

**CITY OF ADEL**

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

**JUNE 30, 2008**

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**City of Adel**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James F. Peters	Mayor	Jan 2010
Jon McAvoy	Council Member	Jan 2010
Art Kirk	Council Member	Jan 2012
Mike Haynes	Council Member	Jan 2012
Dale Swanson	Council Member	Jan 2010
Don Price	Council Member	Jan 2012
Chad Bird	Administrator	At will
Pat Gilliland	Clerk	At will
John Reich	Attorney	At will

**City of Adel**

## Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Adel, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These primary government financial statements are the responsibility of the City of Adel's management. Our responsibility is to express opinions on these primary government financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions 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 primary government 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.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units.

In our opinion, the primary government financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Adel as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

However, the primary government financial statements, because they do not include the financial data of the component unit of the City of Adel do not purport to, and do not, present fairly the results of the cash transactions of the funds of the City of Adel as of and for the year ended June 30, 2008, and its indebtedness at June 30, 2008, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2008 on our consideration of the City of Adel'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 7 through 15 and 34 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise the City of Adel's primary government financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the primary government financial statements for the three years ended June 30, 2007 (none of which are presented herein) and expressed unqualified opinions on those primary government financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the primary government financial statements. Such information has been subjected to the auditing procedures applied in our audit of the primary government financial statements and, in our opinion, is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.

October 15, 2008  
Ames, Iowa

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## **MANAGEMENT’S DISCUSSION AND ANALYSIS – FY08**

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The City of Adel provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of financial activities focuses on current year activities and should be read in conjunction with the City’s financial statements, which follow.

Because the City, as required by the State of Iowa, implemented new reporting standards four fiscal years ago there are significant changes in content and structure from five years ago. This information should be kept in mind when comparing older data.

**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 overview of the City’s financial activities.

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

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

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

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

Other Supplementary Information provides detailed information about the non-major governmental funds.

### **Basis of Accounting**

The City of Adel, along with many Iowa cities, maintains its financial records on the basis of cash receipts and disbursements. The financial statements of the City are prepared on that basis. The cash basis of accounting does not take into consideration 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 (GAAP). Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting. However, because the City of Adel has used the cash basis of accounting for many years, this report does show activities for a full 12 month period and can be easily compared to other 12 month reporting periods.

### **REPORTING THE CITY’S FINANCIAL ACTIVITIES**

One of the most important questions asked about the City’s finances is, “Is the City as a whole better off or worse off as a result of the year’s activities?” The Statement of Activities and Net Assets reports information which helps answer this question. The Statement of Activities and Net Assets presents the City’s net assets. Over time, increases or decreases in the City’s net assets

may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

It should be noted that when major projects take place, financing and expenditures may occur in different fiscal years. For example: The Adel Public Library Construction project was financed in FY04, dramatically increasing the cash balance. The majority of those funds were spent in FY05 reducing the cash balance “back to normal”. Similarly, the 2006 Street & Utility Project was financed with short-term temporary bonds in FY07 and the majority of those funds were also spent in FY07, thereby inflating some of the cash balances beyond their normal levels. These types of conditions will be addressed when reporting the financial highlights.

The City has two kinds of funds:

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, which includes the Special Street Reserve Fund 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City’s general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs.

Proprietary funds account for the City’s Enterprise Funds. These proprietary funds are used to report business type activities. The City maintains separate funds for water, sewer and garbage/recycling, considered to be major proprietary funds of the City.

## **GOVERNMENT FINANCIAL STATEMENTS**

All receipts and disbursements for the City of Adel are categorized as either governmental activities or business-type activities. As a tool in understanding the Statement of Activities, an explanation of government accounting follows:

**Governmental Funds** – Most of the city’s basic services are reported in governmental funds. These are categorized during the budgeting process and subsequently the annual report as general, special revenue, debt service and capital projects. The following funds further detail revenue and expenditures.

**Public Safety:** includes police operations, fire protection, building inspections and animal control.

**Public Works:** includes roads, bridges, sidewalks, street cleaning, equipment, street lighting, snow removal, some tree care and traffic control.

**Culture and Recreation:** includes library services, museum, parks, pool and cemetery.

**Community and Economic Development:** includes activities in the urban renewal area including the industrial park funded by tax increment financing.

**General Government:** includes mayor, council, elections, general legal services, city hall, and general liability insurance.

**Debt Service:** includes bond payments for general obligation and street and storm sewer construction.

**Capital Projects:** This fund is utilized in two different ways:

1. Expenditures for construction/reconstruction projects that are reimbursed with bond proceeds, tax increment financing or other funds. Some projects are financed as internal debts.



2. Capital Improvements set aside funds for vehicle/equipment replacement, building maintenance, office equipment, playground equipment, as well as water and sewer improvement funds which can also be classified as internal service funds. These accounts are funded annually through the budgeting process. By setting aside money for future purchases, the taxpayer realizes savings by eliminating bond and interest costs and the city is able to upgrade its equipment and facilities.

**Business-type activities:** The City charges customers for these services. They are self-sufficient proprietary funds. Expenditures from these funds include operations, transfers and debt payments. Fees for all the enterprise services are combined on monthly billing statements to individual customers.

**Water-**Revenues to support the operation and maintenance of the City's water plant and distribution system are derived from billings to customers based on individual usage as well as interest on investments and connection fees. Rates charged for services reflect cost of operations and maintenance, debt payments and funding for future improvements.

**Sewer-**Revenues to support the operation and maintenance of the City's sewer system are derived from billings to customers based on water usage as well as interest and connection fees. Rates charged for services reflect the cost of operations and maintenance, debt payments as well as funding for future improvements.

**Garbage/Recycling-**The City contracts for collection of residential garbage and recycling service. Recycling contracts for residential customers include curbside recycling for cardboard, paper, plastic, glass, and metal in containers provided by the City. Yard waste collection is also provided by contract. Residential customers are billed based on that contract with the addition of the per capita landfill fee. The City also contracts for commercial collection of cardboard and paper in the business district and bills those customers accordingly. Revenues are used to pay contracts, purchase recycle containers and pay for services provided by city staff.

## 2008 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased by 2.6%, from fiscal 2007 to fiscal 2008. TIF, Road Use Tax Fund and general property tax receipts were slightly higher than in FY07.  
  
