

**CITY OF SAC CITY, IOWA**

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

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

## Table of Contents

	<u>Page</u>	
Officials	1	
Independent Auditor’s Report	2-3	
Management’s Discussion and Analysis	4-10	
Basic Financial Statements:		<u>Exhibit</u>
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	11-12
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	13-14
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	C	15
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D	16-17
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	E	18
Notes to Financial Statements		19-29
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		30-31
Notes to Required Supplementary Information – Budgetary Reporting		32

Table of Contents (continued)

		<u>Page</u>
Other Supplementary Information:	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	33-34
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Proprietary Funds	2	35
Schedule of Indebtedness	3	36-37
Note Maturities	4	38
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	5	39-40
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		41-43
Schedule of Findings		44-46

**City of Sac City, Iowa**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Barb Bloes	Mayor	Jan 2012
Bill Brenny	Mayor Pro Tem	Jan 2012
Jim Johnston	Council Member	Jan 2010
Gary Hansen	Council Member	Jan 2010
Jim Frederick	Council Member	Jan 2012
Brian Muska	Council Member	Jan 2012
Adam Ledford	City Administrator	Jan 2010
Sandy Tellinghuisen	City Clerk/Treasurer	Jan 2010
Colin McCullough	Attorney	Jan 2010
Matt Wallace	Airport Commission	Jan 2014
Jim Currie	Airport Commission	Jan 2014
Louis Carnine	Airport Commission	Jan 2010
Milo Lines	Airport Commission	Jan 2010
Earl Zimmerman	Airport Commission	Jan 2013

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Sac City, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Sac City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Sac City as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated January 19, 2010 on our consideration of the City of Sac City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 30 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sac City's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

January 19, 2010

# **City of Sac City Management's Discussion & Analysis June 30, 2009**

The discussion and analysis is intended to be an easily readable analysis of the City of Sac City's financial activities based on current conditions. This analysis focuses on activities for the year ended June 30<sup>th</sup>, 2009 and should be read in conjunction with the financial statements within this report.

## **2009 Financial Highlights**

- Total governmental funds cash balances increased 22.3% or approximately \$96,300 from fiscal year 2008 to 2009.
- Disbursements of the City's governmental activities decreased 5.5% or approximately \$90,630 in fiscal year 2008 to 2009. This decrease in disbursements was significantly impacted by a reduction in debt service. Debt Service disbursements decreased from 2008 to 2009 due to no significant bonding projects during the fiscal year and end of life on existing bonds.
- Revenues of the City's governmental activities decreased 3.7% or approximately \$63,900 from fiscal year 2008 to 2009. Much of this decrease is attributed to a reduction in intergovernmental funding during the fiscal year. Property tax rates decreased 4.0% leading to an increase in property tax revenue of approximately \$752.

## **Using This Annual Report**

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year. Other Supplementary Information provides detailed information about lower priority governmental funds.

## **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **Reporting the City's Financial Activities**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which help answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities included public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects. Property taxes, state grants, and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, and municipal gas utilities. These activities are financed primarily by user charges.

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, 3) the Debt Service Fund, 4) the Capital Projects Funds, and 5) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental operations and the basic services it provides. Government fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2. Proprietary funds accounts for the City's Enterprise Funds and for the Internal Service Fund. Enterprise funds are used to report business type activities. The City maintains four enterprise funds to provide separate information for the water, sewer, gas, and garbage funds of which water and gas are determined to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

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

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

## Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental activities.

### *Changes in Cash Basis Net Assets of Governmental Activities*

	<u><b>2008-2009</b></u>	<u><b>2007-2008</b></u>
Receipts & transfers:		
<i>Program Receipts:</i>		
Charges for service	79,955	79,388
Intergovernmental	257,209	408,956
<i>General Receipts:</i>		
Property Tax	846,910	846,675
Other City Tax	162,654	121,512
Miscellaneous	145,973	78,611
Use of Money & Property	3,984	1,252
Transfers, Net	156,302	180,493
Bond Proceeds	0	0
Total Receipts:	<u>1,652,987</u>	<u>1,716,887</u>
Disbursements:		
Public Safety	372,935	322,888
Public Works	358,469	341,981
Culture & Recreation	231,848	240,422
General Government	54,268	177,950
Debt Service	161,831	407,613
Capital Projects	<u>377,345</u>	<u>156,472</u>
Total Disbursements:	<u>1,556,696</u>	<u>1,647,326</u>
Change in cash balances	96,291	69,561
Cash basis net assets beginning of the year	432,398	362,837
Cash basis net assets end of the year	<u>528,689</u>	<u>432,398</u>

The City's total receipts for government activities for Fiscal Year 2008-2009 were \$1,652,987 compared to \$1,716,887 the previous year.

