

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

JUNE 30, 2004

Peak & Gerdes, LLP
Certified Public Accountants
1051 Office Park Road
West Des Moines, IA 50265

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City of Centerville

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January, 2004)		
John C. Williams	Mayor	January, 2004
Glenn Moritz	Council Member	January, 2006
Jan Spurgeon	Council Member	January, 2004
Robert Greene	Council Member	January, 2004
Louise Kennis	Council Member	January, 2004
Bill Milani	Council Member	January, 2006
Cynthia L. Cortesio	Clerk/Administrator Treasurer	Indefinite
Debra George	Attorney	Indefinite
(After January, 2004)		
John C. Williams	Mayor	January, 2006
Glenn Moritz	Council Member	January, 2006
Bill Milani	Council Member	January, 2006
Mike Shanahan	Council Member	January, 2008
Robert Greene	Council Member	January, 2008
Louise Kennis	Council Member	January, 2008
Cynthia L. Cortesio	Clerk/Administrator Treasurer	Indefinite
Debra George	Attorney	Indefinite

City of Centerville

PEAK & GERDES, LLP
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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Centerville, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City of Centerville'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, Chapter 11 of the Code of Iowa 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 that 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 are a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The financial statements referred to above include only the primary government of the City of Centerville, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. The financial data do not include financial data for the City's legally separate component unit, which U.S. generally accepted accounting principles require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Centerville as of June 30, 2004, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

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, each major fund and the aggregate remaining fund information for the primary government of the City of Centerville as of June 30, 2004, 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.

As described in Note 20, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated November 5, 2004 on our consideration of the City of Centerville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 32 through 33 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 supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Centerville'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 three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Peak & Gerdes, LLP
Certified Public Accountants

November 5, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Centerville provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- ❖ Revenues of the City's governmental activities decreased 2%, or approximately \$88,000, from fiscal 2003 to fiscal 2004. Local option sales tax revenue increased approximately \$443,000, intergovernmental revenues decreased approximately \$339,000, bond proceeds decreased approximately \$100,000, and property tax revenue decreased approximately \$80,000.
- ❖ Disbursements decreased 28.7%, or approximately \$1,458,000, in fiscal 2004 from fiscal 2003. Public safety and non-program disbursements increased approximately \$304,000 and \$49,000, respectively. Public works, community and economic development, general government, debt service and capital projects disbursements decreased approximately \$342,000, \$168,000, \$88,000, \$196,000 and \$998,000, respectively.
- ❖ The City's total cash basis net assets increased 55.9%, or approximately \$1,164,000, from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities increased approximately \$1,140,000 and the assets of the business type activities increased by approximately \$23,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the non-major 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 reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- ❖ Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- ❖ Business Type Activities include the sanitary sewer system. This activity is financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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

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

(2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains an Enterprise Fund to provide separate information for the sewer funds, considered to be a major fund 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.

Reconciliation 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 City's cash balance for governmental activities increased sharply from a year ago, increasing from \$1.404 million to \$2.544 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

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

	<u>Year ended June 30, 2004</u>
Receipts and transfers:	
Program receipts:	
Charges for service	\$ 402
Operating grants, contributions and restricted interest	796
Capital grants, contributions and restricted interest	41
General receipts:	
Property tax	1,878
Local option sales tax	444
Grants and contributions not restricted to specific purposes	16
Unrestricted investment earnings	6
Bond proceeds	1,195
Other general receipts	43
Transfers, net	<u>3</u>
Total receipts and transfers	<u>4,824</u>
Disbursements:	
Public safety	1,702
Public works	587
Culture and recreation	305
Community and economic development	38
General government	251
Debt service	653
Capital projects	98
Non-program	<u>50</u>
Total disbursements	<u>3,684</u>
Increase in cash basis net assets	1,140
Cash basis net assets beginning of year	<u>1,404</u>
Cash basis net assets end of year	<u>\$2,544</u>

The City's total receipts for governmental activities decreased by 2%, or \$88,000. The total cost of all programs and services decreased by approximately \$1,458,000 or 28.7%, with no new programs added this year. The significant decrease in disbursements was primarily the result of a decrease in capital projects.

The City decreased property tax rates for 2004 by an average of 5 percent. This decrease lowered the City's property tax receipts by approximately \$80,000 in 2004.

The cost of all governmental activities this year was \$3.684 million. However, as shown in the Statement of Activities and Net Assets on pages 15-16, the amount taxpayers ultimately financed for these activities was only \$2.445 million because some of the cost was paid by those directly benefited from the programs (\$402,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$837,000). The City paid for the remaining "public benefit" portion of governmental activities with

approximately \$2,445,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)	
<u>Year ended June 30, 2004</u>	
Receipts:	
Program receipts:	
Charges for service:	
Sewer	\$627
General receipts:	
Unrestricted interest on investments	3
Other general receipts	<u>8</u>
Total receipts	<u>638</u>
Disbursements and transfers:	
Sewer	612
Transfers	<u>3</u>
Total disbursements and transfers	<u>615</u>
Increase in cash balance	23
Cash basis net assets beginning of year	<u>676</u>
Cash basis net assets end of year	<u>\$699</u>

Total business type activities receipts for the fiscal year were \$638,000. The cash balance increased by approximately \$23,000 from the prior year. Total disbursements and transfers for the fiscal year were \$615,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Centerville completed the year, its governmental funds reported a combined fund balance of \$2,621,775, an increase of more than \$1,203,000 above last year's total of \$1,418,690. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- ❖ The General Fund cash balance increased \$35,751 from the prior year to (\$36,505). This increase was due to reduced spending this fiscal year.
- ❖ The Road Use Tax Fund cash balance increased by \$21,246 to \$340,883 as of June 30, 2004. The City intends to use this money to upgrade the condition of all City roads.

- ❖ The Local Option Sales Tax Fund was established in this fiscal year. At the end of the fiscal year, the cash balance was \$447,879. These proceeds will be used for various projects such as the purchase of new fire truck, library construction, school project, and swimming pool.
- ❖ The Library Construction Fund cash balance increased by \$758,802 to \$764,582 as of June 30, 2004. This increase was due to a bond issue for \$700,000 and donations. This money will be used for the renovation of the City library.
- ❖ The Debt Service Fund cash balance increased by \$17,472 to \$104,949 as of June 30, 2004. This increase was due to an increase in property tax collections.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- ❖ The Sewer Fund cash balance increased by \$29,296 to \$707,091, due primarily to increase in revenue.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The budget amendment was approved on May 17, 2004 to provide for additional disbursements in certain City departments.

