.

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As a result of the unusual circumstances of the GPS purchase, we reviewed purchases made with the City's credit card between June 1, 2007 and December 31, 2008. We determined \$1,288.46 of the \$5,616.19 purchases tested were not properly supported with detailed vendor receipts. However, we subsequently obtained copies of the invoices directly from the vendors and determined all purchases appeared to be for appropriate City purposes. However, many of the invoices included sales tax paid by the City.

We also determined \$2,865.91 of the purchases tested were shipped to Mr. LeClere's home address. We were unable to determine why the items were shipped to a personal residence rather than the City's offices. According to the current Police Chief, all items in question were located at City Hall.

The City has not adopted formal policies and procedures regarding the use of the City's credit card and the accounting for purchases made with the credit card.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls the credit card, who is authorized to use the credit card and for what purposes, as well as the types of supporting documentation required to substantiate charges. The City is exempt from sales tax and, accordingly, should establish procedures to ensure sales tax is not paid on future purchases.

Response – The City will adopt a formal written policy for the use of the City credit card.

Conclusion – Response accepted.

- (L) Other Unsupported Police Disbursements – In addition to credit card purchases identified in (K) above, we also reviewed other Police Department disbursements from June 1, 2007 through December 31, 2008. We determined \$356.95 of the \$1,127.28 disbursements tested were not properly supported by vendor invoices. However, we subsequently obtained copies of the invoices directly from the vendors and determined all purchases appeared to be for appropriate City purposes. According to the current Police Chief, all items in question were located at City Hall.

Recommendation – The City should establish policies requiring all disbursements be supported by invoices or other supporting documentation prior to payment.

Response – The City will establish a policy requiring that all disbursements are supported by an invoice or other supporting documentation prior to payment.

Conclusion – Response accepted.

- (M) Other Reimbursements to Former Police Chief – In addition to the reimbursements made to Mr. LeClere for his personal cell phone charges (identified in (I) above), we reviewed other reimbursements to Mr. LeClere between July 1, 2007 and December 31, 2008. During our review, we determined the following reimbursements were not properly supported:

- \$123.04 paid on July 18, 2008 for police shoes. During our fieldwork, a receipt totaling \$123.04 from the Finish Line was found in the desk previously used by Mr. LeClere. According to the receipt, Nike running shoes were

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purchased. The City's policy allows for reimbursing purchases of safety shoes for maintenance workers. The running shoes would not comply with the requirements of the policy.

- In accordance with Internal Revenue Service rules, items defined as "street wear" are taxable benefits to employees when they are reimbursed. As a result, the cost of the shoes reimbursed to Mr. LeClere should have been, but were not, included in his taxable wages.
- \$60.00 paid on October 21, 2008 for meals while attending training in Des Moines.
- \$282.85 paid on March 19, 2008. According to City accounting records, the reimbursement was for software purchased by Mr. LeClere. However, we were unable to substantiate the purchase without appropriate documentation.

The disbursements for the running shoes and software were not properly approved prior to payment.

Recommendation – The City should establish policies requiring proper support for all disbursements and should seek reimbursement for the unsupported, unauthorized payments. The City should establish procedures to ensure all disbursements are properly approved prior to payment.

Response – The City will establish policies requiring support for all disbursements and the issue of reimbursement will be brought to the City Council for consideration.

Conclusion – Response accepted.

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**Findings Related to Statutory Matters:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the public safety, culture and recreation and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The City will amend the budget before disbursements exceed the budget.

Conclusion – Response accepted.

- (2) Investment Policy – The City has not approved an investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should approve a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Response – The City will approve a written investment policy.

Conclusion – Response accepted.

- (3) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required. Additionally, the Sabula Ambulance Service, Sabula Rescue, Volunteer Fire Department, Sabula Business Association and the Sabula Krabbenhoft Public Library only receive an electronic image of the front of the checks.

Recommendation – The City and its departments should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The City of Sabula receives a copy of the front side of all cancelled checks. The City will retain an image of the back of each cancelled check in the form of a disk each year.

Conclusion – Response accepted.

- (4) Payment of General Obligation Notes – During the year ended June 30, 2008, general obligation capital loan notes were paid from the Enterprise, Water and Sewer Funds. Chapter 384.4 of the Code of Iowa states, in part, “Money pledged or available to service general obligation notes, and received from sources other than property tax, must be deposited in the Debt Service Fund.”

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Recommendation – As required by Chapter 384.4 of the Code of Iowa, the City should transfer from the Enterprise, Water and Sewer Funds to the Debt Service Fund for future funding contributions.

Response – The City of Sabula will transfer from the Enterprise, Water and Sewer Funds to the Debt Service Fund for future funding contributions.

Conclusion – Response accepted.

- (5) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks, outstanding for more than two years to the State Treasurer’s Office annually. The City did not remit these obligations as required.

Recommendation – The outstanding checks should be reviewed annually and items over two years old should be remitted to the State Treasurer’s Office as required.

Response – The outstanding checks will be reviewed annually by the City Clerk and any items over two years old will be remitted to the State Treasurer’s Office.

Conclusion – Response accepted.

- (6) Questionable Disbursements – Certain disbursements for personal cell phone reimbursements, including easy edge data service charges, noted in item (I) above and other reimbursements for clothing and an unsupported software purchase noted in item (M) above may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

According to the Attorney General’s opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The City should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures establishing the public benefit, including the requirement for proper documentation.

Response – Based on the review supplied by the auditors, the City agrees with the assessment that the use of City money may not have been appropriate; however, payment has already been made. The City will consult legal counsel to determine the feasibility of reimbursement. The City will develop a written policy to prevent future unauthorized expenditures.

Conclusion – Response accepted.

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 31, 2009

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City of Sabula

Staff

This compilation was performed by:

Marlys K. Gaston, CPA, Manager  
Daniel L. Grady, Senior Auditor  
Kristin M. Ockenfels, Staff Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a prominent initial "A".

Andrew E. Nielsen, CPA  
Deputy Auditor of State