Property tax revenue increased 10.8% or approximately \$177,000 and the City's valuation increased 4.6%. The City's property tax levy also increased from \$15.40 to \$15.81 per thousand (2.6%).
- Total General Fund disbursements increased from fiscal year 2007 to 2008 by \$91,238 or 8.5%, and total governmental fund disbursements decreased \$5,253,385 or 66%. The majority of the increase in disbursements in the general fund can be attributed to the new equipment and staff in City Hall, parks, streets, and sewer departments.
- The City's total cash basis net assets increased by \$284,003 over 2007. Governmental activities increased approximately \$171,376 due to decreases in capital projects and debt service. The assets of the business type activities increased by approximately \$112,627.

**PROPERTY TAX DISTRIBUTION** - Another important question asked of City finances is, "What services are provided by property tax dollars?" Property taxes accounted for 67.6% of the funding for governmental activities in FY08 and increase of 5% over the previous year. The following table shows how property taxes are distributed to each

fund, the % of your total tax that is allocated to each fund as well as other revenues used to support each fund.

<b>Fund</b>	<b>Property Tax</b>	<b>% of total Property Tax</b>	<b>Other Revenue Source</b>	<b>Total</b>
Public Safety	\$622,459	34.2%	\$54,412	\$676,871
Public Safety	\$15,726	0.9%	\$302,743	\$318,469
Culture & Recreation	\$200,654	11.0%	\$269,925	\$470,579
Economic Development	\$104,929	5.8%	\$24,737	\$129,666
General Government	\$146,932	8.1%	\$37,626	\$184,558
Debt Service	\$717,810	39.4%	\$0	\$717,810
Capital Projects	\$119,581	6.6%	\$0	\$119,581
Unallocated funds	<b>(\$108,265)</b>	-5.9%	\$179,270	\$71,005
<b>Total (including TIF)</b>	<b>\$1,819,826</b>	<b>100.0%</b>	<b>\$868,713</b>	<b>\$2,688,539</b>

## 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	
	Year ended June 30, 2008
Receipts and transfers:	
Program receipts:	
Charges for service	\$ 211,153
Intergovernmental (Operating grants, contributions, and restricted interest.)	478,290
Capital grants, contributions, and restricted interest	-0-
General receipts:	
Property tax	1,499,056
Tax increment financing	357,449
Other taxes	6,191
Unrestricted grants and contributions	-0-
Note proceeds	-0-
Unrestricted investment earnings and rent	122,458
Other general receipts	19,313
Other financing sources	95,000
Total receipts and transfers	<u>2,788,910</u>
Disbursements:	
Public safety	676,871
Public works	318,469
Health and social services	-0-
Culture and recreation	470,579
Community and economic development	129,666
General government	184,558
Debt service	717,810
Capital projects	119,581
Total disbursements	<u>2,617,534</u>
Increase in cash basis net assets	171,376
Cash basis net assets beginning of year	466,901
Cash basis net assets end of year	<u>\$ 638,277</u>

Changes in Cash Basis Net Assets of Business Type Activities
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	Year ended June 30,
	2008
Receipts:	
Program receipts:	
Charges for service:	
Water	534,163
Sewer	446,693
Garbage/Recycling	199,298
Capital grants, contributions & restricted interest	-
General receipts:	
Unrestricted interest on investments	26,064
Bond proceeds	-
Other general receipts	8,550
Total receipts	1,214,768
Disbursements and transfers:	
Water	450,356
Sewer	370,230
Garbage/Recycling	186,555
Transfers	95,000
Total disbursements and transfers	1,102,141
Increase (decrease) in cash balance	112,627
Cash basis net assets beginning of year	624,414
Cash basis net assets end of year	\$ 737,041

Total business type activities receipts for the fiscal year FY08 were \$1,214,768 compared to \$1,172,553 last year. Total disbursements and transfers for the fiscal year increased by \$61,458 to total of \$1,102,141 mainly due to purchase of radio read meter heads, staff, and miscellaneous equipment.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As The City of Adel completed the year, its governmental funds reported a combined fund balance of \$638,277. This balance then reflects an increase of \$171,376 from last year's total of \$466,901. The reasons for change in the overall fund balances may be attributed to various minor issues such as equipment purchases, major repairs etc. With the absence of a special or capital project this past year, activity has been fairly modest. The following are other major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$35,807 from the prior year to \$274,621. This increase in fund balance is due to a decreased amount of transfers out of the general fund, which is atypical for the general fund's share of equipment and vehicle purchases. The increase in balance may also be attributed to increased fiscal prudence by management.
- The Road Use Tax Fund cash balance increased by \$12,097 during the fiscal year. The City used this money to undertake various major street projects such as crack sealing on some concrete streets such as Locust Street and South 14<sup>th</sup> Street and to repair and maintain street signs and city sidewalks.
- The Urban Renewal Tax Increment Fund cash balance of \$4,532 decreased from the previous year as this account did not have much special or new activity. This change of \$34,040 is attributed to the normal fluctuations in revenues based on local valuations in the Urban Renewal Area and may also reflect increased operations activity in the fund.
- The Capital Projects Fund:

This fund saw changes this year as the 2006 Street and Utility Project was completed resulting in closing the project from a bond disbursement process. There is currently a deficit as we now wait for the special assessments to roll in from residents who pay the assessment through property taxes. The fund did see approximately \$176,000 in revenue from these special assessments this year.

Internal Debt projects (Brickyard Road (\$30,000) and Public Safety Building (\$10,000) were reduced drastically. This transfer also retires the Brickyard Road Fund. In future years, funds will be rolled together to retire other internal fund deficits.

Capital Improvements fund balances had an increase of \$145,627. Staff and Council have worked to increase some of the funds to plan for larger capital projects. Funds continue to be transferred from Water and Sewer funds for future utility improvements.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance increased by \$45,658 to \$387,579, due to a scheduled CPI rate increase and no major projects or improvements scheduled for the year. Substantial transfers were made to the Water Department for future system improvements and debt service.
- The Sewer Fund cash balance increased by \$57,690 to \$268,611 due to a scheduled CPI rate increase and few minor projects such as some relining of main lines and other repairs. Substantial transfers were made to the Sewer Department for future system improvements and debt service.
- Garbage/Recycling Fund increased by \$9,279 to \$80,851. The city will continue to improve services throughout the community.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was approved on May 13<sup>th</sup>, 2008 and provided for changes in the revenue and disbursements in various city funds.