DEBT ADMINISTRATION

At June 30, 2004, the City had approximately \$5,558,000 in bonds and other long-term debt, as shown below.

Outstanding Debt Year-End (Expressed in Thousands)	
	<u>June 30, 2004</u>
General obligation bonds	\$ 4,780
Revenue bonds	660
Notes payable	95
Lease-purchase agreements	<u>23</u>
Total	\$ <u>5,558</u>

Debt increased as a result of issuing two general obligation bonds. One bond was for library renovation, and the other bond was for fire equipment, with the intention of repaying these bonds from the local option sales tax monies. In addition, debt increased due to the capital lease-purchase agreements entered into during the year.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$4,780,000 is significantly below its constitutional debt limit of \$8,023,447.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City of Centerville elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for various City activities. These indicators were taken into account when adopting the budget for fiscal year 2005. Receipts are budgeted to increase by approximately \$295,000. Disbursements are budgeted to increase by approximately \$863,000. The majority of this increase in disbursements is expected in the capital projects area. The City has added no major new programs or initiatives to the 2005 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$569,000 by the close of 2005.

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 Kris May, City Clerk, 312 East Maple, Centerville, Iowa 52544.

Basic Financial Statements

City of Centerville

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2004

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs				
Primary Government:				
Governmental activities:				
Public safety	\$ 1,702,084	148,648	130,046	-
Public works	586,975	145,450	502,710	40,938
Culture and recreation	305,340	54,796	115,052	-
Community and economic development	37,797	-	11,365	-
General government	250,824	53,343	17,157	-
Debt service	652,947	-	-	-
Capital projects	98,068	-	19,073	-
Non-program	49,923	-	-	-
Total governmental activities	<u>3,683,958</u>	<u>402,237</u>	<u>795,403</u>	<u>40,938</u>
Business type activities:				
Sewer	612,369	627,569	-	-
Total business type activities	<u>612,369</u>	<u>627,569</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,296,327</u>	<u>1,029,806</u>	<u>795,403</u>	<u>40,938</u>

General Receipts:

Property tax levied for:
 General purposes
 Tax increment financing
 Debt service
Local option sales tax
Grants and contributions not restricted to specific purpose
Unrestricted interest on investments
Bond proceeds (net of \$4,900 discount)
Miscellaneous
Sale of assets
Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year, as restated

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:
 Streets
 Local option sales tax
 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		
Governmental Activities	Business Type Activities	Total
(1,423,390)	-	(1,423,390)
102,123	-	102,123
(135,492)	-	(135,492)
(26,432)	-	(26,432)
(180,324)	-	(180,324)
(652,947)	-	(652,947)
(78,995)	-	(78,995)
(49,923)	-	(49,923)
<u>(2,445,380)</u>	<u>-</u>	<u>(2,445,380)</u>
-	15,200	15,200
-	15,200	15,200
<u>(2,445,380)</u>	<u>15,200</u>	<u>(2,430,180)</u>
1,227,499	-	1,227,499
274,364	-	274,364
376,277	-	376,277
443,487	-	443,487
16,022	-	16,022
6,390	3,412	9,802
1,195,100	-	1,195,100
25,308	7,912	33,220
18,000	-	18,000
3,350	(3,350)	-
<u>3,585,797</u>	<u>7,974</u>	<u>3,593,771</u>
1,140,417	23,174	1,163,591
<u>1,403,677</u>	<u>676,328</u>	<u>2,080,005</u>
<u>\$ 2,544,094</u>	<u>699,502</u>	<u>3,243,596</u>
340,883	-	340,883
447,879	-	447,879
104,949	522,648	627,597
1,764,569	-	1,764,569
(114,186)	176,854	62,668
<u>\$ 2,544,094</u>	<u>699,502</u>	<u>3,243,596</u>

City of Centerville

Exhibit B

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

As of and for the year ended June 30, 2004

	Special Revenue			Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
	General	Road Use Tax	Local Option Sales Tax	Library Construction			
Receipts:							
Property tax	\$ 972,665	-	-	-	376,277	254,834	1,603,776
Tax increment financing collections	-	-	-	-	-	274,364	274,364
Other city tax	-	-	443,487	-	-	-	443,487
Licenses and permits	22,613	-	-	-	-	-	22,613
Use of money and property	4,914	-	1,476	6	-	21,124	27,520
Intergovernmental	203,453	493,395	-	-	-	3,279	700,127
Charges for service	199,013	-	-	-	-	-	199,013
Special assessments	10,634	-	-	-	-	33,588	44,222
Miscellaneous	179,676	915	-	87,794	-	24,418	292,803
Total receipts	1,592,968	494,310	444,963	87,800	376,277	611,607	3,607,925
Disbursements:							
Operating:							
Public safety	878,166	-	483,630	-	-	320,478	1,682,274
Public works	145,076	422,260	-	-	-	13,710	581,046
Culture and recreation	263,679	-	181	-	-	41,480	305,340
Community and economic development	33,833	-	-	-	-	3,964	37,797
General government	174,683	-	-	-	-	39,212	213,895
Debt service	48,843	15,559	-	-	588,545	-	652,947
Capital projects	-	-	12,242	17,390	-	68,436	98,068
Non-program	-	-	-	-	-	49,923	49,923
Total disbursements	1,544,280	437,819	496,053	17,390	588,545	537,203	3,621,290
Excess (deficiency) of receipts over (under) disbursements	48,688	56,491	(51,090)	70,410	(212,268)	74,404	(13,365)
Other financing sources (uses):							
Bond proceeds (net of \$4,900 discount)	-	-	1,195,100	-	-	-	1,195,100
Sale of capital assets	18,000	-	-	-	-	-	18,000
Operating transfers in	101,010	-	-	688,392	229,740	84,535	1,103,677
Operating transfers out	(131,947)	(35,245)	(696,131)	-	-	(237,004)	(1,100,327)
Total other financing sources (uses)	(12,937)	(35,245)	498,969	688,392	229,740	(152,469)	1,216,450
Net change in cash balances	35,751	21,246	447,879	758,802	17,472	(78,065)	1,203,085
Cash balances beginning of year	(72,256)	319,637	-	5,780	87,477	1,078,052	1,418,690
Cash balances end of year	\$ (36,505)	340,883	447,879	764,582	104,949	999,987	2,621,775
Cash Basis Fund Balances							
Reserved:							
Debt service	\$ -	-	-	-	104,949	-	104,949
Unreserved:							
General fund	(36,505)	-	-	-	-	-	(36,505)
Special revenue funds	-	340,883	447,879	-	-	499,847	1,288,609
Capital projects fund	-	-	-	764,582	-	362,611	1,127,193
Permanent fund	-	-	-	-	-	137,529	137,529
Total cash basis fund balances	\$ (36,505)	340,883	447,879	764,582	104,949	999,987	2,621,775

See notes to financial statements.