The City decreased property tax rates for Fiscal Year 2008-2009 by 4.0% resulting in approximately \$752 more in property tax revenue.

The cost of all governmental activities for Fiscal Year 2008-2009 was \$1,556,696 compared to \$1,647,326 the previous year.

*Changes in Cash Basis Net Assets of Business Type Activities*

	<u>2008-2009</u>	<u>2007-2008</u>
Receipts:		
<i>Program Receipts:</i>		
Water	500,935	442,960
Sewer	291,054	337,092
Gas	1,803,993	1,803,745
Non-major	276,995	212,698
<i>General Receipts:</i>		
Miscellaneous	27,636	23,321
Interest	1,853	6,304
Bond Proceeds	517,027	50,928
Transfers In	<u>(148,372)</u>	<u>(175,189)</u>
Total Receipts:	<u>3,271,121</u>	<u>2,701,859</u>
Disbursements:		
Water	427,357	501,080
Sewer	798,921	334,900
Gas	1,567,826	1,719,021
Garbage	<u>226,361</u>	<u>212,860</u>
Total Disbursements:	<u>3,020,465</u>	<u>2,767,861</u>
Change in cash balances	250,656	(66,002)
Cash basis net assets beginning of year	<u>509,885</u>	<u>575,887</u>
Case basis net change in assets	<u>760,541</u>	<u>509,885</u>

Total business activities receipts for the fiscal year were \$3.271 million compared to \$2.702 million last year. The increased receipts were due to significantly more bond proceeds as a result of the sanitary sewer projects.

Total disbursements for the fiscal year were \$3.020 million compared to \$2.768 million last year. The increased disbursements were due to the sanitary sewer projects.

The balance increased approximately \$509,885 to \$760,541 from the prior year partially due to bond proceeds for the sanitary sewer projects.

## **Individual Major Governmental Fund Analysis**

As Sac City completed the year, its governmental funds reported a combined fund balance of \$529,234, and increase of \$96,335 above last year's total of \$432,899. While the balance in the major funds stayed fairly consistent, the following are major contributors to the changes in fund balances from the prior year.

- The General Fund cash balance increased from \$66,497 to \$136,378.
- The Capital Funds cash balance increased from \$128,793 to \$167,150. This was due to several unanticipated receipts including grants.
- The Special Revenue Funds cash balance decreased from \$125,388 to \$100,668. This was due to higher than anticipated insurance cost.
- The Debt Service Fund cash balance increased from \$27,813 to \$39,830.

## Individual Major Business Type Fund Analysis

- The Water Fund cash balance increased from \$20,015 to \$36,607.
- The Gas Fund cash balance increased from \$402,959 to \$611,712. The larger than anticipated increase was due to an increase in customer consumption.
- The Sewer Fund cash balance decreased from \$77,090 to \$56,166. The larger than anticipated decrease was a result of reduction in water consumption which is expected due to higher rates.

## Budgetary Highlights

Over the course of the year, the City amended its budget once for \$498,000. Expenditures decreased a total of \$435,000 due to a reduction in capital project activity measured against slight increase in public safety and public works. The amendment included a reduction in revenues of \$498,000 due to no special assessments as a result of changes in the capital projects.

## Debt Administration

At June 30, 2009, the City had approximately \$775,000 in bonds and other long-term debt, compared to approximately \$1,100,000 the previous year, as shown below.

### Outstanding Debt at Year-End

	<u>2008</u>	<u>2009</u>
General Obligation Bonds	<u>\$1,100,000</u>	<u>\$775,000</u>
Total	<u>\$1,100,000</u>	<u>\$775,000</u>

Debt decreased as a result of not issuing any new general obligation bonds while continuing to pay down current bonds.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation of \$775,000 is significantly below its constitutional debt limit of over \$3 million.

## **Economic Factors & Next Year's Budget & Rates**

Several factors were considered and affected the preparation of the City's 2009 budget, as follows:

- The local economy is moderately stable with some concerns of stagnation.
- The local unemployment rate has remained lower than the state of Iowa averages.
- The rate lids and property tax rollback imposed by the state of Iowa
- Grant revenues
- The City decreased property tax rates for Fiscal Year 2008-2009 by 4.0%.

## **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or require additional information, contact Adam Ledford, City Administrator, 302 E. Main Street, Sac City, Iowa.