## DEBT ADMINISTRATION

At June 30, 2008, the City had approximately \$7,037,470 in bonds and other long-term debt, compared to approximately \$7,567,470 last year, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	2008	2007
	\$	
General obligation capital loan notes	6,364,000	6,733,000
Tax Increment Financing bonds	-0-	15,000
Revenue bonds and notes	623,470	744,470
Special assessment bonds	50,000	75,000
Bank Notes	-	-
Lease purchase agreement	-	-
Total	<u>\$ 7,037,470</u>	<u>7,567,470</u>

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. This also includes Tax Increment Revenue Bonds. FY08 debt is \$6,364,000. This debt, however, remains below the constitutional debt limit of \$8,585,513. The City of Adel is currently utilizing 79.30% of its debt limit.

## TIF REBATES

The City has a 10-year decreasing tax rebate agreement with United Brick and Tile Company for its expansion at the brick plant, which increased their property values by \$1.75 million. The fifth rebate was paid in FY08 in the amount of \$41,941.44 which represented 60% of the increased taxes paid by the company as a result of the expansion. Next year's rebate will be in the amount of \$33,428.64 or 50% of the increased taxes. The rebates for FY07 and FY08 are slightly offset because of a reassessment by the Dallas County Assessor's Office. Rebates will continue to be paid, reducing by 10% each year until 2013.

In 2006 the City of Adel also entered into a second 10-year decreasing tax rebate agreement with United Brick & Tile for continued expansion at the brick plant, which further increased their property values by almost \$800,000. The first rebate under this new agreement will be \$25,282.57 and is due in FY09.

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

The City of Adel considered many factors when setting the fiscal year 2008 budget, tax rates, and fees that will be charged for various City activities. Park user fees were continued to fund the playground equipment capital projects.

When adopting the budget for fiscal year 2008, it was recommended that departments submit budget requests essentially the same as the previous year. Despite these efforts, and with the addition of the 2006 Street Project Debt Service, the City of Adel tax levy rate increased slightly, to \$15.81 from \$15.40 per thousand of taxable value. Taxable valuations throughout the city increased by \$3.83 million due to new construction and partial reassessments by the Dallas County Assessor.

Property valuation serves as the basis for calculating property taxes. Since 1978, residential, commercial, industrial and agricultural classifications have been subject to an assessment limitation order, or rollback, that limits annual growth in property values to 4%. A further restriction is that the growth of residential property cannot exceed that of agricultural property. Residential property for FY08 was taxed at 45.55% of its value, a decrease of 1% from FY07. This puts an additional tax burden on commercial properties, raising economic development issues.

Revenues from road use tax will increase due to the DOT formula of payment for the per capita of the city. Road Use Tax Fund revenues for FY08 were \$84.40 per capita.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Chad Bird, City Administrator or Pat Gilliland, City Clerk/Treasurer, 301 S. 10<sup>th</sup> Street, P.O. Box 248, Adel, Iowa. City of Adel

## **Basic Financial Statements**



City of Adel

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	
<b>Functions / Programs:</b>				
Governmental activities:				
Public safety	\$ 676,871	48,383	6,029	-
Public works	318,469	-	302,743	-
Health and social services	-	-	-	-
Culture and recreation	470,579	100,407	169,518	-
Community and economic development	129,666	24,737	-	-
General government	184,558	37,626	-	-
Debt service	717,810	-	-	-
Capital projects	119,581	-	-	-
Total governmental activities	2,617,534	211,153	478,290	-
Business type activities:				
Water	450,356	534,163	-	-
Sewer	370,230	446,693	-	-
Garbage/Recycling	186,555	199,298	-	-
Total business type activities	1,007,141	1,180,154	-	-
Total	\$ 3,624,675	1,391,307	478,290	-
<b>General Receipts:</b>				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Mobile home tax				
Franchise taxes				
Grants and contributions not restricted to specific purpose				
Unrestricted interest on investments				
Rent				
Miscellaneous				
Sale of assets				
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				
<b>Cash Basis Net Assets</b>				
Restricted:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
<b>Total cash basis net assets</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(622,459)	-	(622,459)
(15,726)	-	(15,726)
-	-	-
(200,654)	-	(200,654)
(104,929)	-	(104,929)
(146,932)	-	(146,932)
(717,810)	-	(717,810)
(119,581)	-	(119,581)
(1,928,091)	-	(1,928,091)
-	83,807	83,807
-	76,463	76,463
-	12,743	12,743
-	173,013	173,013
(1,928,091)	173,013	(1,755,078)
1,112,605	-	1,112,605
357,449	-	357,449
386,451	-	386,451
2,472	-	2,472
3,719	-	3,719
-	-	-
77,598	26,064	103,662
44,860	-	44,860
13,942	8,550	22,492
5,371	-	5,371
95,000	(95,000)	-
2,099,467	(60,386)	2,039,081
171,376	112,627	284,003
466,901	624,414	1,091,315
\$ 638,277	737,041	1,375,318
\$ 52,542	-	52,542
4,532	-	4,532
118,601	438,620	557,221
-	-	-
462,602	298,421	761,023
\$ 638,277	737,041	1,375,318

City of Adel

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

	Special Revenue				General Obligation Bonds
	General	Urban Renewal Tax Increment	Road Use Tax	Employee Benefits	
<b>Receipts:</b>					
Property tax	\$ 770,310	-	-	245,737	386,451
Tax increment financing collections	-	357,449	-	-	-
Other city tax	6,191	-	-	-	-
Licenses and permits	29,059	-	-	-	-
Use of money and property	55,246	-	-	-	60,385
Intergovernmental	39,332	-	302,743	-	-
Charges for service	117,574	-	-	-	-
Special assessments	-	-	-	-	-
Miscellaneous	169,935	-	-	-	-
Total receipts	1,187,647	357,449	302,743	245,737	446,836
<b>Disbursements:</b>					
<b>Operating:</b>					
Public safety	509,033	-	-	136,483	-
Public works	48,051	-	264,346	6,072	-
Culture and recreation	394,549	-	-	60,612	-
Community and economic development	70,937	58,729	-	-	-
General government	143,780	-	-	33,286	-
Debt service	-	16,125	-	-	672,260
Capital projects	-	-	-	-	-
Total disbursements	1,166,350	74,854	264,346	236,453	672,260
Excess (deficiency) of receipts over (under) disbursements	21,297	282,595	38,397	9,284	(225,424)
<b>Other financing sources (uses):</b>					
Note proceeds	-	-	-	-	-
Sale of fixed assets	2,615	-	-	-	-
Operating transfers in	41,970	-	-	-	288,917
Operating transfers out	(30,075)	(316,635)	(26,300)	-	-
Total other financing sources (uses)	14,510	(316,635)	(26,300)	-	288,917
Net change in cash balances	35,807	(34,040)	12,097	9,284	63,493
Cash balances beginning of year	238,814	38,572	40,445	126,750	(95,307)
Cash balances end of year	\$ 274,621	4,532	52,542	136,034	(31,814)
<b>Cash Basis Fund Balances</b>					
<b>Reserved:</b>					
Debt service	\$ -	-	-	-	(31,814)
<b>Unreserved:</b>					
General fund	274,621	-	-	-	-
Special revenue funds	-	4,532	52,542	136,034	-
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Total cash basis fund balances	\$ 274,621	4,532	52,542	136,034	(31,814)

See notes to financial statements.

