

CITY OF EVANSDALE, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2004

- Prepared By -

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CITY OF EVANSDALE, IOWA

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OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
(Before January 2004)		
John W. Mardis	Mayor	January 2004
Carl Wyant	Mayor Pro Tem	January 2006
Les Fuhrmann	Council Member	January 2004
Tom Little	Council Member	January 2004
Dick Dewater	Council Member	January 2006
Michelle Smith	Council Member	January 2006
Carol J. Wilson	City Clerk	January 2004
Jane Walters	Deputy Clerk	January 2004
Jeanne Lantz	Treasurer	January 2004
Timothy J. Luce	Attorney	January 2004

(After January 2004)

John W. Mardis	Mayor	January 2006
Carl Wyant	Mayor Pro Tem	January 2006
Rick Hibben	Council Member	January 2008
Tom Little	Council Member	January 2008
Dick Dewater	Council Member	January 2006
Michelle Smith	Council Member	January 2006
Carol J. Wilson	City Clerk	May 2004
Jane Walters	City Clerk	January 2006
Suzy Schares	Deputy Clerk	January 2006
Jeanne Lantz	Treasurer	January 2006
Timothy J. Luce	Attorney	January 2006

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

I 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 Evansdale, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of City of Evansdale's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

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

The financial statements referred to above do not include the financial transactions of the Evansdale Municipal Waterworks, a component unit of the City of Evansdale, pertaining to the Enterprise Funds, which should be included in order to conform with U.S. generally accepted accounting principles.

In my opinion, except for the effects on the financial statements due to the exclusion of the financial transactions of the Evansdale Municipal Waterworks from the reporting entity, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Evansdale 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 13, 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, I have also issued my report dated January 13, 2005 on my consideration of the City of Evansdale's internal control over financial reporting and my 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 my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 29 through 31 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Evansdale's basic financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

January 13, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Evansdale 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. I 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 38.9%, or approximately \$1,634,000 from fiscal 2003 to fiscal 2004. Property tax increased approximately \$90,000 and bond proceeds decreased \$1,802,000.

Disbursements increased 29.2%, or approximately \$737,000, in fiscal 2004 from fiscal 2003. Public safety decreased \$145,00 while debt service and capital project disbursements increased approximately \$264,000 and \$782,000, respectively.

The City's total cash basis net assets decreased 27%, or approximately \$1,062,000, from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities decreased approximately \$698,000 and the assets of the business type activities decreased by approximately \$365,000.

The major out-of-the ordinary activities during FY2004 were the completion of the 1.5 million dollar sewer treatment plant renovation and the start of construction of the new Community Response Center. Slightly over one million dollars of the draw down of the City's net assets are attributable to these two projects

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 Statement tells how governmental services were financed in the short term as well as what remains for future spending. The fund financial statement reports 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.

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

Other Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds.

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, health and social services, 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 and sanitation/recycling. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. 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 Home Acres TIF, and 3) the Debt Service 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.

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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. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the sanitation recycling and sewer funds, considered to be major funds of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago,

decreasing from \$3,431,000 to \$2,733,000. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

(Expressed in Thousands)

	<u>Year ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 242	\$ 253
Operating grants, contributions and restricted interest	417	578
Capital grants, contributions and restricted interest	84	165
General receipts:		
Property tax	761	671
Local option sales tax	420	393
Grants and contributions not restricted to specific purposes	67	45
Unrestricted investment earnings	69	106
Bond proceeds	-	1,802
Other general receipts	301	181
Transfers, net	199	-
Total receipts and transfers	<u>\$2,560</u>	<u>\$4,194</u>
Disbursements:		
Public safety	\$ 656	\$ 801
Public works	465	639
Health and social services	12	17
Culture and recreation	166	122
Community and economic development	94	214
General government	495	404
Debt service	513	249
Capital projects	857	75
Total disbursements	<u>\$3,258</u>	<u>\$2,521</u>
Increase (decrease) in cash basis net assets	\$ (698)	\$1,673
Cash basis net assets beginning of year	<u>3,431</u>	<u>1,758</u>
Cash basis net assets end of year	<u>\$2,733</u>	<u>\$3,431</u>

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The City's total receipts for governmental activities decreased by 38.9%, or \$1,634,000. The total cost of all programs and services increased by approximately \$737,000, or 29.2%, with no new programs added this year. The significant decrease in receipts was primarily the result of proceeds received from the issuance of urban renewal tax increment financing revenue bonds in the prior year.

The cost of all governmental activities this year was \$3,258,000 compared to \$2,521,000 last year. However, as shown in the Statement of Activities and Net Assets on pages 10-13, the amount taxpayers ultimately financed for these activities was only \$2,513,000 because some of the cost was paid by those directly benefited from the programs (\$243,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$417,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$761,000 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,</u>	
	<u>2004</u>	<u>2003</u>
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 328	\$ 324
Sanitation/Recycling	157	143
General receipts:		
Unrestricted interest on investments	1	13
Other general receipts	48	32
Total receipts	<u>\$ 534</u>	<u>\$ 512</u>
Disbursements and transfers:		
Sewer	\$ 225	\$ 177
Sanitation/Recycling	150	141
Other	305	1,125
Debt service	20	165
Transfers	199	-
Total disbursements and transfers	<u>\$ 899</u>	<u>\$ 1,608</u>
Increase (decrease) in cash balance	\$ (365)	\$(1,096)
Cash basis net assets beginning of year	<u>553</u>	<u>1,649</u>
Cash basis net assets end of year	<u>\$ 188</u>	<u>\$ 553</u>

Total business type activities receipts for the fiscal year were \$534,000 compared to \$512,000 last year. This increase was due primarily to an increase in sanitation revenue. The cash balance decreased by approximately \$365,000 from the prior year. Total disbursements and transfers for the fiscal year decreased by 44% to a total of \$899,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Evansdale completed the year, its governmental funds reported a combined fund balance of \$2,733,251, a decrease of more than \$697,707 from last year's total of \$3,430,958. 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 \$81,431 from the prior year to \$615,902. The City intends to use these receipts to help offset future property tax increases.

The Road Use Tax Fund cash balance increased by \$62,125 to \$244,225 during the fiscal year. This increase was attributable to a decrease in road project expenses. The City intends to use this money to upgrade the condition of all City roads.

The Police Retirement Fund cash balance increased \$1,683 from the prior year to \$342,148.