City of Centerville

Exhibit C

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, 2004

Total governmental funds cash balances (page 17) \$ 2,621,775

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 self funding of the City's health insurance benefit plan to individuals. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

(77,681)

Cash basis net assets of governmental activities (page 16) \$ 2,544,094

Net change in cash balances (page 17) \$ 1,203,085

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 employee health benefits to individual funds. The change on net assets of the Internal Service Fund is reported with governmental activities.

(62,668)

Change in cash balance of governmental activities (page 16) \$ 1,140,417

See notes to financial statements.

City of Centerville

Exhibit D

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

As of and for the year ended June 30, 2004

	<u>Enterprise Funds</u>	<u>Internal Service Fund</u>
	<u>Sewer</u>	<u>Employee Health</u>
Operating receipts:		
Charges for service	\$ 627,569	395,699
Miscellaneous	-	47,262
Total operating receipts	<u>627,569</u>	<u>442,961</u>
Operating disbursements:		
Governmental activities:		
Public safety	-	147,357
Public works	-	44,105
General government	-	274,724
Business type activities	429,201	45,565
Total operating disbursements	<u>429,201</u>	<u>511,751</u>
Excess (deficiency) of receipts over (under) operating disbursements	<u>198,368</u>	<u>(68,790)</u>
Non-operating receipts (disbursements):		
Interest on investments	3,412	-
Miscellaneous	7,912	-
Debt service	(177,046)	-
Total non-operating receipts (disbursements)	<u>(165,722)</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	32,646	(68,790)
Operating transfers (out)	<u>(3,350)</u>	-
Net change in cash balances	29,296	(68,790)
Cash balances beginning of year	<u>677,795</u>	<u>(16,480)</u>
Cash balances end of year	<u>\$ 707,091</u>	<u>(85,270)</u>
Cash Basis Fund Balances		
Reserved for debt service	\$ 167,148	-
Unreserved	<u>539,943</u>	<u>(85,270)</u>
Total cash basis fund balances	<u>\$ 707,091</u>	<u>(85,270)</u>

See notes to financial statements.

City of Centerville

Exhibit E

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, 2004

Total enterprise funds cash balances (page 19) \$ 707,091

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 self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.

(7,589)

Cash basis net assets of business type activities (page 16) \$ 699,502

Net change in cash balances (page 19) \$ 29,296

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 self funding of the City's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with business type activities.

(6,122)

Change in cash balance of business type activities (page 16) \$ 23,174

See notes to financial statements.

City of Centerville

Notes to Financial Statements
June 30, 2004

(1) Summary of Significant Accounting Policies

The City of Centerville is a political subdivision of the State of Iowa located in Appanoose County. It was first incorporated in 1855 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides sewer utilities for its citizens.

A. Reporting Entity

Except as discussed below, for financial reporting purposes, the City of Centerville 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.

These financial statements present the City of Centerville (the primary government) and exclude all component units. The component unit discussed below is not included in the City's reporting entity although its operational or financial relationship with the City is significant.

Excluded Component Unit

The Centerville Municipal Waterworks was established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to, or impose specific burdens on the City. The Municipal Waterworks is governed by a five-member board appointed by the Mayor and approved by the City Council. The Waterworks' operating budget is subject to the approval of the City Council. Complete financial statements of the component unit, which will issue separate financial statements, can be obtained from the Municipal Waterworks administrative office.

Jointly Governed Organizations

The City also 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: Appanoose County Assessor's Conference Board, Appanoose County Emergency Management Commission, and Appanoose County Joint E911 Service Board.

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 the business type activities, which rely to a significant extent on fees and charges for services.

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

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

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

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

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

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 that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

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

The Local Option Sales Tax Fund is used to account for local option sales tax receipts and the projects financed with these receipts.

The Capital Projects Library Construction Fund is used to account for the renovation of the City's library.

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

The City reports the following major proprietary fund:

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

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the debt service, capital projects and non-program functions.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2004 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City's investments are categorized to give an indication of the level of risk assumed by the City at year-end. Investments in category 1 are investments that are insured or registered or the securities are held by the City or its agent in the City's name. Investments in Category 2 are investments that are uninsured and unregistered and held by the City or its agent in the City's name.

The City's investments at June 30, 2004 are as follows:

	Risk Category	Fair Market Value	Carrying Amount
U.S. Government securities	1	\$ 1,098	1,405
Stocks	2	<u>8,456</u>	<u>8,456</u>
		<u>\$ 9,554</u>	<u>9,861</u>

(3) **Bonds and Notes Payable**

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

Year Ending June 30,	General Obligation Bonds		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	2005	\$ 590,000	179,226	145,000	21,709	735,000
2006	535,000	160,756	150,000	17,662	685,000	178,418
2007	535,000	143,191	155,000	13,219	690,000	156,410
2008	420,000	125,332	160,000	8,204	580,000	133,536
2009	425,000	109,672	50,000	2,720	475,000	112,392
2010	430,000	93,287	-	-	430,000	93,287
2011	440,000	76,243	-	-	440,000	76,243
2012	290,000	53,177	-	-	290,000	53,177
2013	300,000	47,089	-	-	300,000	47,089
2014	305,000	35,327	-	-	305,000	35,327
2015	185,000	22,915	-	-	185,000	22,915
2016	195,000	14,680	-	-	195,000	14,680
2017	65,000	5,784	-	-	65,000	5,784
2018	65,000	2,925	-	-	65,000	2,925
	<u>\$ 4,780,000</u>	<u>1,069,604</u>	<u>660,000</u>	<u>63,514</u>	<u>5,440,000</u>	<u>1,133,118</u>

Revenue Notes:

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

- (a) The notes will only be redeemed from the future earnings of the Sewer Utility Fund and the note holders hold a lien on the future earnings of the sewer utility fund.
- (b) Sufficient monthly cash transfers shall be made to the Sewer Utility Operation and Maintenance Fund to meet the 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 the Sewer Revenue Note and Interest Sinking Fund for the purpose of making the note principal and interest payments when due. The balance in this restricted account is required to be \$13,893 at June 30, 2004.