## **Basic Financial Statements**

City of Sac City, Iowa  
Statement of Activities and Net Assets - Cash Basis  
As of and for the year ended June 30, 2009

	Program Receipts			
	Charges for	Operating Grants, Contributions, and Restricted	Capital Grants, Contributions and Restricted	
<u>Disbursements</u>	<u>Service</u>	<u>Interest</u>	<u>Interest</u>	
<b>Functions/Programs:</b>				
Primary Government:				
Governmental activities:				
Public safety	\$ 372,935	15,363	23,286	-
Public works	358,469	7,330	196,472	-
Culture and recreation	231,848	53,805	24,336	-
Community and economic development	54,268	-	-	-
General government	161,831	-	-	-
Debt service	377,345	-	-	-
Capital projects	-	3,457	13,115	-
Total governmental activities	1,556,696	79,955	257,209	-
Business type activities:				
Water	427,357	500,935	-	-
Gas	1,567,826	1,803,993	-	-
Sewer	798,921	291,054	-	-
Nonmajor	226,361	276,995	-	-
Total business type activities	3,020,465	2,872,977	-	-
Total	4,577,161	2,952,932	257,209	-
Component unit:				
Airport	\$ 41,431	23,023	9,000	-

**General Receipts:**

Property tax levied for:

- General purposes
- Debt service

Local option sales tax

Unrestricted interest on investments

Bond Proceeds

Miscellaneous

Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:

- Streets
- Debt service
- Other purposes

Unrestricted

**Total cash basis net assets**

See notes to financial statements.

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			Component Unit
Governmental Activities	Business Type Activities	Total	Airport
(334,286)	-	(334,286)	-
(154,667)	-	(154,667)	-
(153,707)	-	(153,707)	-
(54,268)	-	(54,268)	-
(161,831)	-	(161,831)	-
(377,345)	-	(377,345)	-
16,572	-	16,572	-
(1,219,532)	-	(1,219,532)	-
-	73,578	73,578	-
-	236,167	236,167	-
-	(507,867)	(507,867)	-
-	50,634	50,634	-
-	(147,488)	(147,488)	-
(1,219,532)	(147,488)	(1,367,020)	-
-	-	-	(9,408)
579,523	-	579,523	-
267,387	-	267,387	-
162,654	-	162,654	-
3,984	1,853	5,837	938
-	517,027	517,027	-
145,973	27,636	173,609	13,455
156,302	(148,372)	7,930	(7,930)
1,315,823	398,144	1,713,967	6,463
96,291	250,656	346,947	(2,945)
432,398	509,885	942,283	48,735
\$ 528,689	760,541	1,289,230	45,790
\$ 128,633	-	128,633	-
39,830	-	39,830	-
224,393	-	224,393	-
135,833	760,541	896,374	45,790
\$ 528,689	760,541	1,289,230	45,790

City of Sac City, Iowa  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds  
As of and for the year ended June 30, 2009

	<u>General</u>	<u>Debt Service</u>
Receipts:		
Property tax	\$ 388,312	256,253
Other city tax	17,063	11,134
Licenses and permits	35,770	-
Use of money and property	5,730	-
Intergovernmental	42,071	-
Charges for service	50,232	-
Special assessments	-	-
Miscellaneous	108,334	-
Total receipts	<u>647,512</u>	<u>267,387</u>
Disbursements:		
Operating:		
Public safety	372,935	-
Public works	123,110	-
Culture and recreation	231,010	-
Community and economic development	54,268	-
General government	161,786	-
Debt service	-	377,345
Capital projects	-	-
Total disbursements	<u>943,109</u>	<u>377,345</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(295,597)</u>	<u>(109,958)</u>
Other financing sources (uses):		
Operating transfers in	370,718	121,975
Operating transfers out	(5,240)	-
Total other financing sources (uses)	<u>365,478</u>	<u>121,975</u>
Net change in cash balances	69,881	12,017
Cash balances beginning of year	<u>66,497</u>	<u>27,813</u>
Cash balances end of year	<u>\$ 136,378</u>	<u>39,830</u>
<b>Cash Basis Fund Balances</b>		
Debt service	\$ -	39,830
Unreserved:		
General fund	136,378	-
Special revenue funds	-	-
Capital projects funds	-	-
Permanent fund	-	-
Total cash basis fund balances	<u>\$ 136,378</u>	<u>39,830</u>

See notes to financial statements.

Exhibit B

Other Nonmajor Governmental	
<u>Funds</u>	<u>Total</u>
167,182	811,747
169,621	197,818
-	35,770
-	5,730
215,136	257,207
-	50,232
3,457	3,457
<u>26,389</u>	<u>134,723</u>
<u>581,785</u>	<u>1,496,684</u>
-	372,935
235,359	358,469
838	231,848
-	54,268
-	161,786
-	377,345
-	-
<u>236,197</u>	<u>1,556,651</u>
<u>345,588</u>	<u>(59,967)</u>
42,830	535,523
<u>(373,981)</u>	<u>(379,221)</u>
<u>(331,151)</u>	<u>156,302</u>
14,437	96,335
<u>338,589</u>	<u>432,899</u>
<u>353,026</u>	<u>529,234</u>
-	39,830
-	136,378
100,668	100,668
167,150	167,150
<u>85,208</u>	<u>85,208</u>
<u>353,026</u>	<u>529,234</u>

