

CITY OF CHARLES CITY, IOWA  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
COMMENTS AND RECOMMENDATIONS

JUNE 30, 2004

- Prepared By -

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CITY OF CHARLES CITY, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u> (Before January, 2004)	<u>TERM EXPIRES</u>
James A. Erb	Mayor	January 2004
Jerry Joerger	Mayor Pro tem	January 2006
Dean Andrews	Council Member	January 2004
Arvin Tibbitts	Council Member	January 2004
Kurt Herbrechtsmeyer	Council Member	January 2004
Dennis Sanvig	Council Member	January 2006
Jody Meyer	Clerk/Treasurer	Indefinite
Don Lorsung	City Administrator	Indefinite
Ralph Smith	Attorney	Indefinite

(After January, 2004)

James A. Erb	Mayor	January 2006
Jerry Joerger	Mayor Pro tem	January 2006
Dennis Sanvig	Council Member	January 2006
Dean Andrews	Council Member	January 2008
Arvin Tibbitts	Council Member	January 2008
Andy Cerio	Council Member	January 2008
Jody Meyer	Clerk/Treasurer	Indefinite
Don Lorsung	City Administrator	Indefinite
Ralph Smith	Attorney	Indefinite



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### 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 Charles city, 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 the City of Charles City's management. My responsibility is to express opinions 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 my audit provides a reasonable basis for my opinions.

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

In my 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 of the City of Charles City 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 21, 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 reports dated October 13, 2004 on my consideration of the City of Charles City's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are 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 11 and 30 through 32 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 opinions on the financial statements that collectively comprise the City of Charles City's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (which is not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, 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.

*Douglas E. Kronlage*

October 13, 2004

**CITY OF CHARLES CITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2004**

This discussion and analysis is intended to be an easily readable analysis of the City of Charles City's financial activities for the fiscal year ended June 30, 2004 based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the City's financial statements that begin on page 12.

**Basis of Accounting**

The City has elected to present its financial statements on a cash basis of accounting. The cash basis of accounting is a basis other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the City's cash basis of accounting, revenues and expenses are recorded when they result from cash transactions. As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. 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.

**Report Layout**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the City's annual report. Besides the Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements, combining schedules of non-major funds and supplemental information. The first several statements are highly condensed and present a government-wide view of the City's finances. Within this view, all City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as public safety, public works, health and social services, culture and recreation, community and economic development, general government administration, debt service, and capital projects. Business-type activities are water, sewer and garbage.

**Statement of Activities**

The focus of the Statement of Activities is to present the major program costs and match major resources with each. To the extent a program's cost is not covered by grants, donations and direct charges, it is paid from general taxes and other resources. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

**CITY OF CHARLES CITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2004**

Following the Statement of Activities is a section containing fund financial statements. In the Statement of Cash Receipts, Disbursements and Changes in Cash Balance, the City's major funds are presented in their own column and the remaining funds are combined into a column titled "Non-major Governmental Funds." Readers who wish to obtain information on non-major funds can find it in the Other Supplemental Information - Schedule of Cash Transactions sections of this report. Finally, completing the document is a series of other financial schedules and the reports by the independent certified public accountants as required by statute.

The MD&A is intended to explain the significant changes in financial position and differences in operations between the current and prior years.

## **CITY AS A WHOLE**

### **Government-Wide Financial Statements**

To aid in the understanding of the Statement of Activities, some additional explanation is given. First all receipts and disbursements are categorized as either governmental activities or business-type activities. These are defined as follows:

**Governmental funds** - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The City's major governmental funds are the General Fund, the Public Housing Fund, and the Debt Service Fund. All other governmental funds are aggregated in a single column entitled Other Nonmajor Governmental Funds. Governmental funds are further broken down into the following activities:

**Public Safety** - This category includes police operations including reserves, emergency management, fire protection, ambulance service, animal control services and miscellaneous protective services.

**Public Works** - This category includes roads, bridges, and sidewalks, equipment replacement, street lighting, snow removal, street cleaning, airport and other public works.

**Health and Social Services** - This category includes the Foster Grandparent Program.

**CITY OF CHARLES CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2004**

**Culture and Recreation** - This category includes library services, band shell, parks, recreation, swimming pool operations and golf course operations.

**Community and Economic Development** - This category includes community beautification, and economic development, the housing program, urban renewal, planning and zoning and miscellaneous services.

**General Government** - This category includes mayor, city council, city administrator, city clerk/finance officer, elections, legal services, city hall, and other general government operations.