This account can only be used for the retirement of note principal and interest.

- (d) A Debt Service Reserve Fund shall be maintained for the purpose of paying principal and interest on the notes when insufficient funds are available in the Sinking Fund. The balance in this restricted account is required to be \$101,500 at June 30, 2004.

Notes Payable – US Bank and Iowa Trust and Savings Bank

The City is indebted to Iowa Trust & Savings Bank in the amount of \$26,988. The note is due in four annual installments of \$28,547 including interest at 5.50 percent per annum. The final payment, consisting of the unpaid principal and interest, is due on July 10, 2004.

The City is indebted to US Bank in the amount of \$5,618. The note is due in four annual installments of \$5,908 including interest at 5.00 percent per annum. The final payment, consisting of the unpaid principal and interest, is due on July 15, 2004.

The City is indebted to US Bank in the amount of \$62,216. The note is due in four annual installments of \$12,609 including interest at 4.35 percent per annum. The final payment, consisting of unpaid principal and interest, is due on April 15, 2005.

The total principal amount owed of \$94,822 is all due and payable during the fiscal year ending June 30, 2005.

(4) Lease Purchase Obligation

The City is purchasing office equipment under capital lease contracts. Future payments in relation to these leases are as follows:

Year Ended June 30,	Principal	Interest	Total Payment
2005	\$ 4,889	1,576	6,465
2006	5,302	1,163	6,465
2007	5,633	705	6,338
2008	4,621	322	4,943
2009	2,426	46	2,472
Total	\$ 22,871	3,812	26,683

(5) Operating Lease Agreement

The City is leasing computer equipment for 60 months at \$562 per quarter. Future required payments are:

Year Ended June 30,	Amount
2005	\$ 2,249
2006	1,125
	<u>\$ 3,374</u>

Total rent expense during the fiscal year on these agreements was \$2,900.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$46,828, \$51,340, and \$45,815 respectively, equal to the required contributions for each year.

Municipal Fire and Police Retirement System of Iowa

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits, which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th St., Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate may not be less than 17% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2004, 2003 and 2002 were \$115,363, \$96,009 and \$89,739 respectively, which met the required minimum contribution for each year.

Other

The City's former Police Chief, is not covered by any of the systems mentioned previously, but is covered by the International City Management Associations Retirement Corporation (ICMA). Further explanations of this program is discussed at note (11).

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, compensatory, and personal hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory and personal hours payable to employees at June 30, 2004, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Personal time	\$ 6,940
Compensatory time	32,818
Vacation	<u>89,051</u>
Total	<u>\$128,809</u>

This liability has been computed based on rates of pay in effect at June 30, 2004.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
General:	Special Revenue:	
	Urban Renewal Tax Increment	\$ 29,160
	Special Assessment	70,462
	Permanent:	
	Cemetery Perpetual Care	1,388
		<u>101,010</u>
Debt Service:	General	47,865
	Special Revenue:	
	Special Assessment	21,505
	Local Option Sales Tax	7,740
	Road Use Tax	35,245
	Urban Renewal Tax Increment	114,035
	Enterprise:	
	Sewer	3,350
		<u>229,740</u>
Capital Projects:	Special Revenue:	
Library Construction	Local Option Sales Tax	<u>688,392</u>
Capital Projects:	General	<u>74,283</u>
Tax Increment Financing	Capital Projects:	
Special Revenue:	Tax Increment Financing	<u>454</u>
Employee Benefits	General	<u>9,798</u>
Special Revenue:		<u>\$ 1,103,677</u>
Friends of Oakland Cemetery		

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

(9) Budgeted Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2004, disbursements in the Debt Services, Capital Projects, and Non-Program functions exceeded the amounts budgeted.

(10) Related Party Transactions

The City had business transactions totaling \$190 between the City and City officials during the year ended June 30, 2004.

(11) Deferred Compensation Plan

The City offered its former police chief a deferred compensation plan as allowed by Internal Revenue Code Section 457. The plan allowed the former police chief to defer a portion of his current salary until future years. The former employee became eligible to withdraw funds upon his termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights, are, until made available to the participant or other beneficiary, solely the property and rights of the City; without being restricted to the provision of benefits under the plan, subject only to the claims of the City's general creditors.

The City is responsible for due care in managing the investments and the participant or beneficiary assumes the risk of loss from decreases in the value of plan assets. As of June 30, 2004, plan assets were entirely distributed.

The City records the plan assets and related activity in a Special Revenue Fund. Investments held by the deferred compensation plan administrator are reported at fair value.

(12) Industrial Development Revenue Bonds

The City has issued a total of \$7,000,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest does not constitute liabilities of the City.

(13) Self-Insured Medical Plan

The City of Centerville has a self-insured medical plan for City employees. A fixed monthly fee per participating employee is paid to an insurance administrative company to administer the plan and evaluate claims. The plan is funded by both employee and city contributions.

The City escrows funds each month to be used to pay medical claims incurred. The maximum exposure by the City for one individual in a twelve-month period is \$20,000. Claims in excess of this amount are paid by the insurance administrative company through the purchase of stop loss insurance. The maximum aggregate benefit to be paid by the insurance company in a contract year is \$1,000,000. The City records the plan receipts and disbursements of the City of Centerville Health Insurance Fund as an Internal Service Fund.

(14) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 490 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 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 annual contributions to the Pool for the year ended June 30, 2004 were \$73,874.

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 \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$50,000 each accident, each location, with excess coverage reinsured on an individual-member basis. All property risks are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that 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, 2004, 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 claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

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

(15) Deficit Fund Balance

The General Fund had a deficit of \$36,505 at June 30, 2004. This deficit should be eliminated through the subsequent collection of property taxes and a reduction in disbursements.

The Proprietary Fund – Internal Service Fund had a deficit of \$85,270 at June 30, 2004. This deficit should be eliminated through transfers from other funds.