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
Governmental Funds  
As of and for the year ended June 30, 2009

**Total governmental funds cash balances (page 14)** \$ 529,234

*Amounts reported for governmental activities in the Statement of Activities  
and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of the City's payroll to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

(545)

**Cash basis net assets of governmental activities (page 12)** \$ 528,689

**Net change in cash balances (page 14)** 96,335

*Amounts reported for governmental activities in the Statement of Activities  
and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of the City's payroll to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

(44)

**Change in cash balance of governmental activities (page 12)** \$ 96,291

See notes to financial statements.

City of Sac City, Iowa  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds  
As of and for the year ended June 30, 2009

	Enterprise Funds			
	<u>Water</u>	<u>Gas</u>	<u>Sewer</u>	<u>Nonmajor</u>
Operating receipts:				
Charges for service	\$ 500,935	1,803,993	291,054	276,995
Miscellaneous	4,320	12,026	8,755	2,535
Total operating receipts	<u>505,255</u>	<u>1,816,019</u>	<u>299,809</u>	<u>279,530</u>
Operating disbursements:				
Governmental activities:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
General government	-	-	-	-
Business type activities	<u>427,314</u>	<u>1,567,826</u>	<u>243,099</u>	<u>226,361</u>
Total operating disbursements	<u>427,314</u>	<u>1,567,826</u>	<u>243,099</u>	<u>226,361</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>77,941</u>	<u>248,193</u>	<u>56,710</u>	<u>53,169</u>
Non-operating receipts (disbursements):				
Interest on investments	275	1,293	176	109
Bond proceeds	-	-	517,027	-
Capital projects	-	-	(555,822)	-
Total non-operating receipts (disbursements)	<u>275</u>	<u>1,293</u>	<u>(38,619)</u>	<u>109</u>
Excess (deficiency) of receipts over (under) disbursements	<u>78,216</u>	<u>249,486</u>	<u>18,091</u>	<u>53,278</u>
Operating transfers in	-	16,973	-	-
Operating transfers out	<u>(61,624)</u>	<u>(57,706)</u>	<u>(39,015)</u>	<u>(7,000)</u>
Total operating transfers	<u>(61,624)</u>	<u>(40,733)</u>	<u>(39,015)</u>	<u>(7,000)</u>
Net change in cash balances	16,592	208,753	(20,924)	46,278
Cash balances beginning of year	<u>20,015</u>	<u>402,959</u>	<u>77,090</u>	<u>10,411</u>
Cash balances end of year	<u>\$ 36,607</u>	<u>611,712</u>	<u>56,166</u>	<u>56,689</u>
<b>Cash Basis Fund Balances</b>				
Unreserved	<u>\$ 36,607</u>	<u>611,712</u>	<u>56,166</u>	<u>56,689</u>
Total cash basis fund balances	<u>\$ 36,607</u>	<u>611,712</u>	<u>56,166</u>	<u>56,689</u>

See notes to financial statements.

Exhibit D

<u>Total</u>	<u>Internal Service Fund Employee Payroll</u>
2,872,977	-
<u>27,636</u>	<u>1,010,298</u>
<u>2,900,613</u>	<u>1,010,298</u>
-	181,169
-	155,015
-	96,765
-	34,715
<u>2,464,600</u>	<u>542,721</u>
<u>2,464,600</u>	<u>1,010,385</u>
<u>436,013</u>	<u>(87)</u>
1,853	-
517,027	-
<u>(555,822)</u>	<u>-</u>
<u>(36,942)</u>	<u>-</u>
<u>399,071</u>	<u>(87)</u>
16,973	-
<u>(165,345)</u>	<u>-</u>
<u>(148,372)</u>	<u>-</u>
250,699	(87)
<u>510,475</u>	<u>(1,091)</u>
<u>761,174</u>	<u>(1,178)</u>
<u>761,174</u>	<u>(1,178)</u>
<u>761,174</u>	<u>(1,178)</u>

Reconciliation of the Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
Proprietary Funds  
As of and for the year ended June 30, 2009

**Total enterprise funds cash balances (page 17)** \$ 761,174

*Amounts reported for business type activities in the Statement of  
Activities and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of the City's payroll to individual funds. The assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.

(633)

**Cash basis net assets of business type activities (page 12)** \$ 760,541

**Net change in cash balances (page 17)** 250,699

*Amounts reported for business type activities in the Statement of  
Activities and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of the City's payroll to individual funds. The change in net assets of the Internal Service Fund is reported with business type activities.