Debt Service		Capital Projects				Other	Total
1998 Paving	2002 Street Utility	Vehicle Replacement	Industrial Park	Capital Improvement Sewer	Water Upgrade	Nonmajor Governmental Funds	
-	-	-	-	-	-	59,879	1,462,377
-	-	-	-	-	-	-	357,449
-	-	-	-	-	-	-	6,191
-	-	-	-	-	-	-	29,059
-	-	-	6,827	-	-	-	122,458
-	-	-	-	-	-	-	342,075
-	-	-	-	-	-	11,908	129,482
10,557	26,122	-	-	-	-	-	36,679
-	-	-	-	-	-	32,834	202,769
10,557	26,122	-	6,827	-	-	104,621	2,688,539
-	-	-	-	-	-	31,355	676,871
-	-	-	-	-	-	-	318,469
-	-	-	-	-	-	15,418	470,579
-	-	-	-	-	-	-	129,666
-	-	-	-	-	-	7,492	184,558
29,425	-	-	-	-	-	-	717,810
-	-	58,568	-	8,278	8,278	44,457	119,581
29,425	-	58,568	-	8,278	8,278	98,722	2,617,534
(18,868)	26,122	(58,568)	6,827	(8,278)	(8,278)	5,899	71,005
-	-	-	-	-	-	-	-
-	-	2,756	-	-	-	-	5,371
-	-	95,000	-	20,000	20,000	66,584	532,471
-	(12,282)	-	-	-	-	(52,179)	(437,471)
-	(12,282)	97,756	-	20,000	20,000	14,405	100,371
(18,868)	13,840	39,188	6,827	11,722	11,722	20,304	171,376
93,136	62,307	40,528	169,102	104,175	58,669	(410,290)	466,901
74,268	76,147	79,716	175,929	115,897	70,391	(389,986)	638,277
74,268	76,147	-	-	-	-	-	118,601
-	-	-	-	-	-	-	274,621
-	-	-	-	-	-	40,993	234,101
-	-	-	-	-	-	-	-
-	-	79,716	175,929	115,897	70,391	(430,979)	10,954
74,268	76,147	79,716	175,929	115,897	70,391	(389,986)	638,277

City of Adel

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

As of and for the year ended June 30, 2008

	Enterprise Funds			
	Water	Sewer	Garbage/ Recycling	Total
Operating receipts:				
Charges for service	\$ 534,163	446,693	199,298	1,180,154
Miscellaneous	8,550	-	-	8,550
Total operating receipts	542,713	446,693	199,298	1,188,704
Operating disbursements:				
Business type activities	397,448	274,964	186,555	858,967
Excess (deficiency) of operating receipts over (under) operating disbursements	145,265	171,729	12,743	329,737
Non-operating receipts (disbursements):				
Interest on investments	13,301	11,227	1,536	26,064
Debt service	(52,908)	(95,266)	-	(148,174)
Total non-operating receipts (disbursements)	(39,607)	(84,039)	1,536	(122,110)
Excess (deficiency) of receipts over (under) disbursements	105,658	87,690	14,279	207,627
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	(60,000)	(30,000)	(5,000)	(95,000)
Total other financing sources (uses)	(60,000)	(30,000)	(5,000)	(95,000)
Net change in cash balances	45,658	57,690	9,279	112,627
Cash balances beginning of year	341,921	210,921	71,572	624,414
Cash balances end of year	\$ 387,579	268,611	80,851	737,041
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	\$ 227,035	211,585	-	438,620
Unreserved	160,544	57,026	80,851	298,421
Total cash basis fund balances	\$ 387,579	268,611	80,851	737,041

See notes to financial statements.

**City of Adel**

City of Adel

Notes to Financial Statements

June 30, 2008

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

The City of Adel is a political subdivision of the State of Iowa located in Dallas County. It was first incorporated in 1848 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 garbage/recycling service for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Adel has included all funds, organizations, agencies, boards, commissions and authorities, except for its component unit, the South Dallas County Landfill Agency. 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 primary government 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.

These primary government financial statements present the City of Adel (the primary government) and exclude the 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. It has not been included in these primary government financial statements which present the primary government only. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from its administrative office.

Component Unit

The South Dallas County Landfill Agency is a component unit of the City of Adel and is not presented in these primary government financial statements. It is legally separate from the City, but is financially accountable to the City. The Landfill is governed by a one member Board appointed by the City Council and the Landfill's operating budget is subject to the approval of the City Council.

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: Central Iowa Regional Transportation and Planning Alliance (CIRTPA) Board, Adel Enterprises, Adel Partners, Metropolitan Advisory Council and the Greater Dallas County Development Alliance.

B. Basis of Presentation

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

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

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

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

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 and proprietary funds are aggregated and reported as nonmajor governmental and proprietary funds.

The City reports the following major governmental funds:

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

Special Revenue:

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

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



The Employee Benefits Fund is used to receipt property taxes in and pay the benefits of employees of the General and Road Use Tax Funds.

Debt Service:

The General Obligation Bond Fund is used to account for the payment of interest and principal on the City's general obligation long-term debt.

The 1998 Paving Fund is used to account for special assessments collected in connection with this project.

The 2002 Street Utility Fund is used to account for special assessments collected in connection with this project.

Capital Projects:

The Vehicle Replacement Fund is used to account for purchases of City owned vehicles.

The Industrial Park Project is used to account for improvements done for expansion and development of the City's Industrial Park.

The Capital Improvement Sewer Fund is used to account for future capital improvements within the City's sewer system.

The Water Upgrade Fund is used to account for upgrades and improvements to the water utility.