The Home Acres TIF was established to account for a major urban renewal project within the City. At the end of the fiscal year, the cash balance was \$1,172,908, a decrease of \$855,671 from the previous year. The decrease was the result of expanding renewal tax increment financing revenue bonds in the prior year. These proceeds were used for the Community Response Center and Housing Rehabilitation Program. The bonds and interest will be redeemed with incremental property tax generated from the increased taxable valuation in the district.

The Debt Service Fund cash balance increased by \$21,119 to \$82,094 during the fiscal year. This increase was due to operating transfers in.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Sewer Revenue Fund cash balance decreased by \$150,209 to \$50,140, due primarily to an operating transfer out.

The Sanitation/Recycling Fund cash balance increased by \$6,825 to \$55,025, due primarily to an increase in revenues.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget. The amendment was approved on May 18, 2004 and resulted in a decrease in operating disbursements of approximately \$85,000 and an increase in miscellaneous revenues of \$694,564.

DEBT ADMINISTRATION

At June 30, 2004, the City had approximately \$5,133,000 in bonds and other long-term debt, compared to approximately \$5,369,000 last year, as shown below.

Outstanding Debt at Year-End
(Expressed in Thousands)

	June 30,	
	2004	2003
General obligation bonds	\$ 3,205	\$ 3,425
Urban renewal tax increment financing revenue bonds	1,820	1,820
Revenue bonds	108	124
Total	<u>\$ 5,133</u>	<u>\$ 5,369</u>

Debt decreased as a result of scheduled debt payments.

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 \$3,555,022 is significantly below its constitutional debt limit of \$6,461,936.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Evansdale 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.

The chief factor driving the steady increase in the cost of city government is the cost of employee benefits and wages. Wages increased less than inflation for FY2005, but did go up. We have had no net increase in number of employees. Group health insurance premiums, workers compensation insurance, and property/casualty insurance all increased at rates greater than inflation. The State of Iowa mandated police retirement system premium is now over 28% of each police officer's actual wage.

Off-setting these increased costs to a small degree is the continuing construction of fifteen to twenty new homes each year as well as regular additions to our commercial and industrial buildings. This new value is added to the tax base, reducing the tax burden on all properties.

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, Jane Walters, City Clerk, City of Evansdale.

	<u>Disbursements</u>	<u>Program Receipts</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 655,670	\$ 98,457	\$ 39,688	\$ -
Public works	465,173	2,407	376,959	-
Health and Social services	12,208	-	-	-
Culture and recreation	165,960	85,499	-	-
Community and economic development	93,609	-	-	84,233
General government	494,686	57,001	-	-
Debt service	512,659	-	-	-
Capital projects	<u>857,560</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental Activities	<u>\$3,257,525</u>	<u>\$ 243,364</u>	<u>\$ 416,647</u>	<u>\$ 84,233</u>
Business type activities:				
Sewer	\$ 224,836	\$ 328,042	\$ -	\$ -
Sanitation/Recycling	149,910	156,735	-	-
Other	<u>324,922</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$ 699,668</u>	<u>\$ 484,777</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$3,957,193</u>	<u>\$ 728,141</u>	<u>\$ 416,647</u>	<u>\$ 84,233</u>

(Continued)

**Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (517,525)	\$ -	\$ (517,525)
(85,807)	-	(85,807)
(12,208)	-	(12,208)
(80,461)	-	(80,461)
(9,376)	-	(9,376)
(437,685)	-	(437,685)
(512,659)	-	(512,659)
(857,560)	-	(857,560)
<u>\$ (2,513,281)</u>	<u>\$ -</u>	<u>\$ (2,513,281)</u>
\$ -	\$ 103,206	\$ 103,206
-	6,825	6,825
-	(324,922)	(324,922)
<u>\$ -</u>	<u>\$ (214,891)</u>	<u>\$ (214,891)</u>
<u>\$ (2,513,281)</u>	<u>\$ (214,891)</u>	<u>\$ (2,728,172)</u>

	<u>Program Receipts</u>		
	Operating Grants, Capital Grants,		
	Charges	Contributions	Contributions
	for	and Restricted	and Restricted
<u>Disbursements</u>	<u>Service</u>	<u>Interest</u>	<u>Interest</u>

General Receipts:

Property tax levied for:
 General purposes
 Tax increment financing
 Local option sales tax
 Grants and contributions not restricted to specific purpose
 Unrestricted interest on investments
 Miscellaneous
 Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:

Streets
 Urban renewal purposes
 Debt service
 Other purposes

Unrestricted

Total cash basis net assets

See Notes to Financial Statements.

**Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 490,884	\$ -	\$ 490,884
270,467	-	270,467
420,084	-	420,084
67,408	-	67,408
67,534	1,067	68,601
300,222	48,520	348,742
<u>198,975</u>	<u>(198,975)</u>	<u>-</u>
<u>\$ 1,815,574</u>	<u>\$ (149,388)</u>	<u>\$ 1,666,186</u>
\$ (697,707)	\$ (364,279)	\$(1,061,986)
<u>3,430,958</u>	<u>552,659</u>	<u>3,983,617</u>
<u>\$ 2,733,251</u>	<u>\$ 188,380</u>	<u>\$ 2,921,631</u>
\$ 244,225	\$ -	\$ 244,225
1,172,908	-	1,172,908
82,094	-	82,094
357,671	69,586	427,257
<u>876,353</u>	<u>118,794</u>	<u>995,147</u>
<u>\$ 2,733,251</u>	<u>\$ 188,380</u>	<u>\$ 2,921,631</u>

CITY OF EVANSDALE, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

	Special Revenue		
	General	Road Use Tax	Police Retirement
RECEIPTS:			
Property tax	\$ 490,884	\$ -	\$ -
Tax increment financing collections	-	-	-
Other city tax	365,900	-	-
Licenses and permits	60,665	-	-
Use of money and property	35,343	-	1,683
Intergovernmental	18,398	376,959	-
Charges for service	153,436	-	-
Miscellaneous	153,089	94	-
Total receipts	<u>\$1,277,715</u>	<u>\$ 377,053</u>	<u>\$ 1,683</u>
DISBURSEMENTS:			
Operating:			
Public safety	\$ 627,614	\$ -	\$ -
Public works	150,245	314,928	-
Health and social services	12,208	-	-
Culture and recreation	165,960	-	-
Community and economic development	2,294	-	-
General government	187,963	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>\$1,146,284</u>	<u>\$ 314,928</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 131,431</u>	<u>\$ 62,125</u>	<u>\$ 1,683</u>
Other financing sources (uses):			
Operating transfers in	\$ -	\$ -	\$ -
Operating transfers out	(50,000)	-	-
Total other financing sources (uses)	<u>\$ (50,000)</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in cash balances	\$ 81,431	\$ 62,125	\$ 1,683
Cash balances beginning of year	534,471	182,100	340,465
Cash balances end of year	<u>\$ 615,902</u>	<u>\$ 244,225</u>	<u>\$ 342,148</u>
Cash Basis Fund Balances:			
Reserved:			
Debt service	\$ -	\$ -	\$ -
Unreserved:			
General fund	615,902	-	-
Special revenue funds	-	244,225	342,148
Capital project funds	-	-	-
Total cash basis fund balances	<u>\$ 615,902</u>	<u>\$ 244,225</u>	<u>\$ 342,148</u>

See Notes to Financial Statements.