(43)

**Change in cash balance of business type activities (page 12)** \$ 250,656

See notes to financial statements.

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2009

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

The City of Sac City is a political subdivision of the State of Iowa located in Sac County. It was first incorporated in 1875 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 and gas utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Sac City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

Discretely Presented Component Unit

These financial statements present the City of Sac City (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2009

The Sac City Municipal Airport Authority (Authority) was established pursuant to Chapter 330A of the Code of Iowa to operate the City's airport facility. The Authority is governed by a five member board appointed by the Sac City, City Council. The board members serve at the pleasure of the City. The City annually provides significant operating subsidies to the Authority. In accordance with criteria set by the Governmental Accounting Standards Board, the Authority meets the definition of a component unit which should be discretely presented. The Authority is accounted for as a Governmental Fund in these financial statements.

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: Sac County Emergency Management Commission, Sac County Landfill Commission, Sac County Joint E911 Service Board, Recreation Center Board, and Kid's World 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 services.

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

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

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2009

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2009

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

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the City's payroll, which is then allocated to the City's departments on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City of Sac City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

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, 2009, disbursements exceeded the amounts budgeted in the general government function.

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2009

E. Subsequent Events

The City has evaluated subsequent events through January 19, 2010, the date which the financial statements were available to be issued.

(2) **Cash**

The City and its component unit's deposits in banks at June 30, 2009 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 and its component unit are authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City and its component unit had no investments at June 30, 2009. The City and its component unit invested its excess funds in savings accounts and certificates of deposit.

(3) **Notes Payable**

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

Year Ending <u>June 30,</u>	<u>General Obligation Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 265,000	36,015
2011	110,000	23,520
2012	115,000	18,430
2013	55,000	13,005
2014	55,000	10,557
2015	55,000	8,083
2016	60,000	5,580
2017	<u>60,000</u>	<u>2,820</u>
Total	\$ <u>775,000</u>	<u>118,010</u>

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2009

In addition, the City of Sac City has authorized an interim financing loan for up to \$750,000 to finance the planning and design of a sewer improvement project. This interim loan has a zero percent interest rate. The City has three years to pay back this interim loan or incorporate it with the project note. The balance at June 30, 2009 is \$612,835.

**(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 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$66,155, \$62,978 and \$61,094, respectively, equal to the required contributions for each year.

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. Sick leave is payable upon retirement in limited situations. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payments payable to employees at June 30, 2009, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 57,000
Sick Leave	<u>2,000</u>
	<u>59,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2009.

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2009

**(6) Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457, as amended on August 20, 1996. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Effective January 23, 2006, the deferred compensation is held in a trust for the exclusive benefit of participants (or their beneficiaries in the event of the participant's death) until termination, retirement, death or an unforeseeable emergency. The City provides neither administrative service to the plan nor investment advice for the plan.

**(7) Capital Lease**

The Sac City Airport Authority entered into a capital lease for the purchase of a mower. The lease is from May 1, 2007 through May 1, 2011. During the year ended June 30, 2009, the airport disbursed \$2,999 for this lease.

Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
June 30, 2010	\$ 2,976	23	2,999
June 30, 2011	<u>1</u>	<u>---</u>	<u>1</u>
	<u>2,977</u>	<u>23</u>	<u>3,000</u>

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2009

**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Employee Benefits	\$ 169,756
	Local Option Sales Tax	130,123
	Long-term Capital Improvements	5,240
	Long-term Capital Fire Department	24,599
	Enterprise:	
	Gas	21,000
	Water	10,000
	Sewer	10,000
Debt Service	Enterprise:	
	Gas	36,706
	Water	30,224
	Sewer	22,514
	Special Revenue:	
	Local Option Sales Tax	32,531
Capital Projects: Special Assessment	Enterprise:	
	Water	21,400
	Sewer	6,500
	Garbage	7,000
Enterprise: Gas	Special Revenue: Revolving Loan	16,973
Capital Projects: Airport Project	Component Unit: Airport	<u>7,930</u>
Total		\$ <u>552,496</u>

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

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2009

**(9) Risk Management**

The City of Sac 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 577 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 official's liability, police professional liability, property, boiler/machinery, and inland marine. 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 year ended June 30, 2009 were \$101,624.

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2009

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 by the Travelers Insurance Company.

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, 2009, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

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

The City also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation. 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.