The City reports the following major proprietary funds:

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

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

The Garbage/Recycling Fund accounts for the contract hauling of the City's garbage and recyclable items.

C. Measurement Focus and Basis of Accounting

The City of Adel maintains its financial records on the basis of cash receipts and disbursements and the primary government 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 primary government 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 capital projects and debt service functions.

**(2) Cash and Pooled Investments**

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

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

At June 30, 2008, the City had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized cost of \$1,307,981 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

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

**(3) Bonds and Notes Payable**

Year Ending June 30,	General Obligation Notes		Revenue Bonds and Notes		Special Assessment Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	401,000	268,897	127,000	23,788	25,000	2,975	553,000	295,660
2010	423,000	254,098	127,000	19,393	25,000	1,500	575,000	274,991
2011	440,000	237,917	138,000	14,827	-	-	578,000	252,744
2012	455,000	221,301	58,000	9,650	-	-	513,000	230,951
2013	470,000	203,622	64,000	7,250	-	-	534,000	210,872
2014-2018	2,555,000	713,817	109,470	8,197	-	-	2,664,470	722,014
2019-2023	1,445,000	226,106	-	-	-	-	1,445,000	226,106
2024	175,000	9,275	-	-	-	-	175,000	9,275
Total	\$ 6,364,000	2,135,033	623,470	83,105	50,000	4,475	7,037,470	2,222,613

Annual debt service requirements to maturity for general obligation notes, revenue bonds and notes, special assessment notes, and state revolving loans are as follows:

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

- a) The bonds and notes will only be redeemed from the future earnings of the enterprise activity and the bond and note holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly cash transfers shall first be made to an operation and maintenance fund in an amount equal to current expenses of the month plus an amount equal to one-twelfth of the expenses payable on an annual basis.
- c) Sufficient monthly cash transfers shall be made to separate water and sewer revenue bond sinking accounts for the purpose of making the bond and note principal and interest payments when due.
- d) Additional monthly cash transfers shall be made to separate water and sewer reserve accounts until specific monthly balances have been accumulated.
- e) Additional monthly cash transfers of \$750 shall be made to a water revenue bond improvement account until a minimum of \$45,000 is accumulated. This account is restricted for the purpose of paying the cost of capital improvements and extensions to the municipal waterworks plant and system provided that no deficiency exists in the amounts required to be paid into the water revenue bond sinking account, and to call and redeem such bonds issued hereunder or as may be thereafter issued when subject to redemption prior to maturity.

General Obligation Refunding Capital Loan Notes

On April 15, 2005, the City issued \$1,610,000 of general obligation refunding capital loan notes, with interest rates ranging from 3.10% to 4.15%, for a crossover refunding of \$95,000 in principal on the GO Capital Loan Notes dated March 1, 2000, and \$1,470,000 in principal for the GO Capital Loan Notes dated November 1, 2000. The City entered into an escrow agreement whereby the proceeds from general obligation refunding notes were converted into U.S. Securities. These securities were

placed in an escrow account for the purpose of paying \$95,000 in principal and \$1,470,000 in principal on the refunded general obligation capital loan notes on the crossover date of June 1, 2007 and the interest from April 15, 2005 to and including June 1, 2007 on the refunding capital loan notes. After the principal and interest on all of the outstanding notes have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the City.

Annual debt service requirements to maturity of the general obligation refunding capital loan notes are as follows:

Year Ending June 30,	General Obligation Capital Refunding Notes	
	Principal	Interest
2009	100,000	57,440
2010	100,000	54,190
2011	145,000	50,790
2012	150,000	45,715
2013	155,000	40,315
2014-2018	865,000	108,295
		-
Total	\$ 1,515,000	356,745

During the year ended June 30, 2008, \$95,000 of the general obligation refunding capital loan notes were retired.

#### 1997 Sewer Revenue Bonds

During the year ended June 30, 2008, the City obtained a reduced interest rate from 3.92% to 3.00 %, effective December 1, 2007 on the 1997 sewer revenue bonds. The other terms of the loan remain unchanged.

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

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

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$58,486, \$51,727 and \$50,863, respectively, equal to the required contributions for each year.

**(5) Compensated Absences**

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

Type of Benefit	Amount
Vacation	\$ 37,930

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

**(6) Settlement Agreement**

On September 29, 1998, the Adel City Council approved a settlement agreement regarding the City of Adel's closure/post-closure costs which have been incurred in the past and those that are expected to be incurred in the future, based upon population and use of certain areas of the South Dallas County Landfill. Under the agreement, the City agreed to pay to the landfill the sum of \$39,592 per year for thirty years for future closure/post-closure costs, and \$27,553 per year for five years to reimburse the landfill agency for closure/post-closure costs already incurred. Also included in the settlement agreement is an indemnification provision. The other cities which execute the settlement agreement will have their annual contributions fixed at a "not to exceed" level.

**(7) Interfund Transfers**

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

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Emergency Levy	\$ 20,470
	Police	16,500
	Enterprise:	
	Garbage	5,000
		<u>41,970</u>
Special Revenue:		
Police Academy	General	<u>4,700</u>
Debt Service:	Special Revenue:	
General Obligation Bonds	Urban Renewal Tax Increment	276,635
General Obligation Bonds	Debt Service:	
	2002 Street Utility	12,282
		<u>288,917</u>
Capital Projects:	Special Revenue:	
Brickyard Road Project	Urban Renewal Tax Increment	30,000
Public Safety Building	Urban Renewal Tax Increment	10,000
Building Maintenance	Road Use Tax	1,300
Vehicle Replacement	Road Use Tax	25,000
Capital Improvement Park	Park Impact Fees	15,209
	Enterprise:	
Vehicle Replacement	Water	40,000
Vehicle Replacement	Sewer	10,000
Vehicle Replacement	General	20,000
	Enterprise:	
Water Upgrade	Water	20,000
Capital Improvement Sewer	Sewer	20,000
Fire Equipment Upgrade	General	3,000
Building Maintenance	General	2,375
		<u>196,884</u>
Total		<u>\$ 532,471</u>

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

**(8) Related Party Transactions**

The City had a business transaction between the City and City employees of \$2,615. The transaction was for the sale of a mower.

**(9) South Dallas County Landfill Agency**

The City of Adel is currently the sole participant in the South Dallas County Landfill Agency. The Agency was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. The Agency is governed by a board composed of an elected representative of the governed body of the participating governmental jurisdiction.