The Special Revenue Fund - Policeman's and Fireman's Retirement Fund had a deficit of \$59,369 at June 30, 2004. The deficit should be eliminated through the subsequent collection of property taxes.

(16) Community Economic Betterment Account (CEBA) Grants

Local businesses were awarded CEBA grants of \$860,000 with the money for these grants passed through the City. Under the grant agreements, the businesses must meet certain employment goals within a specified period to have \$370,000 of the loans forgiven. The balance, or \$490,000, is to be amortized and paid back over a seven-year period.

In the event of default, the City's liability is limited to the amount it can collect from the businesses. The City also has the responsibility to enforce the security interests against the businesses in the event of default.

(17) Agreement with Appanoose County

The City entered into an agreement with Appanoose County to provide sewer services to a group of residents not previously served by the City. Appanoose County obtained a loan to finance the cost of construction related to this project. The total loan obtained by Appanoose County was \$116,200.

The City collects the sewer fees from the users of the service. The City then pays Appanoose County once a year at an amount equal to the lesser of sewer fees collected or principal and interest due on the loan. At June 30, 2004, the total principal balance of the loan outstanding was \$112,401. Total principal and interest paid by the City from the Sewer Utility Fund to Appanoose County for this loan in fiscal year 2004 was \$6,440. The City's liability is limited to the amount of fees collected from the users of this system.

(18) Litigation/Contingency

The City is the defendant in lawsuits relating to various City matters. The possibility, and amount of loss, if any, is undeterminable.

The City receives payments in lieu of taxes from the local housing agency. The City is in the process of determining whether some of these funds received in prior years from the local housing agency should have been distributed to political subdivisions in the County. The amount of funds the City received from the local housing agency which would be distributed to the political subdivisions, if any, is undeterminable.

(19) Subsequent Events/Commitments

The City was awarded a \$434,000 Community Development Block Grant for housing rehabilitation. The housing rehabilitation is expected to begin in fiscal year 2005.

The City Library was awarded a \$360,000 CAT grant, which should be received in fiscal year 2005.

(20) Accounting Change and Restatements

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule-Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The government-wide financial statement reports the City's governmental and business type activities. Beginning net assets have been restated to include the allocation of the Internal Service Fund.

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Cash basis net assets June 30, 2003, as previously reported	\$ 1,418,690	677,795
Internal Service Fund	<u>(15,013)</u>	<u>(1,467)</u>
Cash basis net assets July 1, 2003, as restated	<u>\$ 1,403,677</u>	<u>676,328</u>

In addition, in order to properly reflect the purpose of the funds, \$5,780 was reclassified from the Special Revenue – Library Memorial Fund to the Capital Projects – Library Construction Fund as of July 1, 2003.

Required Supplementary Information

City of Centerville

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

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Net	Budgeted Original	Amounts Final	Final to Net Variance
Receipts:							
Property tax	\$ 1,603,776	-	-	1,603,776	1,408,272	1,408,272	195,504
Tax increment financing collections	274,364	-	-	274,364	143,070	143,070	131,294
Other city tax	443,487	-	-	443,487	484,380	484,380	(40,893)
Licenses and permits	22,613	-	-	22,613	45,125	77,125	(54,512)
Use of money and property	27,520	3,412	-	30,932	43,200	43,200	(12,268)
Intergovernmental	700,127	-	-	700,127	938,487	1,042,846	(342,719)
Charge for service	199,013	1,023,268	395,699	826,582	760,630	760,630	65,952
Special assessments	44,222	-	-	44,222	21,692	21,692	22,530
Miscellaneous	292,803	55,174	47,262	300,715	162,384	178,684	122,031
Total receipts	3,607,925	1,081,854	442,961	4,246,818	4,007,240	4,159,899	86,919
Disbursements:							
Public safety	1,682,274	147,357	147,357	1,682,274	1,207,208	1,743,031	60,757
Public works	581,046	44,105	44,105	581,046	715,720	723,102	142,056
Culture and recreation	305,340	-	-	305,340	277,695	993,695	688,355
Community and economic development	37,797	-	-	37,797	547,960	747,960	710,163
General government	213,895	274,724	274,724	213,895	280,385	242,461	28,566
Debt service	652,947	-	-	652,947	383,573	383,573	(269,374)
Capital projects	98,068	-	-	98,068	-	-	(98,068)
Business type activities	-	651,812	45,565	606,247	633,285	638,418	32,171
Non-program	49,923	-	-	49,923	-	-	(49,923)
Total disbursements	3,621,290	1,117,998	511,751	4,227,537	4,045,826	5,472,240	1,244,703
Excess (deficiency) of receipts over disbursements	(13,365)	(36,144)	(68,790)	19,281	(38,586)	(1,312,341)	1,331,622
Other financing sources, net	1,216,450	(3,350)	-	1,213,100	75,000	1,275,000	(61,900)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,203,085	(39,494)	(68,790)	1,232,381	36,414	(37,341)	1,269,722
Balances beginning of year	1,418,690	661,315	(16,480)	2,096,485	1,870,316	-	2,096,485
Balances end of year	\$ 2,621,775	621,821	(85,270)	3,328,866	1,906,730	(37,341)	3,366,207

See accompanying independent auditor's report.

City of Centerville

Notes to Required Supplementary Information-Budgetary Reporting

June 30, 2004

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 and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten 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, business type activities and non-program. 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, the budget amendment increased budgeted disbursements by \$1,426,414. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the debt service, capital projects and non-program functions.