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2009

**(10) Sac County Landfill Commission**

The City, in conjunction with nine other municipalities, has created the Sac County Landfill Commission. The Commission was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. On dissolution of the Commission, the net assets of the Commission will be prorated among the municipalities. The Sac County Landfill Commission board consists of an elected representative of the governing body of each participating governmental jurisdiction. The Commission may not be accumulating sufficient financial resources, therefore, the City of Sac City has an ongoing financial responsibility. During the year ended June 30, 2009 the City paid \$79,507 to the Sac County Landfill Commission for landfill fees. Complete financial statements for the Commission can be obtained from the Sac County Landfill Commission. In fiscal year 1997-1998 a 28E organization was formed by nine participating municipalities in order to provide financial assurance mechanisms in the event of closure and post closure costs associated with the landfill. No estimates of the closure or post closure costs have been made to date.

**(11) Early Childhood Development Project**

A management agreement is in effect where Kid's World will repay the City the amount it advanced plus interest. The balance owing to the City at June 30, 2009, including interest, is \$225,663.

**(12) Subsequent Events**

The City of Sac City has committed to a sewer improvement project for approximately \$7 million. This project will be paid from a combination of SRF funding, ARRA and CDBG grants and rate increases.

Sac County, Iowa had a major ice storm in January 2010 and was declared a state disaster area. The financial effect on the City of Sac City is not known.

**Required Supplemental Information**

City of Sac City, Iowa

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

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Funds not Required to <u>be Budgeted</u>
Receipts:			
Property tax	811,747	-	-
Other city tax	197,818	-	-
Licenses and permits	35,770	-	-
Use of money and property	5,730	1,853	-
Intergovernmental	257,207	-	-
Charges for service	50,232	2,872,977	-
Special assessments	3,457	-	-
Miscellaneous	134,723	1,037,934	1,010,298
Total receipts	<u>1,496,684</u>	<u>3,912,764</u>	<u>1,010,298</u>
Disbursements:			
Public safety	372,935	181,169	181,169
Public works	358,469	155,015	155,015
Culture and recreation	231,848	96,765	96,765
Community and economic development	54,268	-	-
General government	161,786	34,715	34,715
Debt service	377,345	-	-
Capital projects	-	-	-
Business type activities	-	3,563,143	542,721
Total disbursements	<u>1,556,651</u>	<u>4,030,807</u>	<u>1,010,385</u>
Excess (deficiency) of receipts over (under) disbursements	(59,967)	(118,043)	(87)
Other financing sources (uses), net	<u>156,302</u>	<u>368,655</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	96,335	250,612	(87)
Balances beginning of year	<u>432,899</u>	<u>509,384</u>	<u>(1,091)</u>
Balances end of year	<u>\$ 529,234</u>	<u>759,996</u>	<u>(1,178)</u>

See accompanying independent auditor's report.

<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
	<u>Original</u>	<u>Final</u>	
811,747	813,485	813,485	(1,738)
197,818	167,001	167,001	30,817
35,770	5,700	5,700	30,070
7,583	169,600	169,600	(162,017)
257,207	839,984	861,984	(604,777)
2,923,209	2,999,490	2,999,490	(76,281)
3,457	559,700	39,700	(36,243)
162,359	18,000	18,000	144,359
<u>4,399,150</u>	<u>5,572,960</u>	<u>5,074,960</u>	<u>(675,810)</u>
372,935	358,150	393,150	20,215
358,469	331,450	381,450	22,981
231,848	301,071	301,071	69,223
54,268	104,800	104,800	50,532
161,786	154,898	154,898	(6,888)
377,345	377,845	377,845	500
-	520,000	-	-
3,020,422	4,612,570	4,612,570	1,592,148
<u>4,577,073</u>	<u>6,760,784</u>	<u>6,325,784</u>	<u>1,748,711</u>
(177,923)	(1,187,824)	(1,250,824)	1,072,901
<u>524,957</u>	<u>1,205,000</u>	<u>1,205,000</u>	<u>(680,043)</u>
347,034	17,176	(45,824)	392,858
<u>943,374</u>	<u>850,102</u>	<u>850,102</u>	<u>93,272</u>
<u>1,290,408</u>	<u>867,278</u>	<u>804,278</u>	<u>486,130</u>

City of Sac City, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, the Permanent Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted receipts by \$498,000 and budgeted disbursements by \$435,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the general government function.