The Agency may not be accumulating sufficient financial resources and the municipalities may be obligated for a proportionate share of the debt, therefore, the City may have an ongoing financial obligation.

Complete financial statements for the Agency can be obtained from the Agency.

**(10) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Garbage Contract**

On July 1, 1998, the City entered into a contract with Waste Management of Iowa to provide collection services for City residents. The contract runs thru June 30, 2009. The City pays the contractor \$12.60 per residential household unit from which solid waste is collected.

**(12) Deficit Fund Balances**

The City had the following deficit balances at June 30, 2008:

Debt Service Fund	General Obligation Bonds	\$ 31,814
Special Revenue Funds	Emergency Levy	1,106
	Short Term Projects	7,203
	Island Park Improvements	1,358
Capital Projects Funds	Sidewalk Project	350
	Public Safety Building	252,142
	Playground Equipment	2,670
	2006 Street Improvements	194,281
	2008 Flood Repair	19,284

**Required Supplementary Information**



City of Adel  
 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	Proprietary	Net	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Net
	Actual	Actual				Variance
<b>Receipts:</b>						
Property tax	\$ 1,462,377	-	1,462,377	1,369,473	1,369,473	92,904
Tax increment financing collections	357,449	-	357,449	340,000	340,000	17,449
Other city tax	6,191	-	6,191	48,538	48,538	(42,347)
Licenses and permits	29,059	-	29,059	70,575	70,575	(41,516)
Use of money and property	122,458	26,064	148,522	71,300	96,300	52,222
Intergovernmental	342,075	-	342,075	364,414	364,414	(22,339)
Charges for service	129,482	1,180,154	1,309,636	1,316,270	1,316,270	(6,634)
Special assessments	36,679	-	36,679	54,000	54,000	(17,321)
Miscellaneous	202,769	8,550	211,319	109,700	109,700	101,619
Total receipts	2,688,539	1,214,768	3,903,307	3,744,270	3,769,270	134,037
<b>Disbursements:</b>						
Public safety	676,871	-	676,871	734,812	746,812	69,941
Public works	318,469	-	318,469	320,635	344,485	26,016
Culture and recreation	470,579	-	470,579	531,204	577,329	106,750
Community and economic development	129,666	-	129,666	118,128	148,128	18,462
General government	184,558	-	184,558	175,172	244,672	60,114
Debt service	717,810	-	717,810	700,393	700,393	(17,417)
Capital projects	119,581	-	119,581	-	-	(119,581)
Business type activities	-	1,007,141	1,007,141	1,054,528	1,078,862	71,721
Total disbursements	2,617,534	1,007,141	3,624,675	3,634,872	3,840,681	216,006
Excess (deficiency) of receipts over (under) disbursements	71,005	207,627	278,632	109,398	(71,411)	350,043
Other financing sources, net	100,371	(95,000)	5,371	-	60,385	(55,014)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	171,376	112,627	284,003	109,398	(11,026)	295,029
Balances beginning of year	466,901	624,414	1,091,315	2,929,055	2,929,055	(1,837,740)
Balances end of year	\$ 638,277	737,041	1,375,318	3,038,453	2,918,029	(1,542,711)

See accompanying independent auditors' report.

City of Adel

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These ten 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 Funds, Capital Projects Funds and 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 receipts and disbursements by \$25,000 and \$205,809, respectively. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the capital projects and debt service functions.

**Other Supplementary Information**

## City of Adel

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

As of and for the year ended June 30, 2008

	Special Revenue							
	Flex Plan	Library Memorial	Island Park Improvements	Fire	Police	Police DARE	Police Academy	
Receipts:								
Property tax	\$ -	-	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Other city tax	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Charges for service	-	-	-	-	-	-	-	-
Miscellaneous	8,719	5,140	1,302	6,090	-	24	-	3,937
Total receipts	8,719	5,140	1,302	6,090	-	24	-	3,937
Disbursements:								
Operating:								
Public safety	717	-	-	28,809	-	185	-	1,644
Public works	-	-	-	-	-	-	-	-
Culture and recreation	908	5,781	5,980	-	-	-	-	-
General government	7,492	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-
Business type	-	-	-	-	-	-	-	-
Total disbursements	9,117	5,781	5,980	28,809	-	185	-	1,644
Excess (deficiency) of receipts over (under) disbursements	(398)	(641)	(4,678)	(22,719)	-	(161)	-	2,293
Other financing sources (uses):								
Sale of fixed assets	-	-	-	-	-	-	-	-
Operating transfers in	-	-	-	-	-	-	4,700	-
Operating transfers out	-	-	-	-	(16,500)	-	-	-
Total other financing sources (uses):	-	-	-	-	(16,500)	-	4,700	-
Net change in cash balances	(398)	(641)	(4,678)	(22,719)	(16,500)	(161)	4,700	2,293
Cash balances beginning of year	12,812	10,657	3,320	26,328	16,510	208	(864)	2,870
Cash balances end of year	\$ 12,414	10,016	(1,358)	3,609	10	47	3,836	5,163
<b>Cash Basis Fund Balances</b>								
Reserved:								
Debt service funds	\$ -	-	-	-	-	-	-	-
Unreserved:								
Special revenue funds	12,414	10,016	(1,358)	3,609	10	47	3,836	5,163
Capital projects funds	-	-	-	-	-	-	-	-
Total cash basis fund balances	\$ 12,414	10,016	(1,358)	3,609	10	47	3,836	5,163

See accompanying independent auditors' report.

Special Revenue				
Short Term Projects	Park Impact Fees	Emergency Levy	Historical Musuem	Refunds
-	-	20,641	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,603	480	-	1,924	3,615
1,603	480	20,641	1,924	3,615
-	-	-	-	-
-	-	-	-	-
-	-	-	2,749	-
-	-	-	-	-
-	-	-	-	-
7,595	-	-	-	-
7,595	-	-	2,749	-
(5,992)	480	20,641	(825)	3,615
-	-	-	-	-
-	-	-	-	-
-	(15,209)	(20,470)	-	-
-	(15,209)	(20,470)	-	-
(5,992)	(14,729)	171	(825)	3,615
(1,211)	14,729	(1,277)	1,922	10,853
(7,203)	-	(1,106)	1,097	14,468
-	-	-	-	-
(7,203)	-	(1,106)	1,097	14,468
-	-	-	-	-
(7,203)	-	(1,106)	1,097	14,468