Other Supplementary Information

City of Centerville

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

As of and for the year ended June 30, 2004

	Special					
	Policeman's and Fireman's Retirement	Urban Renewal Tax Increment	Employee Benefits	Crime Stoppers	Canine	Special Law Enforcement
Receipts:						
Property tax	\$ -	-	254,834	-	-	-
Tax increment financing collections	-	274,364	-	-	-	-
Use of money and property	(183)	-	-	-	-	2
Intergovernmental	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Miscellaneous	-	-	-	563	-	8,207
Total receipts	(183)	274,364	254,834	563	-	8,209
Disbursements:						
Operating:						
Public safety	115,363	-	196,004	653	-	8,458
Public works	-	-	13,710	-	-	-
Culture and recreation	-	-	12,750	-	-	-
Community and economic development	-	3,492	472	-	-	-
General government	-	-	39,212	-	-	-
Capital projects	-	-	-	-	-	-
Non-program	-	-	-	-	-	-
Total disbursements	115,363	3,492	262,148	653	-	8,458
Excess (deficiency) of receipts over (under) disbursements	(115,546)	270,872	(7,314)	(90)	-	(249)
Other financing uses:						
Operating transfers in (out)	-	(143,195)	454	-	-	-
Net change in cash balances	(115,546)	127,677	(6,860)	(90)	-	(249)
Cash balances beginning of year	56,177	264,502	46,836	2,143	18	1,818
Cash balances end of year	\$ (59,369)	392,179	39,976	2,053	18	1,569
Cash Basis Fund Balances						
Unreserved:						
Special revenue funds	\$ (59,369)	392,179	39,976	2,053	18	1,569
Capital project fund	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-
Total cash basis fund balances	\$ (59,369)	392,179	39,976	2,053	18	1,569

See accompanying independent auditor's report.

Schedule 1

Revenue				Capital Projects	Permanent	
Library Memorial	Special Assessment	Friends of Oakland Cemetery	Deferred Compensation	Tax Increment Financing	Cemetery Perpetual Care	Total
-	-	-	-	-	-	254,834
-	-	-	-	-	-	274,364
640	-	301	878	19,073	413	21,124
3,279	-	-	-	-	-	3,279
-	33,588	-	-	-	-	33,588
12,013	-	755	-	-	2,880	24,418
15,932	33,588	1,056	878	19,073	3,293	611,607
-	-	-	-	-	-	320,478
-	-	-	-	-	-	13,710
27,528	-	952	-	-	250	41,480
-	-	-	-	-	-	3,964
-	-	-	-	-	-	39,212
-	-	-	-	68,436	-	68,436
-	-	-	49,923	-	-	49,923
27,528	-	952	49,923	68,436	250	537,203
(11,596)	33,588	104	(49,045)	(49,363)	3,043	74,404
-	(91,967)	9,798	-	73,829	(1,388)	(152,469)
(11,596)	(58,379)	9,902	(49,045)	24,466	1,655	(78,065)
67,898	98,992	16,604	49,045	338,145	135,874	1,078,052
56,302	40,613	26,506	-	362,611	137,529	999,987
56,302	40,613	26,506	-	-	-	499,847
-	-	-	-	362,611	-	362,611
-	-	-	-	-	137,529	137,529
56,302	40,613	26,506	-	362,611	137,529	999,987

City of Centerville

Schedule 2

Schedule of Indebtedness
All Primary Government Fund Types

Year Ended June 30, 2004

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds -									
Corporate Purpose	June 1, 1998	4.40-4.80%	\$ 1,200,000	1,200,000	-	150,000	1,050,000	55,125	-
Capital Loan Notes	April 1, 2001	5.50%	150,000	120,000	-	15,000	105,000	6,505	-
Capital Loan Notes	April 15, 2001	4.50%	110,000	85,000	-	25,000	60,000	3,827	-
Corporate Purpose	September 1, 2001	3.40-4.70%	1,400,000	1,400,000	-	85,000	1,315,000	58,070	-
Capital Loan Notes	May 1, 2003	1.25-4.50%	1,195,000	1,195,000	-	145,000	1,050,000	36,787	-
Capital Loan Notes	July 1, 2003	1.20-3.20%	500,000	-	500,000	-	500,000	-	-
Capital Loan Notes	September 1, 2003	3.00-4.00%	700,000	-	700,000	-	700,000	7,740	-
				<u>\$ 4,000,000</u>	<u>1,200,000</u>	<u>420,000</u>	<u>4,780,000</u>	<u>168,054</u>	<u>-</u>
Revenue Notes-									
Capital Loan Notes	November 24, 1999	5.365%	\$ 400,000	285,000	-	45,000	240,000	15,551	-
Refunding Capital Loan Notes	April 1, 2003	1.20-2.50%	615,000	520,000	-	100,000	420,000	10,055	-
				<u>\$ 805,000</u>	<u>-</u>	<u>145,000</u>	<u>660,000</u>	<u>25,606</u>	<u>-</u>
US Bank									
Equipment Loan	June 25, 1998	5.30%	\$ 67,160	14,781	-	14,781	-	779	-
US Bank									
Vehicle and Equipment Loan	July 12, 1999	5.00%	\$ 25,531	10,970	-	5,352	5,618	549	-
US Bank									
Firetruck Loan	February 25, 2000	4.35%	\$ 105,358	71,188	-	8,972	62,216	3,097	-
Iowa Trust & Savings Bank									
Vehicle Loan	June 12, 2000	5.50%	\$ 100,000	52,640	-	25,652	26,988	2,895	-
US Bank									
Computer Loan	January 4, 2001	5.525%	\$ 11,061	2,296	-	2,296	-	32	-
Lease Purchase Agreements									
Equipment	August 20, 2003	6.50%	\$ 21,054	-	21,054	1,812	19,242	660	-
Equipment	May 24, 2004	13.8125%	3,713	-	3,713	84	3,629	43	-
				<u>\$ -</u>	<u>24,767</u>	<u>1,896</u>	<u>22,871</u>	<u>703</u>	<u>-</u>

See accompanying independent auditor's report.