## **Other Supplementary Information**

City of Sac City, Iowa

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

As of and for the year ended June 30, 2009

	Special Revenue				
	Road Use Tax	Employee Benefits	Unemployment Compensation	Local Option	Long-term Capital Fire Department
Receipts:					
Property tax	\$ -	159,910	-	-	7,272
Other city tax	-	6,967	-	162,654	-
Intergovernmental	196,472	-	-	-	5,549
Special assessments	-	-	-	-	-
Miscellaneous	-	-	-	-	603
Total receipts	<u>196,472</u>	<u>166,877</u>	<u>-</u>	<u>162,654</u>	<u>13,424</u>
Disbursements					
Operating:					
Public works	214,314	-	-	-	-
Culture and recreation	-	-	-	-	-
Capital Projects	-	-	-	-	-
Total Disbursements	<u>214,314</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(17,842)</u>	<u>166,877</u>	<u>-</u>	<u>162,654</u>	<u>13,424</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	(169,755)	-	(162,654)	(24,599)
Total other financing sources (uses)	<u>-</u>	<u>(169,755)</u>	<u>-</u>	<u>(162,654)</u>	<u>(24,599)</u>
Net change in cash balances	(17,842)	(2,878)	-	-	(11,175)
Cash balances beginning of year	<u>18,625</u>	<u>2,878</u>	<u>9,042</u>	<u>-</u>	<u>94,843</u>
Cash balances end of year	<u>783</u>	<u>-</u>	<u>9,042</u>	<u>-</u>	<u>83,668</u>
<b>Cash Basis Fund Balances</b>					
Unreserved:					
Special revenue funds	783	-	9,042	-	83,668
Capital project funds	-	-	-	-	-
Permanent fund	-	-	-	-	-
Total cash basis fund balances	<u>\$ 783</u>	<u>-</u>	<u>9,042</u>	<u>-</u>	<u>83,668</u>

See accompanying independent auditor's report.

		Capital Projects			Permanent	
Revolving Loan	Library	Capital Improvements	Special Assessment	Airport Improvements	Cemetery Perpetual Care	Total
-	-	-	-	-	-	167,182
-	-	-	-	-	-	169,621
-	-	-	-	13,115	-	215,136
-	-	-	3,457	-	-	3,457
16,973	8,013	-	-	-	800	26,389
16,973	8,013	-	3,457	13,115	800	581,785
-	-	-	-	21,045	-	235,359
-	838	-	-	-	-	838
-	-	-	-	-	-	-
-	838	-	-	21,045	-	236,197
16,973	7,175	-	3,457	(7,930)	800	345,588
-	-	-	34,900	7,930	-	42,830
(16,973)	-	-	-	-	-	(373,981)
(16,973)	-	-	34,900	7,930	-	(331,151)
-	7,175	-	38,357	-	800	14,437
-	-	39,300	89,493	-	84,408	338,589
-	7,175	39,300	127,850	-	85,208	353,026
-	7,175	-	-	-	-	100,668
-	-	39,300	127,850	-	-	167,150
-	-	-	-	-	85,208	85,208
-	7,175	39,300	127,850	-	85,208	353,026

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

As of and for the year ended June 30, 2009

	Enterprise Funds		
	<u>Storm Sewer</u>	<u>Garbage</u>	<u>Total</u>
Operating receipts:			
Charges for service	\$ 59,106	\$ 217,889	276,995
Miscellaneous	-	2,535	2,535
Total operating receipts	<u>59,106</u>	<u>220,424</u>	<u>279,530</u>
Operating disbursements:			
Business type activities	<u>3,401</u>	<u>222,960</u>	<u>226,361</u>
Total operating disbursements	<u>3,401</u>	<u>222,960</u>	<u>226,361</u>
Deficiency of operating receipts under operating disbursements	<u>55,705</u>	<u>(2,536)</u>	<u>53,169</u>
Non-operating receipts:			
Interest on investments	-	109	109
Total non-operating receipts	<u>-</u>	<u>109</u>	<u>109</u>
Deficiency of receipts under disbursements	<u>55,705</u>	<u>(2,427)</u>	<u>53,278</u>
Other financing sources:			
Operating transfers out	-	(7,000)	(7,000)
Total other financing sources	<u>-</u>	<u>(7,000)</u>	<u>(7,000)</u>
Net change in cash balances	55,705	(9,427)	46,278
Cash balances beginning of year	<u>-</u>	<u>10,411</u>	<u>10,411</u>
Cash balances end of year	<u>\$ 55,705</u>	<u>984</u>	<u>56,689</u>
<b>Cash Basis Fund Balances</b>			
Unreserved	<u>55,705</u>	<u>984</u>	<u>56,689</u>
Total cash basis fund balances	<u>\$ 55,705</u>	<u>\$ 984</u>	<u>56,689</u>

See accompanying independent auditor's report.

City of Sac City, Iowa

Schedule of Indebtedness

Year ended June 30, 2009

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation notes:			
Swimming pool	May 1, 2000	4.65-5.20%	\$ 750,000
Corporate purpose	Apr 2, 2002	3.00-5.00%	1,195,000
Corporate purpose	Jul 15, 2006	4.15-4.70%	660,000
Total			

See accompanying independent auditor's report.