**Debt Service** - This category includes general obligation, revenue, urban renewal, TIF and road use tax debt service and loan obligations.

**Capital Projects** - This category includes Carnegie Building improvements, park and recreation capital improvements, airport capital improvements, street improvement projects, communications equipment, housing rehabilitation grant programs, 215<sup>th</sup> Street project, Cedar Mall project, Watertower project and law enforcement grant programs.

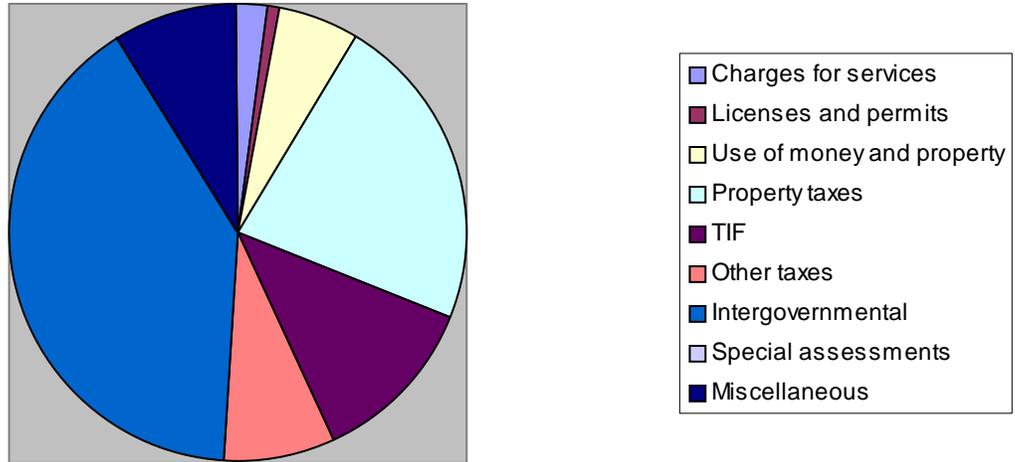
**Business-Type (Proprietary) Funds** - When the City charges customers for the services it provides, these services are generally reported in business-type or proprietary funds. These are self-sufficient funds. The City's major business-type funds are waterworks, utility improvement and sewer improvement. This also includes all debt service and capital projects associated specifically with the above listed utilities.

Second, of particular interest is the format that is significantly different than a typical Statement of Receipts, Disbursements, and Changes in Cash Balances. You will notice that disbursements are listed in the first column with receipts from that particular program reported to the right. The result is a Net (Disbursement)/Receipt. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes and bond proceeds are classified as general revenue even if restricted for a specific purpose.

### **Governmental Activities**

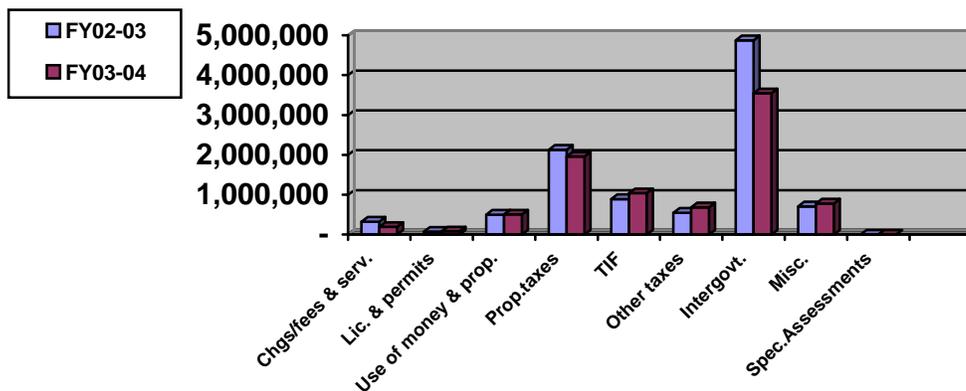
For the year ended June 30, 2004, the City's governmental activities were funded as defined in the following graph:

**CITY OF CHARLES CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2004**



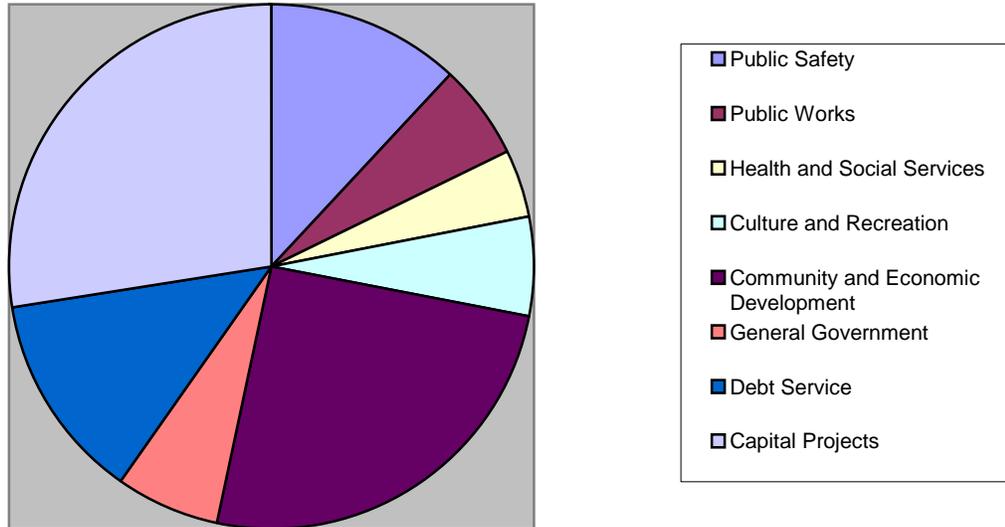
**Sources of Funds for Governmental Activities**

Governmental program revenues slightly decreased compared to the prior year. Revenues overall decreased. Major differences by revenue source are outlined below. Charges for services decreased in total. Property tax revenues were down slightly. TIF revenues were up significantly. Other tax revenues increased over last year – up 24%. Licenses and permits increased over the previous year. Intergovernmental revenues were down approximately 37.5%. Special assessment revenue increased – doubling the amount received last year. Miscellaneous revenues showed a slight increase over the previous year. Total governmental revenues this year as compared to last fiscal year are shown in the graph following.



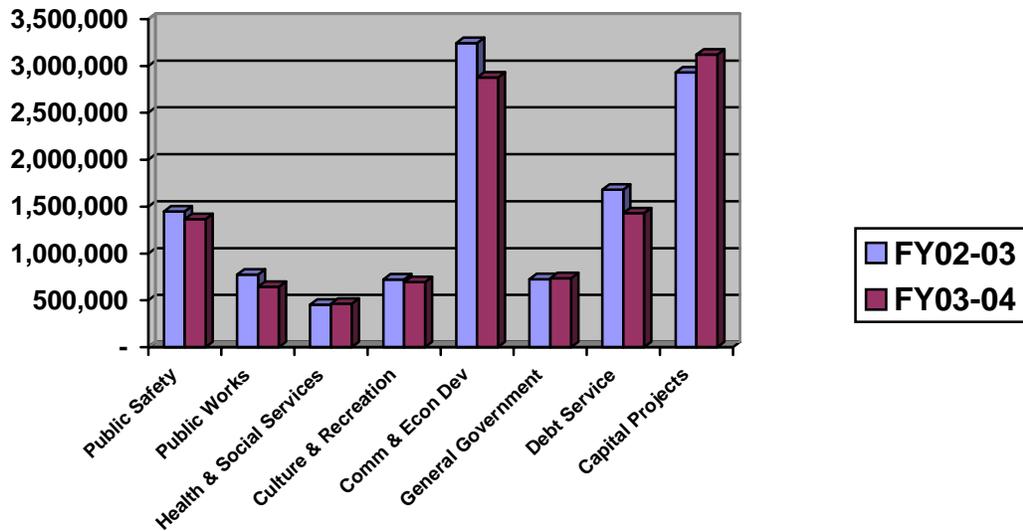
**CITY OF CHARLES CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2004**