Capital Projects			
Pool Improvement	Disc Golf	Brickyard Road	Sidewalk Project
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
1,677	-	-	-
-	-	-	-
1,677	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
4,823	-	-	350
4,823	-	-	350
(3,146)	-	-	(350)
-	-	-	-
-	-	30,000	-
-	-	-	-
-	-	30,000	-
(3,146)	-	30,000	(350)
8,647	324	(30,000)	-
5,501	324	-	(350)
-	-	-	-
-	-	-	-
5,501	324	-	(350)
5,501	324	-	(350)

## City of Adel

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

As of and for the year ended June 30, 2008

	Capital			
	Public Safety Building	Sewer Refund Project	Fire Equipment Upgrade	Capital Improvement Park
Receipts:				
Property tax	\$ -	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	-
Other city tax	-	-	-	-
Special assessments	-	-	-	-
Charges for service	-	-	-	10,231
Miscellaneous	-	-	-	-
Total receipts	-	-	-	10,231
Disbursements:				
Operating:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
General government	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	1,205	9,141
Business type	-	-	-	-
Total disbursements	-	-	1,205	9,141
Excess (deficiency) of receipts over (under) disbursements	-	-	(1,205)	1,090
Other financing sources (uses):				
Sale of fixed assets	-	-	-	-
Operating transfers in	10,000	-	3,000	15,209
Operating transfers out	-	-	-	-
Total other financing sources (uses):	10,000	-	3,000	15,209
Net change in cash balances	10,000	-	1,795	16,299
Cash balances beginning of year	(262,142)	678	4,705	(18,969)
Cash balances end of year	\$ (252,142)	678	6,500	(2,670)
<b>Cash Basis Fund Balances</b>				
Reserved:				
Debt service funds	\$ -	-	-	-
Unreserved:				
Special revenue funds	-	-	-	-
Capital projects funds	(252,142)	678	6,500	(2,670)
Total cash basis fund balances	\$ (252,142)	678	6,500	(2,670)

See accompanying independent auditors' report.

Projects						
Ball Diamond	2008 Flood Repair	Office Replacement	2006 Street Improvements	Building Maintenance	Total	
-	-	-	39,238	-	59,879	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	11,908	
-	-	-	-	-	32,834	
-	-	-	39,238	-	104,621	
-	-	-	-	-	31,355	
-	-	-	-	-	-	
-	-	-	-	-	15,418	
-	-	-	-	-	7,492	
-	-	-	-	-	-	
-	19,284	-	173	1,886	44,457	
-	-	-	-	-	-	
-	19,284	-	173	1,886	98,722	
-	(19,284)	-	39,065	(1,886)	5,899	
-	-	-	-	-	-	
-	-	-	-	3,675	66,584	
-	-	-	-	-	(52,179)	
-	-	-	-	3,675	14,405	
-	(19,284)	-	39,065	1,789	20,304	
322	-	1,681	(233,346)	20,953	(410,290)	
322	(19,284)	1,681	(194,281)	22,742	(389,986)	
-	-	-	-	-	-	
-	-	-	-	-	40,993	
322	(19,284)	1,681	(194,281)	22,742	(430,979)	
322	(19,284)	1,681	(194,281)	22,742	(389,986)	

City of Adel  
Schedule of Indebtedness  
Year ended June 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Capital loan notes	Jan 14, 2000	4.75-5.35%	\$ 300,000
Capital loan notes	Oct 1, 2002	3.00-5.00%	1,000,000
Capital loan notes	Jun 1, 2004	2.25-5.30%	2,600,000
Capital loan notes	Apr 15, 2005	3.10-4.15%	1,610,000
Capital loan notes	Feb 28, 2007	3.65-4.15%	1,800,000
Total			
Revenue notes:			
Sewer revenue capital loan notes	May 1, 2003	1.50-3.50%	\$ 575,000
1997 State revolving sewer revenue loan	Jun 26, 1997	3.00%	309,000
Water	Jun 15, 2006	3.95-4.40%	310,000
Total			
Special assessment notes:			
Street improvement capital loan notes	Mar 1, 2000	5.20-6.00%	\$ 215,000
Urban renewal tax increment financing (TIF) revenue bonds:			
1993 Series	Aug 1, 1993	4.50-7.50%	\$ 190,000

See accompanying independent auditors' report.



Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
108,000	-	34,000	74,000	5,778	-
815,000	-	65,000	750,000	36,953	-
2,400,000	-	105,000	2,295,000	108,265	-
1,610,000	-	95,000	1,515,000	60,385	-
1,800,000	-	70,000	1,730,000	88,436	-
<b>\$ 6,733,000</b>	<b>-</b>	<b>369,000</b>	<b>6,364,000</b>	<b>299,817</b>	<b>-</b>
300,000	-	70,000	230,000	9,595	-
134,470	-	11,000	123,470	4,671	-
310,000	-	40,000	270,000	12,908	-
<b>\$ 744,470</b>	<b>-</b>	<b>121,000</b>	<b>623,470</b>	<b>27,174</b>	<b>-</b>
<b>\$ 75,000</b>	<b>-</b>	<b>25,000</b>	<b>50,000</b>	<b>4,425</b>	<b>-</b>
<b>\$ 15,000</b>	<b>-</b>	<b>15,000</b>	<b>-</b>	<b>1,125</b>	<b>-</b>

City of Adel  
Bond and Note Maturities

June 30, 2008

Year Ending June 30,	General Obligation Notes			
	Capital Loan Notes		Capital Loan Notes	
	Issued Jan 14, 2000		Issued Oct 1, 2002	
	Interest		Interest	
	Rates	Amount	Rates	Amount
2009	5.35%	\$ 36,000	4.05%	\$ 70,000
2010	5.35	38,000	4.20	75,000
2011		-	4.35	80,000
2012		-	4.50	80,000
2013		-	4.60	85,000
2014		-	4.70	85,000
2015		-	4.80	90,000
2016		-	4.90	90,000
2017		-	5.00	95,000
2018		-		-
2019		-		-
2020		-		-
2021		-		-
2022		-		-
2023		-		-
2024		-		-
Total		<u>\$ 74,000</u>		<u>\$ 750,000</u>

Year Ending June 30,	Revenue Bonds and Notes						
	Sewer Revenue						
	Water		Capital Loan Notes		State Revolving Loan		
	Issued Jun 15, 2006		Issued May 1, 2003		Issued Jun 26, 1997		
	Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	Total
2009	4.00%	\$ 40,000	3.10%	\$ 75,000	3.92%	\$ 12,000	\$ 127,000
2010	4.05	40,000	3.30	75,000	3.92	12,000	127,000
2011	4.15	45,000	3.50	80,000	3.92	13,000	138,000
2012	4.20	45,000		-	3.92	13,000	58,000
2013	4.30	50,000		-	3.92	14,000	64,000
2014	4.40	50,000		-	3.92	14,000	64,000
2015		-		-	3.92	15,000	15,000
2016		-		-	3.92	15,000	15,000
2017		-		-	3.92	15,470	15,470
Total		<u>\$ 270,000</u>		<u>\$ 230,000</u>		<u>\$ 123,470</u>	<u>\$ 623,470</u>

See accompanying independent auditors' report.