Schedule 3

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
185,000	-	90,000	95,000	9,575	-
350,000	-	165,000	185,000	16,825	-
<u>565,000</u>	<u>-</u>	<u>70,000</u>	<u>495,000</u>	<u>24,945</u>	<u>-</u>
<u>\$ 1,100,000</u>	<u>-</u>	<u>325,000</u>	<u>775,000</u>	<u>51,345</u>	<u>-</u>

Note Maturities

June 30, 2009

Year Ending <u>June 30,</u>	General Obligation Notes			
	Corporate Purpose Issued April 2, 2002		Swimming Pool Issued May 1, 2001	
	Interest		Interest	
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
2010	4.80 %	\$ 60,000	5.20 %	\$ 95,000
2011	4.90	60,000		-
2012	5.00	<u>65,000</u>		-
Total		<u>\$ 185,000</u>		<u>\$ 95,000</u>

Year Ending <u>June 30,</u>	General Obligation Notes			<u>Total</u>
	Corporate Purpose Issued July 15, 2006			
	Interest			
	<u>Rates</u>	<u>Amount</u>		
2010	4.25 %	\$ 110,000		265,000
2011	4.30	50,000		110,000
2012	4.35	50,000		115,000
2013	4.45	55,000		55,000
2014	4.50	55,000		55,000
2015	4.55	55,000		55,000
2016	4.60	60,000		60,000
2017	4.70	<u>60,000</u>		<u>60,000</u>
Total		<u>\$ 495,000</u>		<u>775,000</u>

See accompanying independent auditor's report.

City of Sac City, Iowa

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

For the Last Six Years

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Receipts:			
Property tax	\$ 811,747	\$ 810,620	825,999
Other city tax	197,818	157,567	216,251
Licenses and permits	35,770	38,336	7,167
Use of money and property	5,730	3,677	704
Intergovernmental	257,207	408,955	346,795
Charges for service	50,232	59,131	81,176
Special assessments	3,457	5,880	6,946
Miscellaneous	<u>134,723</u>	<u>52,228</u>	<u>70,527</u>
 Total	 <u>\$ 1,496,684</u>	 <u>\$ 1,536,394</u>	 <u>1,555,565</u>
Disbursements:			
Operating			
Public safety	\$ 372,935	322,888	298,221
Public works	358,469	341,981	312,692
Culture and recreation	231,848	240,422	237,138
Community and economic development	54,268	-	-
General government	161,786	177,950	170,766
Debt service	377,345	407,980	304,999
Capital projects	<u>-</u>	<u>156,472</u>	<u>339,278</u>
 Total	 <u>\$ 1,556,651</u>	 <u>\$ 1,647,693</u>	 <u>1,663,094</u>

See accompanying independent auditor's report.

<u>2006</u>	<u>2005</u>	<u>2004</u>
820,574	809,303	795,773
73,857	36,744	44,795
5,532	8,748	6,948
1,243	602	724
307,071	259,114	254,058
82,927	59,870	69,455
2,602	14,049	23,349
53,246	30,516	15,493
<u>1,347,052</u>	<u>1,218,946</u>	<u>1,210,595</u>
315,358	295,179	272,397
280,860	263,854	268,324
225,204	226,173	215,432
-	-	-
181,399	154,047	140,806
278,800	320,740	315,860
82,364	-	5,000
<u>1,363,985</u>	<u>1,259,993</u>	<u>1,217,819</u>

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

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Sac City, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated January 19, 2010. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Sac City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Sac City's financial statements that is more than inconsequential will not be prevented or detected by the City of Sac City's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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

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

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

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

January 19, 2010

City of Sac City, Iowa

Schedule of Findings

Year ended June 30, 2009

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

I-A-09      Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noticed that certain functions are not entirely segregated, such as preparing receipts and posting utility billing.

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

Response – We feel we are doing the best we can and that no further segregation is possible without additional staff.

Conclusion – Response accepted.

I-B-09      Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. The City of Sac City does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

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

City of Sac City, Iowa

Schedule of Findings

Year ended June 30, 2009

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

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

Conclusion – Response accepted.

**Part II: Other Findings Related to Statutory Reporting:**

II-A-09 Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the general government function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered expect under an annual or continuing appropriation.”

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

Response – The budget will be amended in sufficient amounts in the future, if applicable.

Conclusion – Response accepted.

II-B-09 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

II-C-09 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Sac City, Iowa

Schedule of Findings

Year ended June 30, 2009

II-D-09 Business Transactions – No business transactions between the City and City officials were noted.

II-E-09 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that coverage is adequate for current operations.

II-F-09 Council Minutes – It was noted that not all claims were published in the paper as required by Chapter 372 of the Code of Iowa. The claims not published included payments made by automatic withdrawal for purchased gas. There was also one claim published with the wrong amount.

Recommendation – The City should review its procedures and make sure all claims are published.

Response – We will review our procedures.

Conclusion – Response accepted.

II-G-09 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.