City of Centerville

Schedule 3

Bond and Note Maturities

June 30, 2004

General Obligation Bonds

Year Ending June 30,	Corporate Purpose Issued June 1, 1998		Capital Loan Notes Issued April 1, 2001		Capital Loan Notes Issued April 15, 2001		Corporate Purpose Issued September 1, 2001		Capital Loan Notes Issued May 1, 2003		Capital Loan Notes Issued July 1, 2003		Capital Loan Notes Issued September 1, 2003		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2005	4.45%	\$ 150,000	5.50%	\$ 15,000	4.50%	\$ 30,000	3.60%	\$ 90,000	1.65%	\$ 145,000	1.20%	\$ 45,000	3.00%	\$ 115,000	\$ 590,000
2006	4.50%	150,000	5.50%	15,000	4.50%	30,000	3.70%	90,000	2.00%	145,000	1.25%	45,000	3.00%	60,000	535,000
2007	4.45%	150,000	5.50%	15,000	-	-	3.80%	95,000	2.40%	170,000	1.60%	45,000	3.00%	60,000	535,000
2008	4.60%	150,000	5.50%	15,000	-	-	3.90%	100,000	2.80%	45,000	1.95%	50,000	3.00%	60,000	420,000
2009	4.70%	150,000	5.50%	15,000	-	-	4.00%	100,000	3.10%	45,000	2.20%	50,000	3.10%	65,000	425,000
2010	4.75%	150,000	5.50%	15,000	-	-	4.10%	105,000	3.35%	45,000	2.50%	50,000	3.125%	65,000	430,000
2011	4.80%	150,000	5.50%	15,000	-	-	4.20%	110,000	3.60%	50,000	2.80%	50,000	3.50%	65,000	440,000
2012	-	-	-	-	-	-	4.30%	115,000	3.75%	50,000	2.95%	55,000	3.70%	70,000	290,000
2013	-	-	-	-	-	-	4.40%	120,000	3.90%	55,000	3.05%	55,000	3.80%	70,000	300,000
2014	-	-	-	-	-	-	4.50%	125,000	4.00%	55,000	3.20%	55,000	4.00%	70,000	305,000
2015	-	-	-	-	-	-	4.60%	130,000	4.10%	55,000	-	-	-	-	185,000
2016	-	-	-	-	-	-	4.70%	135,000	4.25%	60,000	-	-	-	-	195,000
2071	-	-	-	-	-	-	-	-	4.40%	65,000	-	-	-	-	65,000
2018	-	-	-	-	-	-	-	-	4.50%	65,000	-	-	-	-	65,000
		<u>\$ 1,050,000</u>		<u>\$ 105,000</u>		<u>\$ 60,000</u>		<u>\$ 1,315,000</u>		<u>\$ 1,050,000</u>		<u>\$ 500,000</u>		<u>\$ 700,000</u>	<u>\$ 4,780,000</u>

Revenue Notes

Year Ending June 30,	Capital Loan Notes Issued November 24, 1999		Capital Loan Notes Issued April 1, 2003		Total
	Interest Rates	Amount	Interest Rates	Amount	
2005	5.365%	\$ 45,000	1.60%	\$ 100,000	\$ 145,000
2006	5.365%	45,000	1.90%	105,000	150,000
2007	5.365%	50,000	2.20%	105,000	155,000
2008	5.365%	50,000	2.50%	110,000	160,000
2009	5.365%	50,000	-	-	50,000
		<u>\$ 240,000</u>		<u>\$ 420,000</u>	<u>\$ 660,000</u>

See accompanying independent auditor's report.

City of Centerville

Schedule 4

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

For The Last Two Years

	2004	2003
Receipts:		
Property tax	\$ 1,603,776	1,683,007
Tax increment financing collections	274,364	290,210
Other city tax	443,487	-
Licenses and permits	22,613	18,727
Use of money and property	27,520	36,951
Intergovernmental	700,127	1,039,512
Charges for service	199,013	194,348
Special assessments	44,222	48,777
Miscellaneous	292,803	268,235
Total	\$ 3,607,925	3,579,767
Disbursements:		
Operating:		
Public safety	\$ 1,682,274	1,378,363
Public works	581,046	923,440
Culture and recreation	305,340	323,633
Community and economic development	37,797	206,258
General government	213,895	302,050
Debt service	652,947	849,128
Capital projects	98,068	1,096,109
Non-program	49,923	25
Total	\$ 3,621,290	5,079,006

See accompanying independent auditor's report.

PEAK & GERDES, LLP
CERTIFIED PUBLIC ACCOUNTANTS
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WEST DES MOINES, IA 50265

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Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Centerville, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 5, 2004. Our report expressed an unqualified opinion 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, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Centerville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance 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, 2004 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. Prior year statutory comments have been resolved except for items II-B-04, II-G-04, II-H-04, II-J-04, II-K-04, II-L-04, II-M-04, and II-N-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Centerville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 Centerville'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 I of the accompanying Schedule of Findings.

A material weakness is a 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 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 I-A-04 is a material weakness. Prior year reportable conditions have not been resolved.

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 Centerville and other parties to whom the City of Centerville 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 Centerville 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.

Peak & Gerdes, LLP
Certified Public Accountants

November 5, 2004

City of Centerville
Schedule of Findings
Year Ended June 30, 2004

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-04 Accounting Records – Some funds are not recorded on the City’s computerized accounting system. Certificate of deposit balances on the financial report were inaccurate. The classification of receipts is not always consistent.

Recommendation – The City record all funds on its computer system at the correct amount. Also, procedures should be implemented to ensure all receipts are consistently classified on the accounting system.

Response – We will implement these recommendations.

Conclusion - Response accepted.

I-B-04 Transfers - We identified three transfers that need to be made as of June 30, 2004:

- A) \$1,758 is due from the Capital Projects Funds- Tax Increment Financing to the Special Revenue Fund– Friends of Oakland Cemetery.
- B) \$412 is due from the Permanent Fund - Cemetery Perpetual Care to the General Fund.
- C) \$7,737 is due from the General Fund to the Capital Projects Funds – Tax Increment Financing.

Recommendation - The City make the above transfers.

Response - We will make the above transfers.

Conclusion - Response accepted.

City of Centerville
 Schedule of Findings
 Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

II-A-04 Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget - Disbursements during the year ended June 30, 2004 exceeded the amounts budgeted in the Debt Service, Capital Projects and Non-Program 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. The publication of the notice of public hearing on a budget amendment was not published between ten and twenty days before the hearing as required by Chapter 384.16 of the Code of Iowa. The publication of the notice of public hearing on the budget did not document the correct time that the public hearing would be held.

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. Also, procedures should be implemented to ensure budget publications are in accordance with the Code of Iowa requirements.

Response – We will implement these recommendations in the future.

Conclusion – Response accepted.

II-C-04 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

II-D-04 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-04 Business Transactions - Business transactions between the City and City officials or employees of the primary government are detailed as follows:

Name, Title, and Business Connection	Transactions Description	Amount
Ron Creagan, Street Commissioner Owner of R&A Auto	Supplies & services	\$190

In accordance with Chapter 362.5(10) of the Code of Iowa the transactions with an individual which are less than \$1,500 during the year do not appear to represent a conflict of interest.