<u>Home Acres TIF</u>	<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 490,884
112,768	-	157,699	270,467
-	-	126,025	491,925
-	-	3,232	63,897
23,891	-	13,397	74,314
84,233	-	-	479,590
-	-	-	153,436
-	73,395	109,752	336,330
<u>\$ 220,892</u>	<u>\$ 73,395</u>	<u>\$ 410,105</u>	<u>\$2,360,843</u>
\$ -	\$ -	\$ 28,056	\$ 655,670
-	-	-	465,173
-	-	-	12,208
-	-	-	165,960
91,315	-	-	93,609
-	-	306,723	494,686
127,688	384,187	784	512,659
857,560	-	-	857,560
<u>\$ 1,076,563</u>	<u>\$ 384,187</u>	<u>\$ 335,563</u>	<u>\$3,257,525</u>
<u>\$ (855,671)</u>	<u>\$ (310,792)</u>	<u>\$ 74,542</u>	<u>\$ (896,682)</u>
\$ -	\$ 331,911	\$ 7,250	\$ 339,161
-	-	(90,186)	(140,186)
<u>\$ -</u>	<u>\$ 331,911</u>	<u>\$ (82,936)</u>	<u>\$ 198,975</u>
\$ (855,671)	\$ 21,119	\$ (8,394)	\$ (697,707)
2,028,579	60,975	284,368	3,430,958
<u>\$ 1,172,908</u>	<u>\$ 82,094</u>	<u>\$ 275,974</u>	<u>\$2,733,251</u>
\$ -	\$ 82,094	\$ -	\$ 82,094
-	-	-	615,902
1,172,908	-	345,267	2,104,548
-	-	(69,293)	(69,293)
<u>\$ 1,172,908</u>	<u>\$ 82,094</u>	<u>\$ 275,974</u>	<u>\$2,733,251</u>

CITY OF EVANSDALE, IOWA
 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>Total</u>
	<u>Sewer Revenue</u>	<u>Sanitation Recycling</u>	<u>Other Nonmajor Enterprise Funds</u>	
Operating receipts:				
Use of money and property	\$ -	\$ -	\$ 1,067	\$ 1,067
Charges for service	328,042	156,735	-	484,777
Miscellaneous	<u>322</u>	<u>-</u>	<u>48,198</u>	<u>48,520</u>
Total operating receipts	\$ 328,364	\$ 156,735	\$ 49,265	\$ 534,364
Operating disbursements:				
Business type activities	<u>224,836</u>	<u>149,910</u>	<u>304,716</u>	<u>679,462</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ 103,528	\$ 6,825	\$ (255,451)	\$(145,098)
Non-operating receipts (disbursements):				
Debt service	<u>-</u>	<u>-</u>	<u>(20,206)</u>	<u>(20,206)</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 103,528	\$ 6,825	\$ (275,657)	\$(165,304)
Other financing sources (uses):				
Operating transfers in	\$ -	\$ -	\$ 54,762	\$ 54,762
Operating transfers out	<u>(253,737)</u>	<u>-</u>	<u>-</u>	<u>(253,737)</u>
Total other financing sources (uses)	\$ (253,737)	\$ -	\$ 54,762	\$(198,975)
Net change in cash balances	\$(150,209)	\$ 6,825	\$ (220,895)	\$(364,279)
Cash balances beginning of year	<u>200,349</u>	<u>48,200</u>	<u>304,110</u>	<u>552,659</u>
Cash balances end of year	<u>\$ 50,140</u>	<u>\$ 55,025</u>	<u>\$ 83,215</u>	<u>\$ 188,380</u>
Cash Basis Fund Balances:				
Reserved for debt service	\$ -	\$ -	\$ 69,586	\$ 69,586
Unreserved	<u>50,140</u>	<u>55,025</u>	<u>13,629</u>	<u>118,794</u>
Total cash basis fund balances	<u>\$ 50,140</u>	<u>\$ 55,025</u>	<u>\$ 83,215</u>	<u>\$ 188,380</u>

See Notes to Financial Statements.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(1) Summary of Significant Accounting Policies

The City of Evansdale is a political subdivision of the State of Iowa located in Black Hawk County. It was first incorporated in 1947 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 services. The City also provides sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Evansdale 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 Evansdale (the primary government) and excludes one of its component units. The component unit discussed below is not included in the City's reporting entity. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from their administrative office.

Component Unit

The Evansdale Municipal Waterworks is not presented in these financial statements. It is legally separate from the City, but is financially accountable to the City. The Waterworks is governed by a three-member board appointed by the City Council and the Waterwork's operating budget is subject to the approval of the City Council.

(1) Summary of Significant Accounting Policies - continued

Blended Component Unit

The Evansdale Volunteer Fire Department Association is an entity which is legally separate from the City, but is so intertwined with the City that it is, in substance, part of the City. The Association is reported as part of the City and blended as a Special Revenue Fund. The Association is incorporated under Chapter 504 of the Code of Iowa. It's mission is to diligently prevent and control fires, to provide emergency services, and to perform such duties in connection therewith as may be required of it under the control of the Evansdale City Council and such officers that may be elected by the Fire Department from year to year. Contributions are used for training and to purchase items which are not included in the City's budget.

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: Black Hawk County Assessor's Conference Board, Black Hawk County E-911 Joint Service Board, Black Hawk County Emergency Management Agency, Criminal Justice Information Systems and the Black Hawk Consolidated Public Safety Communications Board. The City also participates in the Black Hawk County Solid Waste Management Commission, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa.

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.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(1) Summary of Significant Accounting Policies - continued

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Home Acres TIF Fund is used to account for urban renewal projects financed by tax increment financing.

The Police Retirement Fund is used to account for funds reserved for police retirement.

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

The City reports the following major proprietary funds:

The Sanitation/Recycling Fund accounts for the operation and maintenance of the City's garbage system.