Capital Loan Notes Issued Jun 1, 2004		Capital Loan Notes Issued Apr 15, 2005		Capital Loan Notes Issued Feb 28, 2007		Total
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
3.35%	\$ 110,000	3.25%	\$ 100,000	3.65%	\$ 85,000	\$ 401,000
3.55	115,000	3.40	100,000	3.70	95,000	423,000
3.75	120,000	3.50	145,000	3.75	95,000	440,000
3.95	120,000	3.60	150,000	3.75	105,000	455,000
4.10	125,000	3.70	155,000	3.80	105,000	470,000
4.25	130,000	3.80	160,000	3.85	110,000	485,000
4.40	135,000	3.90	165,000	3.85	110,000	500,000
4.55	140,000	4.00	170,000	3.90	120,000	520,000
4.65	150,000	4.10	180,000	3.95	120,000	545,000
4.75	160,000	4.15	190,000	4.00	155,000	505,000
4.85	165,000		-	4.05	200,000	365,000
4.95	150,000		-	4.10	210,000	360,000
5.05	160,000		-	4.15	220,000	380,000
5.15	165,000		-		-	165,000
5.25	175,000		-		-	175,000
5.30	175,000		-		-	175,000
	<u>\$ 2,295,000</u>		<u>\$ 1,515,000</u>		<u>\$ 1,730,000</u>	<u>\$6,364,000</u>

Year Ending June 30,	Special Assessment Notes Street Improvement Capital Loan Notes Issued Mar 1, 2000	
	Interest Rates	Amount
2009	5.95%	\$ 25,000
2010	6.00	25,000
Total		<u>\$ 50,000</u>

## City of Adel

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

For the Last Five Years

	2008	2007	2006	2005	2004
Receipts:					
Property tax	\$ 1,462,377	\$ 1,306,736	\$ 1,214,167	\$ 1,231,889	\$ 1,209,994
Tax increment financing collections	357,449	335,343	338,005	334,406	308,734
Other city tax	6,191	6,355	51,698	9,622	6,174
Licenses and permits	29,059	57,008	84,249	99,610	29,476
Use of money and property	122,458	127,168	101,573	58,328	26,892
Intergovernmental	342,075	326,922	329,448	345,590	341,249
Charges for service	129,482	129,033	105,163	164,373	119,810
Special assessments	36,679	206,648	50,291	22,553	47,615
Miscellaneous	202,769	125,962	432,106	151,494	740,112
Total	\$ 2,688,539	\$ 2,621,175	\$ 2,706,700	\$ 2,417,865	\$ 2,830,056
Disbursements:					
Operating:					
Public safety	\$ 676,871	\$ 613,718	\$ 550,119	\$ 527,147	\$ 602,796
Public works	318,469	346,757	291,767	338,276	382,280
Culture and recreation	470,579	408,423	435,096	345,241	359,094
Community and economic development	129,666	58,476	94,236	56,238	81,218
General government	184,558	187,673	215,456	255,105	187,818
Debt service	717,810	3,844,998	821,609	515,837	667,377
Capital projects	119,581	2,410,874	977,057	2,393,528	1,002,337
Total	\$ 2,617,534	\$ 7,870,919	\$ 3,385,340	\$ 4,431,372	\$ 3,282,920

See accompanying independent auditors' report.

**City of Adel**

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

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Adel, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 15, 2008. Our report expressed unqualified opinions on the primary government 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 Adel's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Adel's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Adel's primary government 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 III of the accompanying Schedule of Findings.

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Adel 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.

October 15, 2008  
Ames, Iowa

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City of Adel

Schedule of Findings

Year Ended June 30, 2008

**Part I: Summary of the Independent Auditors' Results:**

- (a) Unqualified opinions were issued on the primary government financial statements which 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.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including one material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.



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City of Adel

Schedule of Findings

Year Ended June 30, 2008

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

II-A-08 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that certain functions are not entirely segregated.

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

Response – We will consider this.

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

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City of Adel

Schedule of Findings

Year Ended June 30, 2008

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

III-A-08 Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the capital projects and debt service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – Although the budget was amended, it should have been amended in amounts sufficient to prevent the budget from being exceeded.

Response – We will do so.

Conclusion – Response accepted.

III-B-08 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

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

III-D-08 Business Transactions – We noted business transactions between the City and a City employee totaling \$2,615. The transaction was for the sale of a mower to Dale Swanson, a Council Member. Minutes did not document anything about this transaction therefore we were unable to determine if competitive bids were taken.

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the employee do not appear to represent a conflict of interest since the competitive bid process was used.

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

III-F-08 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-08 Financial Condition – The City had the following deficit balances at June 30, 2008:

Debt Service Fund	General Obligation Bonds	\$31,814
Capital Projects Funds	2006 Street Improvements	194,281
	Sidewalk Project	350

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	Public Safety Building	252,142
	Playground Equipment	2,670
	2008 Flood Repair	19,284
Special Revenue Funds	Emergency Levy	1,106
	Short Term Projects	7,203
	Island Park Improvements	1,358

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response - The deficits will be eliminated upon receipt of funds in the next fiscal year.

Conclusion – Response accepted.

III-H-08 Deposits and Investments – No instances of non-compliance with the City’s investment policy were noted.

III-I-08 Revenue Bonds and Notes – No instances of noncompliance with the City’s revenue bond and note resolutions have been noted.

III-J-08 Payroll Tax Calculations, IRS Filings – Quarterly 941 forms have not been filled out correctly. Pre-tax employee deductions are not being treated properly or consistently from quarter to quarter throughout the fiscal year.

Recommendation – The City should correct this in their payroll records immediately for future transactions and determine what should be done for prior periods where reports were filed incorrectly.

Response – We will do so.

Conclusion – Response accepted.