II-F-04 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

City of Centerville

Schedule of Findings
Year Ended June 30, 2004

II-G-04 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not. One council meeting minutes, including a list of claims allowed was not published as required by Chapter 372.13 (6) of the Code of Iowa. For another council meeting minutes, the City could not locate a typed or published copy of the minutes. The summary of receipts was not timely published as required by the Code of Iowa.

Recommendation - The City implement procedures to ensure compliance with the Code of Iowa in regards to the publications of minutes, claims, and receipts.

Response – We will implement the recommendation.

Conclusion - Response accepted.

II-H-04 Deposits and Investments - The City Library owns stock. This is not a permissible investment in accordance with the Code of Iowa. The City’s investment policy refers to an outdated section of the Code of Iowa. We determined the bank owes approximately \$168 to the City because the interest rate paid by the bank was less than the interest rate established by the State Rate Setting Committee. Instances were noted where several days or weeks elapsed between maturity date and renewal date of certificates of deposits. During this time period, no interest is earned on these funds.

Recommendation - The Library dispose of its stock and reinvest in permissible investments as soon as possible. In addition, the City’s investment policy which currently refers to Chapter 452 of the Code of Iowa, should be amended to refer to the current chapters of 12B and 12C of the Code of Iowa, which cover governmental investment guidelines. Also, the City should implement procedures to ensure interest rates on certificates of deposits meet or exceed the interest rates established by the State Rate Setting Committee, and that interest is earned on all certificate of deposit funds.

Response – We will discuss these issues with the City Library. We will also amend our investment policy. We will also attempt to renew all certificates of deposits on maturity date.

Conclusion – Response accepted.

II-I-04 Revenue Bonds – The City has complied with revenue bond and note resolutions.

II-J-04 Financial Condition – At June 30, 2004, the City had deficit balances in the following accounts:

<u>Fund</u>	<u>Amount</u>
Internal Service – Employee Health	\$ (85,270)
General Revenue	(36,505)
Special Revenue – Policeman’s and Fireman’s Retirement	(59,369)

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

Response – The City will eliminate the listed deficits as soon as possible.

Conclusion – Response accepted.

City of Centerville

Schedule of Findings
Year Ended June 30, 2004

II-K-04 Compliance Issues – We noted one instance in which the City failed to file an IRS 1099-Misc. Form.

Beginning and ending balance amounts recorded on the street report submitted to the State of Iowa were incorrect. Also, not all fixed assets and debt were recorded on the street report.

Recommendation – The City implement procedures to ensure all IRS 1099-Misc. Forms are filed in the future. The City also ensure the amounts recorded on the street report agree to the City's records, and include all fixed assets and debt.

Response – We will implement these recommendations.

Conclusion – Response accepted.

II-L-04 Payroll - City employees have vacation and compensatory time balances in excess of the maximums allowed by the union agreement and the City personnel policies. An employee was over paid by one hour.

Recommendation - The City consult with legal counsel in relation to how to resolve the vacation and compensatory time issue. Also, procedures should be implemented to ensure all employees are paid the correct number of hours.

Response - We do have a resolution in place which addresses the vacation and compensatory time issue. We will also implement the above recommendation.

Conclusion - Response accepted.

II-M-04 Library – The W2, W3, Job Service and 941 forms submitted to the government were incorrect. Some receipts and disbursements were not recorded on the general ledger. The Library does not have a double entry accounting system.

Recommendation – The Library implement procedures to ensure all payroll tax reports submitted to the government are correct. The Library should also implement procedures to ensure that all receipts and disbursements are recorded on a double entry accounting system.

Response – We will implement these recommendations.

Conclusion – Response accepted.

II-N-04 Airport Fuel – For the airport fuel, there is no documented reconciliation between gallons of fuel purchased, sold, used for airport vehicles, and quantity of fuel on hand.

Recommendation – The Airport Commission implement procedures to reconcile gallons of fuel purchased, sold, used, and quantity on hand on a monthly basis. Any material variances should then be investigated.

Response – Effective July 1, 2004, the computer system now keeps track of this for us.

Conclusion – Response accepted.

City of Centerville
Schedule of Findings
Year Ended June 30, 2004

- II-O-04 Capital Lease Purchase Agreement – During the year ended June 30, 2004, the City entered into capital lease purchase agreements for the purchase of office equipment. However, a notice of public hearing and a public hearing was not held prior to authorization of these lease purchase agreements as required by Chapters 364.4, 384.25, and 362.3 of the Code of Iowa.
- Recommendation – The City should consult legal counsel for the disposition of this matter. In the future, the City should publish a notice and hold a public hearing prior to the authorization of lease purchase agreements in accordance with the Code of Iowa.
- Response – We will consult legal counsel and this will be complied with the future.
- Conclusion – Response accepted.
- II-P-04 Receipts - Receipts do not appear to be timely deposited to the bank. Based on our analysis, the City may have not received all monies due to them from Appanoose County for dispatch reimbursement, the townships for fire protection, property owners for voluntary assessments, and Municipal Housing payments in lieu of taxes.
- Recommendation - The City implement procedures to ensure all funds due to them are received, and that monies are timely deposited to the bank.
- Response - We will attempt to implement this recommendation.
- Conclusion - Response accepted.
- II-Q-04 Disbursements – Not all invoices are cancelled after payment. Some general obligation bond principal and interest payments were not paid from the Debt Service Fund, as required by Chapter 384.4 of the Code of Iowa. Adjustments were subsequently made so that all general obligation bond principal and interest payments were charged to the Debt Service Fund.
- Recommendation – All invoices should be cancelled after payment. All payments of general obligation bonds should be paid from the Debt Service Fund.
- Response – We will implement these recommendations.
- Conclusion – Response accepted.
- II-R-04 Annual Report – The annual financial report required by Chapter 384.22 of the Code of Iowa was not completed and filed by December 1.
- Recommendation – The City file the annual financial report in a timely manner as required by the Code of Iowa.
- Response – The Centerville Municipal Waterworks failed to provide us with timely data. As a result, it was impossible to file this report on time.
- Conclusion – Response accepted.

City of Centerville

Schedule of Findings
Year Ended June 30, 2004

II-S-04

Change Order – A change order was not completed for a wastewater improvement project. The change to the project in question deleted part of the scope of the work.

Recommendation – The City require that change orders on construction projects be completed and approved when the scope of work changes.

Response – We will implement this recommendation.

Conclusion – Response accepted.