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

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(1) Summary of Significant Accounting Policies - continued

C. Measurement Focus and Basis of Accounting

The City of Evansdale 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 public safety, community and economic development and general government functions.

(2) Cash and 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.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Notes					
	Essential Corporate Purpose		Sewer Improvements			
	Issued March 1, 1999		Issued June 1, 2001		Issued June 1, 2002	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 175,000	\$ 73,920	\$ 40,000	\$ 48,438	\$ 20,000	\$ 30,920
2006	185,000	66,220	40,000	46,437	25,000	29,920
2007	200,000	58,080	40,000	44,438	25,000	28,670
2008	205,000	49,280	40,000	42,437	25,000	27,420
2009	215,000	40,260	45,000	40,438	25,000	26,170
2010-2014	500,000	110,000	250,000	166,435	150,000	110,600
2015-2019	200,000	13,200	320,000	94,307	190,000	68,205
2020-2022	-	-	150,000	12,375	140,000	15,323
Total	<u>\$1,680,000</u>	<u>\$410,960</u>	<u>\$925,000</u>	<u>\$495,305</u>	<u>\$600,000</u>	<u>\$337,228</u>

Year Ending June 30,	Revenue Bonds					
	Sewer		Urban Renewal Tax Increment		Total	
	Issued April 1, 1970		Issued December 1, 2002			
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 16,000	\$ 3,915	\$ 70,000	\$ 84,825	\$ 321,000	\$ 242,018
2006	17,000	3,335	70,000	81,255	337,000	227,167
2007	18,000	2,719	75,000	77,685	358,000	211,592
2008	18,000	2,066	75,000	73,935	363,000	195,138
2009	19,000	1,414	80,000	70,185	384,000	178,467
2010-2014	20,000	725	455,000	300,425	1,375,000	688,185
2015-2019	-	-	575,000	189,725	1,285,000	365,437
2020-2022	-	-	420,000	42,500	710,000	70,198
Total	<u>\$108,000</u>	<u>\$14,174</u>	<u>\$1,820,000</u>	<u>\$920,535</u>	<u>\$5,133,000</u>	<u>\$2,178,202</u>

The urban renewal tax increment financing revenue bonds, series 2002A, were issued for the purpose of planning, undertaking and carrying out an urban renewal project within the Home Acres Urban Renewal Area consisting of the construction of a Community Response Center. The bonds are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(3) **Bonds and Notes Payable** - continued

The resolution providing for the issuance of the sewer revenue bonds includes the following provisions:

- a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bondholders hold a lien on the future earnings of the funds.
- b) Sufficient monthly transfers shall be made to a sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due. The sewer revenue bond sinking account is required to maintain a balance of \$20,500. In addition, the City is required to accumulate an amount equal to not less than the principal and interest maturing in the next succeeding 12 months.
- c) Monthly transfers of \$150 shall be made to a sewer depreciation account until the required \$30,000 balance is accumulated. This account is restricted for the purpose of paying for unusual or extraordinary maintenance, repairs, renewals and replacements to the system.

(4) **Pension and Retirement Benefits**

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., Des Moines, 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 year ended June 30, 2004 was \$43,019 which exceeded the required minimum contribution for the year.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(4) Pension and Retirement Benefits - continued

Iowa Public Employees Retirement System (IPERS) - 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 statement 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 salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. Contribution requirements are established by State statute. The City's contribution to IPERS for the year ended June 30, 2004 was \$32,001, which was equal to the required contribution for the year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, comp time and sick leave hours for subsequent use. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable, comp time payable, and sick leave payable to employees at June 30, 2004, primarily relating to the General Fund, is \$241,122. This liability has been computed based on rates of pay as of June 30, 2004.

(6) Loans

Interfund Loans

During the year ended June 30, 1985, the Special Revenue Fund, Home Acres Tax Increment Financing District loaned \$281,054 to the General Fund. The loan bears no interest. As of June 30, 2004, no repayments had been made, leaving a balance of \$281,054.

During the year ended June 30, 1995, the Special Revenue Fund, Home Acres Tax Increment Financing District loaned \$153,000 to the Special Revenue Fund, East Heights Tax Increment Financing District for the purpose of extending water and sewer lines. The loan bears no interest and matures on December 31, 2014. During the year ended June 30, 2004, no payments were made, leaving a balance of \$124,103.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(6) Loans - continued

During the year ended June 30, 2000, the City approved a loan of \$180,848 to be repaid by the Special Revenue Fund, East Heights Tax Increment Financing District. The Evansdale Drive PCC Widening and Signalization project was completed within that district and financed with the proceeds from the issuance of general obligation corporate purpose notes which are to be repaid from the Debt Service Fund. The East Heights Tax Increment Financing District will repay the loan to the Debt Service Fund. The loan bears no interest and matures on December 31, 2015. During the year ended June 30, 2004, no payments were made, leaving a balance of \$146,693.

During the year ended June 30, 2002, the Special Revenue Fund, Home Acres Tax Increment Financing District loaned \$31,819 to the Special Revenue Fund, Northwest Target Tax Increment Financing District for the purpose of economic development for a local business. The loan bears interest at 5% and matures on June 30, 2011. As of June 30, 2004, no repayments had been made, leaving a balance of \$31,819.

During the year ended June 30, 2002, the Special Revenue Fund, Road Use Tax loaned \$67,093 to the Special Revenue Fund, Northwest Target Tax Increment Financing District for the purpose of constructing an extension of Technology Drive and the first section of Digital Drive. The loan bears interest at 5% and matures on June 30, 2012. During the year ended June 30, 2004, no payments were made, leaving a balance of \$47,407.

Intergovernmental Loan to the Evansdale Municipal Waterworks

On March 1, 1999, the City entered into a loan agreement with the Evansdale Municipal Waterworks in the amount of \$1,200,000 for the construction of a water tower. The loan is to be repaid in sixteen (16) annual installments, including semi-annual interest payments at rates ranging from 4.30% to 4.40%. During the year ended June 30, 2004, payments totaling \$50,000 were made, leaving a balance of \$1,010,000.

(7) Economic Development Loans

On October 25, 1995, the City of Evansdale loaned \$35,000 to a local business for machinery and equipment acquisition and working capital. The loan bears interest at 4% and is to be paid in monthly installments of \$644.61 from December 1, 1995 through November 1, 2000. As of June 30, 2004, \$16,401 has been received, of which \$13,953 represents principal and \$2,448 represents interest. The local business filed for Chapter 11 bankruptcy protection and no proceeds were received by the City as a result of this filing. Therefore, the City believes payment for this obligation will not be received.

**CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

(7) Economic Development Loans - continued

On August 22, 1997, the City of Evansdale loaned \$72,603 from the Special Revenue Fund, Home Acres Tax Increment Financing District to Evansdale Senior Housing III, LLC for additional financial assistance in order to complete construction of housing for low and moderate income senior citizens. The loan shall be for an indefinite period of time and bears no interest. The loan shall become due in full at any time the building, or any portion thereof, shall be sold or be used for any purpose other than solely for senior housing, or after 31 years, whichever occurs first.

On May 4, 1999, the City of Evansdale conveyed land to Cives Corporation at no cost for the purpose of accommodating a 5,600 square foot commercial building with potential future expansion and its associated parking, storage and landscaping. Had the Cives Corporation not proceeded with the proposed development, said land would revert back to the City. Upon substantial completion of the proposed structure, the City provided forgivable loan funds to Cives Corporation in the amount of 10% of the taxable valuation of the property. On July 21, 2000, the City loaned Cives Corporation \$31,817, which represents 10% of the taxable valuation of the property. The forgivable loan funds will be repaid by Cives Corporation to the City upon failure to meet the terms of the agreement. The loan will be forgiven at the rate of 1/5th of the total loan amount per year starting with the date of occupancy certification. The occupancy date was stated as December 13, 1999. During the year end June 30, 2004 the remaining balance of \$6,363 was paid back.

(8) Deficit Fund Balances

The Special Revenue Funds, Local Option Sales Tax and Life Insurance Accounts and Capital Project Fund, 1999 G.O. Bond Sale Account had deficit balances of \$38,253, \$93 and \$69,293, respectively at June 30, 2004. The deficits will be eliminated upon receipt of local option sales taxes and various other revenue sources.

(9) Commitments

At June 30, 2004, the following construction commitment had been made:

<u>Project</u>	<u>Total Contract</u>	<u>Costs Incurred to Date</u>
Community Response Center	<u>\$1,808,347</u>	<u>\$797,328</u>

(10) 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 member's 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 \$46,391.

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.

CITY OF EVANSDALE, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2004

(10) Risk Management - continued

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 such 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 public employee dishonesty coverage and workers compensation coverage. 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 during the fiscal year ended June 30, 2004.

(11) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:	Special Revenue:	
Tort Liability	Employee Benefits	\$ 7,250
Debt Service	General	\$ 50,000
	Capital Project:	
	1999 GO Bond Sale	82,936
	Enterprise:	
	Sewer Revenue	198,975
		<u>\$ 331,911</u>
Enterprise:	Enterprise:	
Sewer Sinking	Sewer Revenue	\$ 54,762
Total		<u>\$ 393,923</u>

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(11) Interfund Transfers - continued

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

(12) Related Party Transactions

The City had business transactions between the City and City officials totaling \$912 during the year ended June 30, 2004.

(13) Accounting Change

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, 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. Nonmajor funds are presented in total in one column.

The government-wide financial statement reports the City's governmental and business type activities.

(14) Litigation

The City is currently involved in pending litigation. The City attorney estimates the chance of a verdict against the City to be fifty percent. A range of potential loss, if any, cannot be determined at this time.

(15) Subsequent Events

On July 20, 2004 the City approved the 2004 Street Project for \$110,742. On September 14, 2004, the Doris Drive Project was approved for \$94,702. The City authorized the issuance of \$1,200,000 in Industrial Development Revenue Bonds on October 14, 2004.

Required Supplementary Information

CITY OF EVANSDALE, IOWA
 BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS
 AND CHANGES IN BALANCES
 BUDGET AND ACTUAL (CASH BASIS) - ALL
 GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2004

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds Not Required <u>To Be Budgeted</u>
RECEIPTS:			
Property tax	\$ 490,884	\$ -	\$ -
Tax increment financing collections	270,467	-	-
Other city tax	491,925	-	-
Licenses and permits	63,897	-	-
Use of money and property	74,314	1,067	-
Intergovernmental	479,590	-	-
Charges for service	153,436	484,777	-
Miscellaneous	336,330	48,520	-
Total receipts	<u>\$ 2,360,843</u>	<u>\$ 534,364</u>	<u>\$ -</u>
DISBURSEMENTS:			
Public safety	\$ 655,670	\$ -	\$ -
Public works	465,173	-	-
Health and social services	12,208	-	-
Culture and recreation	165,960	-	-
Community and economic development	93,609	-	-
General government	494,686	-	-
Debt service	512,659	20,206	-
Capital projects	857,560	-	-
Business type activities	-	679,462	-
Total disbursements	<u>\$ 3,257,525</u>	<u>\$ 699,668</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	\$ (896,682)	\$ (165,304)	\$ -
Other financing sources, net	<u>198,975</u>	<u>(198,975)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ (697,707)	\$ (364,279)	\$ -
Balance beginning of year	<u>3,430,958</u>	<u>552,659</u>	<u>-</u>
Balance end of year	<u>\$ 2,733,251</u>	<u>\$ 188,380</u>	<u>\$ -</u>

See Accompanying Independent Auditor's Report.

<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 490,884	\$ 484,622	\$ 484,622	\$ 6,262
270,467	259,238	259,238	11,229
491,925	492,178	492,178	(253)
63,897	63,700	63,700	197
75,381	42,700	42,700	32,681
479,590	592,978	592,978	(113,388)
638,213	625,530	625,530	12,683
384,850	206,139	900,703	(515,853)
<u>\$ 2,895,207</u>	<u>\$ 2,767,085</u>	<u>\$ 3,461,649</u>	<u>\$ (566,442)</u>
\$ 655,670	\$ 635,974	\$ 654,367	\$ (1,303)
465,173	519,528	521,928	56,755
12,208	16,443	16,443	4,235
165,960	259,016	168,244	2,284
93,609	84,400	84,400	(9,209)
494,686	482,226	492,903	(1,783)
532,865	441,648	595,610	62,745
857,560	2,000,000	1,258,695	401,135
679,462	525,087	1,087,012	407,550
<u>\$ 3,957,193</u>	<u>\$ 4,964,322</u>	<u>\$ 4,879,602</u>	<u>\$ 922,409</u>
\$(1,061,986)	\$(2,197,237)	\$(1,417,953)	\$ 355,967
<u> -</u>	<u> 2,000</u>	<u> 2,000</u>	<u> (2,000)</u>
\$(1,061,986)	\$(2,195,237)	\$(1,415,953)	\$ 353,967
<u> 3,983,617</u>	<u> 4,975,771</u>	<u> 4,975,771</u>	<u> (992,154)</u>
<u>\$ 2,921,631</u>	<u>\$ 2,780,534</u>	<u>\$ 3,559,818</u>	<u>\$ (638,187)</u>

CITY OF EVANSDALE, IOWA
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 nonprogram. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, 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 by \$694,564 and decreased budgeted disbursements by \$84,720. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the public safety, community and economic development and general government functions.

Other Supplementary Information

CITY OF EVANSDALE, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

	Special		
	Tort Liability	Employee Benefit	Police Reserve
RECEIPTS:			
Tax increment financing collections	\$ -	\$ -	\$ -
Other city tax	-	126,025	-
Use of money and property	-	7,582	36
Licenses and permits	-	-	-
Miscellaneous	3,738	47,680	-
Total receipts	\$ 3,738	\$ 181,287	\$ 36
DISBURSEMENTS:			
Operating:			
Public safety	\$ -	\$ -	\$ -
General government	-	255,606	-
Debt service	-	-	-
Total disbursements	\$ -	\$ 255,606	\$ -
Excess (deficiency) of receipts over (under) disbursements	\$ 3,738	\$ (74,319)	\$ 36
Other financing sources (uses):			
Operating transfers in	\$ 7,250	\$ -	\$ -
Operating transfers out	-	(7,250)	-
Total other financing sources (uses)	\$ 7,250	\$ (7,250)	\$ -
Net change in cash balances	\$ 10,988	\$ (81,569)	\$ 36
Cash balances beginning of year	12,670	90,661	14,481
Cash balances end of year	\$ 23,658	\$ 9,092	\$ 14,517
Cash Basis Fund Balances:			
Unreserved:			
Special Revenue	\$ 23,658	\$ 9,092	\$ 14,517
Capital Project	-	-	-
Total cash basis fund balances	\$ 23,658	\$ 9,092	\$ 14,517

(Continued)

Revenue						
Northwest TIF	East Heights TIF	Volunteer Fire Department	Local Option Sales Tax	Property Tax Relief Surplus	Permit Escrow	Dental Insurance
\$ 51,514	\$ 106,185	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	25	-	-	-	-
-	-	-	-	-	3,232	-
-	-	33,454	-	-	-	840
<u>\$ 51,514</u>	<u>\$ 106,185</u>	<u>\$ 33,479</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,232</u>	<u>\$ 840</u>
\$ -	\$ -	\$ 28,056	\$ -	\$ -	\$ -	\$ -
-	-	4,417	38,253	-	4,827	1,666
784	-	-	-	-	-	-
<u>\$ 784</u>	<u>\$ -</u>	<u>\$ 32,473</u>	<u>\$ 38,253</u>	<u>\$ -</u>	<u>\$ 4,827</u>	<u>\$ 1,666</u>
\$ 50,730	\$ 106,185	\$ 1,006	\$ (38,253)	\$ -	\$ (1,595)	\$ (826)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 50,730	\$ 106,185	\$ 1,006	\$ (38,253)	\$ -	\$ (1,595)	\$ (826)
60,164	(27,693)	5,488	-	100,543	12,795	19,147
<u>\$ 110,894</u>	<u>\$ 78,492</u>	<u>\$ 6,494</u>	<u>\$ (38,253)</u>	<u>\$ 100,543</u>	<u>\$ 11,200</u>	<u>\$ 18,321</u>
\$ 110,894	\$ 78,492	\$ 6,494	\$ (38,253)	\$ 100,543	\$ 11,200	\$ 18,321
-	-	-	-	-	-	-
<u>\$ 110,894</u>	<u>\$ 78,492</u>	<u>\$ 6,494</u>	<u>\$ (38,253)</u>	<u>\$ 100,543</u>	<u>\$ 11,200</u>	<u>\$ 18,321</u>

CITY OF EVANSDALE, IOWA
 STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 AS FOR AND FOR THE YEAR ENDED JUNE 30, 2004

	Special Revenue		
	Life Insurance	Severance Pay	Library Memorials
RECEIPTS:			
Tax increment financing collections	\$ -	\$ -	\$ -
Other city tax	-	-	-
Use of money and property	-	-	-
Licenses and permits	-	-	-
Miscellaneous	644	-	-
Total receipts	\$ 644	\$ -	\$ -
DISBURSEMENTS:			
Operating:			
Public safety	\$ -	\$ -	\$ -
General government	1,954	-	-
Debt service	-	-	-
Total disbursements	\$ 1,954	\$ -	\$ -
Excess (deficiency) of receipts over (under) disbursements	\$ (1,310)	\$ -	\$ -
Other financing sources (uses):			
Operating transfers in	\$ -	\$ -	\$ -
Operating transfers out	-	-	-
Total other financing sources (uses)	\$ -	\$ -	\$ -
Net change in cash balances	\$ (1,310)	\$ -	\$ -
Cash balances beginning of year	1,217	10,320	82
Cash balances end of year	\$ (93)	\$ 10,320	\$ 82
Cash Basis Fund Balances:			
Unreserved:			
Special Revenue	\$ (93)	\$ 10,320	\$ 82
Capital Project	-	-	-
Total cash basis fund balances	\$ (93)	\$ 10,320	\$ 82

See Accompanying Independent Auditor's Report.

<u>Capital Project</u>	
<u>1999 G.O. Bond Sale</u>	<u>Total</u>
\$ -	\$ 157,699
-	126,025
5,754	13,397
-	3,232
23,396	109,752
<u>\$ 29,150</u>	<u>\$ 410,105</u>
\$ -	\$ 28,056
-	306,723
-	784
<u>\$ -</u>	<u>\$ 335,563</u>
\$ 29,150	\$ 74,542
\$ -	\$ 7,250
(82,936)	(90,186)
<u>\$ (82,936)</u>	<u>\$ (82,936)</u>
\$ (53,786)	\$ (8,394)
(15,507)	284,368
<u>\$ (69,293)</u>	<u>\$ 275,974</u>
\$ -	\$ 345,267
(69,293)	(69,293)
<u>\$ (69,293)</u>	<u>\$ 275,974</u>

CITY OF EVANSDALE, IOWA
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN CASH BALANCES
 NONMAJOR PROPRIETARY FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

	<u>Sewer Sinking</u>	<u>Sewer Depreciation</u>	<u>2001 Sewer Bond</u>	<u>Total</u>
Operating Receipts:				
Use of money & property	\$ -	\$ -	\$ 1,067	\$ 1,067
Miscellaneous	-	-	48,198	48,198
Total operating receipts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,265</u>	<u>\$ 49,265</u>
Operating Disbursements:				
Business type activities	-	-	304,716	304,716
Deficiency of operating receipts under operating disbursements	\$ -	\$ -	\$(255,451)	\$(255,451)
Non-operating receipts (disbursements):				
Debt service	(20,206)	-	-	(20,206)
Deficiency of receipts under disbursements	\$ (20,206)	\$ -	\$(255,451)	\$(275,657)
Operating transfers in	54,762	-	-	54,762
Net change in cash balances	\$ 34,556	\$ -	\$(255,451)	\$ (220,895)
Cash balances beginning of year	(14,057)	49,087	269,080	304,110
Cash balances end of year	<u>\$ 20,499</u>	<u>\$ 49,087</u>	<u>\$ 13,629</u>	<u>\$ 83,215</u>
Cash Basis Fund Balances:				
Reserved for debt service	\$ 20,499	\$ 49,087	\$ -	\$ 69,586
Unreserved	-	-	13,629	13,629
Total cash basis fund balances	<u>\$ 20,499</u>	<u>\$ 49,087</u>	<u>\$ 13,629</u>	<u>\$ 83,215</u>

See Accompanying Independent Auditor's Report.

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Notes:			
Essential Corporate Purpose	03/01/99	4.30 - 4.40%	\$3,200,000
Sewer Improvement	06/01/01	5.00 - 5.50	995,000
Sewer Improvement	06/01/02	5.00 - 5.40	640,000
Revenue Bonds:			
Sewer	04/01/70	3.625%	\$ 417,000
Urban Renewal Tax Increment Financing (TIF)	12/01/02	3.70 - 5.100	1,820,000
Total indebtedness			

See Accompanying Independent Auditor's Report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$1,845,000	\$ -	\$165,000	\$1,680,000	\$ 81,180	\$ -
960,000	-	35,000	925,000	50,187	-
620,000	-	20,000	600,000	31,920	-
<u>\$3,425,000</u>	<u>\$ -</u>	<u>\$220,000</u>	<u>\$3,205,000</u>	<u>\$163,287</u>	<u>\$ -</u>
\$ 124,000	\$ -	\$ 16,000	\$ 108,000	\$ 4,495	\$ -
1,820,000	-	-	1,820,000	127,238	-
<u>\$1,944,000</u>	<u>\$ -</u>	<u>\$ 16,000</u>	<u>\$1,928,000</u>	<u>\$131,733</u>	<u>\$ -</u>
<u>\$5,369,000</u>	<u>\$ -</u>	<u>\$236,000</u>	<u>\$5,133,000</u>	<u>\$295,020</u>	<u>\$ -</u>

CITY OF EVANSDALE, IOWA
BOND AND NOTE MATURITIES
JUNE 30, 2004

G E N E R A L O B L I G A T I O N N O T E S

Year Ending June 30,	Essential Corporate Purpose		Sewer Improvements		Sewer Improvements		Total
	Issued March 1, 1999		Issued June 1, 2001		Issued June 1, 2002		
	Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	
2005	4.40%	\$ 175,000	5.00%	\$ 40,000	5.00%	\$ 20,000	\$ 235,000
2006	4.40	185,000	5.00	40,000	5.00	25,000	250,000
2007	4.40	200,000	5.00	40,000	5.00	25,000	265,000
2008	4.40	205,000	5.00	40,000	5.00	25,000	270,000
2009	4.40	215,000	5.05	45,000	5.00	25,000	285,000
2010	4.40	100,000	5.05	45,000	5.00	25,000	170,000
2011	4.40	100,000	5.10	50,000	5.00	30,000	180,000
2012	4.40	100,000	5.10	50,000	5.00	30,000	180,000
2013	4.40	100,000	5.10	50,000	5.00	30,000	180,000
2014	4.40	100,000	5.20	55,000	5.05	35,000	190,000
2015	4.40	100,000	5.25	60,000	5.10	35,000	195,000
2016	4.40	100,000	5.30	60,000	5.15	35,000	195,000
2017		-	5.30	65,000	5.20	40,000	105,000
2018		-	5.40	65,000	5.25	40,000	105,000
2019		-	5.45	70,000	5.30	40,000	110,000
2020		-	5.50	75,000	5.35	45,000	120,000
2021		-	5.50	75,000	5.35	45,000	120,000
2022		-		-	5.40	50,000	50,000
Total		<u>\$1,680,000</u>		<u>\$925,000</u>		<u>\$600,000</u>	<u>\$3,205,000</u>

R E V E N U E B O N D S

Ending June 30,	Sewer		Urban Renewal Tax Increment		Total
	Issued April 1, 1970		Issued December 1, 2002		
	Interest		Interest		
	Rates	Amount	Rates	Amount	
2005	3.625%	\$ 16,000	5.10%	\$ 70,000	\$ 86,000
2006	3.625	17,000	5.10	70,000	87,000
2007	3.625	18,000	5.00	75,000	93,000
2008	3.625	18,000	5.00	75,000	93,000
2009	3.625	19,000	3.70	80,000	99,000
2010	3.625	20,000	4.00	85,000	105,000
2011		-	4.10	85,000	85,000
2012		-	4.20	90,000	90,000
2013		-	4.30	95,000	95,000
2014		-	4.40	100,000	100,000
2015		-	4.50	105,000	105,000
2016		-	4.60	110,000	110,000
2017		-	4.70	115,000	115,000
2018		-	4.80	120,000	120,000
2019		-	4.90	125,000	125,000
2020		-	5.00	135,000	135,000
2021		-	5.00	140,000	140,000
2022		-	5.00	145,000	145,000
Total		<u>\$108,000</u>		<u>\$1,820,000</u>	<u>\$1,928,000</u>

See Accompanying Independent Auditor's Report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Honorable Mayor and
Members of the City Council:

I have audited the financial statements of the City of Evansdale, Iowa, as of and for the year ended June 30, 2004, and have issued my report thereon dated January 13, 2005. My report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed a qualified opinion because the financial statements did not include the financial transactions of the Evansdale Municipal Waterworks. I conducted my 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 Evansdale's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in Part IV 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 my audit of the financial statements of the City. Since my 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 all been resolved, except for items IV-A-04, IV-B-04, and IV-G-04.

Internal Control Over Financial Reporting

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

However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the City of Evansdale'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 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. My 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, I believe item II-A-04 is a material weakness. Prior year reportable conditions have been resolved except for items II-A-04, II-B-04 and II-C-04.

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

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

January 13, 2005

CITY OF EVANSDALE, IOWA
Schedule of Findings
Year Ended June 30, 2004

Part I: Summary of the Independent Auditor's Results:

- (a) The 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, expressed a qualified opinion since they do not include the financial transactions of the Evansdale Municipal Waterworks.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-04 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. I noted that certain accounting functions are not properly segregated

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

Response - We will review procedures and make changes to improve internal control where possible.

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

II-B-04 Information Systems - During our review of internal control, the existing control activities in the City's computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the City's computer based systems were noted:

CITY OF EVANSDALE, IOWA
Schedule of Findings
Year Ended June 30, 2004

Part II: Findings Related to the Financial Statements: - continued

The City does not have written policies for:

- password privacy and confidentiality.
- requiring password changes every 60 to 90 days because software does not require the user to change log-ins/passwords periodically.

Although a disaster recovery plan was developed, it does not address specific details such as identification of critical applications, staff responsibilities, equipment and software inventory, user documentation, etc.

Also, a time out and/or log off function is not utilized and the City does not use a screen saver password.

Recommendation - The City should develop written policies addressing the above items in order to improve the City's control over computer based systems. Also, a time out and/or log off function or a screen saver password should be utilized.

Response - The City will be developing a written plan.

Conclusion - Response acknowledged.

II-C-04

Evansdale Volunteer Fire Department Association - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person. Monthly bank reconciliations are prepared by a person who handles and records cash and are reviewed by a person authorized to sign checks.

Minutes of certain meetings were not signed. An accounting procedures manual has not been prepared.

Recommendation - We realize that with a limited number of staff, segregation of duties is difficult. However, the Fire Association should review its control procedures to obtain the maximum internal control possible under the circumstances. Minutes of all meetings should be signed to authenticate actions taken. An accounting procedures manual should be prepared.

CITY OF EVANSDALE, IOWA
Schedule of Findings
Year Ended June 30, 2004

Part II: Findings Related to the Financial Statements: - continued

Response - We will have one more person involved in reviewing our work to help segregate duties. We will ensure that all minutes are signed after approval. Also, we will do our best to prepare an accounting procedures manual.

Conclusion - Response accepted.

II-D-04 Countersignature of Checks - The City requires checks be signed by two authorized individuals. I noted checks with only one authorized signature.

Recommendation - Checks should be made out and signed by one individual and then the supporting documentation should be made available with the check to the second individual for the countersignature.

Response - We will follow this recommendation to the best of our ability.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

Not applicable

Part IV: Other Findings Related to Statutory Reporting:

IV-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 except at John Deere Community Credit Union.

Recommendation - A new resolution in amounts sufficient to cover anticipated balances should have been approved by the City before balances were allowed to exceed the maximum.

Response - We will check balances prior to making any substantial deposits in the future.

Conclusion - Response accepted.

CITY OF EVANSDALE, IOWA
Schedule of Findings
Year Ended June 30, 2004

Part IV: Other Findings Related to Statutory Reporting: - continued

IV-B-04 Certified Budget - Disbursements during the year ended June 30, 2004, exceeded the amounts budgeted in the Public Safety, Community and Economic Development and General Government 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 - The budget should have been amended in accordance with Chapter 384.14 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will do this in the future.

Conclusion - Response accepted.

IV-C-04 Questionable Disbursements - No disbursements that I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

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

IV-E-04 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Rick Reuter, City Inspector Owner, Reuter Construction	Repair	\$ 762
Justin Smack, Volunteer Fireman	Repair	50
Cecil Sommerfelt, Street Department Supervisor	Skid Loader Rental	100

In accordance with Chapter 362.5(10) of the Code of Iowa, these transactions do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

IV-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 EVANSDALE, IOWA
Schedule of Findings
Year Ended June 30, 2004

Part IV: Other Findings Related to Statutory Reporting: - continued

IV-G-04 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not, except as follows:

Although claims were published, the purpose was not always properly published as required by Chapter 372.13(6) of the Code of Iowa and an Attorney General's opinion dated April 12, 1978.

Recommendation - The City should insure the purpose of all claims are properly published as required.

Response - We will comply with the Code requirements for publication of claims.

Conclusion - Response accepted.

IV-H-04 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-I-04 Financial Condition - The Special Revenue Funds, Local Option Sales Tax and Life Insurance Accounts and Capital Project Fund, 1999 G.O. Bond Sale Account had deficit balances at June 30, 2004 of \$38,253, \$93 and \$69,293, respectively.

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

Response - The deficits will be eliminated.

Conclusion - Response accepted.

IV-J-04 Annual Report - The City Annual Financial Report for the year ended June 30, 2004, was filed on a timely basis in accordance with Chapter 384.22 of the Code of Iowa. However, the report was not completed accurately.

Recommendation - The City should take the necessary steps to insure the City Annual Financial Report is completed accurately.

Response - We will do this in the future.

Conclusion - Response accepted.

Waterloo - Cedar Falls Courier
Waterloo, IA 50702

N E W S R E L E A S E

FOR RELEASE February 16, 2005

Larry Pump, CPA, Charles City, Iowa, today released an audit report on the City of Evansdale for the year ended June 30, 2004.

The City has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

Larry Pump, CPA reported that the City's receipts totaled \$2,895,207 for the year ended June 30, 2004. The receipts included \$490,884 in property taxes, \$270,467 from tax increment financing, \$638,213 from charges for service, \$416,647 from operating grants, contributions and restricted interest, \$420,084 from local option sales tax, \$67,534 from unrestricted investment earnings and \$591,378 from other general receipts.

Disbursements for the year totaled \$3,957,193. The disbursements included \$655,670 for public safety, \$465,173 for public works, \$857,560 for capital projects, \$532,865 for debt service and \$679,462 for business type activities.

A copy of the audit report is available for review in the office of the Auditor of State and the City Clerk's office.

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February 9, 2005

Jane Walters, City Clerk
City of Evansdale
123 North Evans Road
Evansdale, IA 50707

Dear Jane:

Enclosed you will find the City's fifteen copies of the audit report. I will see you next Tuesday night at the City Council Meeting.

Please call if you have any questions.

Sincerely,

Larry Pump, CPA

jlp
Enclosures

February 16, 2005

Office of Auditor of State
State of Iowa
State Capitol Building
Des Moines, IA 50319-0004

RE: Audit of the City of Evansdale for the fiscal year ended June 30, 2004

Gentlemen:

I have enclosed a copy of the news release, a copy of my bill to the City, and two copies of the Audit Report. I will appreciate your comments and suggestions.

Sincerely yours,

Larry Pump, CPA

jlp
Enclosures

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