Uses of Funds in Governmental Activities



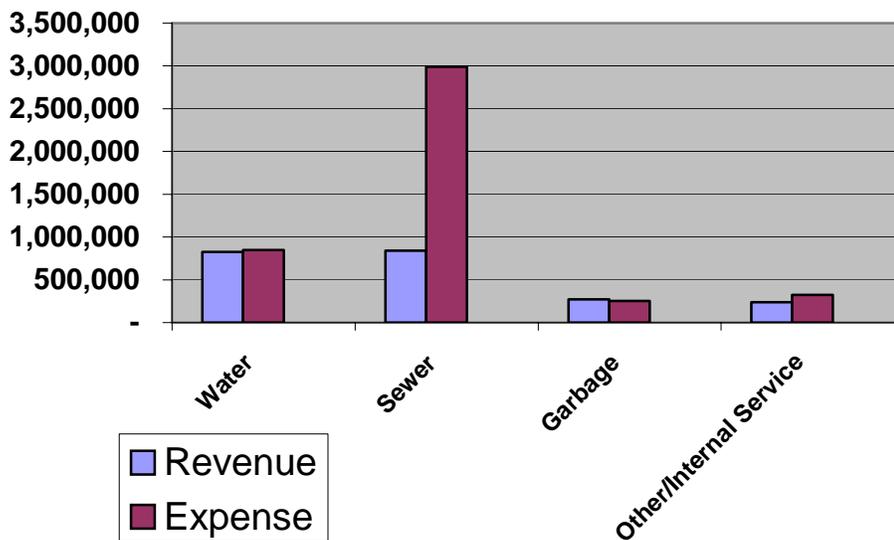
With a few exceptions, governmental program expenses also remain similar to the prior year. Public safety expenditures decreased overall. Public works decreased slightly while expenditures for health and social services remained nearly the same. Culture and recreation expenditures decreased by about \$29,000. Community and economic development expenditures decreased by about \$366,000. The general government expenditures remained about the same. Debt service expenditures also decreased overall. Capital project expenditures increased in total by about \$190,000. Capital projects begun included the Airport Runway Grant program and the 2004 Street Improvements Program. Capital projects completed included the purchase of a Park & Recreation vehicle, the 2003 Street Resurfacing Project, the Housing Rehabilitation Program and the Cedar Mall Street Reconstruction and Lighting Project. Other capital projects were in the planning stages as well. Total governmental expenses this year as compared to last fiscal year are shown in the graph below:

**CITY OF CHARLES CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2004**



**Business-type Activities**

For the year ended June 30, 2004, the City's business-type activities revenues and expenses were as follows:



The sewer revenues and expenses are significantly higher than normal for the second year in a row due to the sewer treatment plant improvements project that is under construction. Water debt service increased due to the beginning of payments on the new water revenue debt issued for the new water plant improvements project. The 2002 Water Pollution Control Plant Improvement Project was under construction and funded through the State Revolving Loan Fund. The garbage fund had no significant changes from the prior year. Other/Internal Service revenues and expenses involve the Police Dispatch Fund and the MERV fund.

**CITY OF CHARLES CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2004**

**Budgetary Highlights**

During the year, City Council approved two budget amendments. These budget amendments increased the budgeted disbursements by \$999,680. The budget amendments are reflected in the final budgeted amounts. The budget amendment was due to receipt and expenditure of various grant monies, project financing and expenditures, increased receipts of fees and permits, receipt of sales tax refund, miscellaneous reimbursements, TIF District expenditures budgeted in the previous year, purchase of service and equipment using fund balances available, and receipt and expenditure of bond proceeds not previously budgeted.

For the year ended June 30, 2004, total actual revenues including other financing sources were \$466,212 under the final budget while total actual expenditures were \$2,555,477 under the final budget. The large difference between budgeted and actual expenditures is mostly due to the fact that several large capital projects were not completed and will therefore carryover into the new fiscal year.

**Capital Assets and Debt Administration**

As of June 30, 2004 the City had fund balances on hand of \$4,612,337 in governmental fund types and \$1,559,614 in business-type funds. These decreased by \$1,245,123 and \$130,586 respectively during fiscal year 2003-2004. The main reasons for the decrease of funds on hand is the spending of funds already on hand for capital projects and large equipment purchases, as well as, a choice by city council to try to keep property tax rate increases to a minimum.

**Debt Outstanding**

As of year-end, the City had \$12,637,905 in debt outstanding compared to \$10,224,500 in 2003.

**Outstanding Debt at Year End**

	<u>2004</u>	<u>2003</u>
<b>Governmental</b>		
General obligation	\$ 6,713,679	\$ 7,101,734
Urban Renewal revenue	796,684	585,000
Road use revenue	495,000	495,000
Subtotal	<u>\$ 8,005,363</u>	<u>\$ 8,181,734</u>
<b>Business-type</b>		
<b>Water revenue</b>	<b>\$ 1,365,000</b>	<b>\$ 1,400,000</b>
Sewer revenue	2,722,459	-
Subtotal	<u>\$ 4,087,459</u>	<u>\$ 1,400,000</u>
Interfund Loan Agreements		
<b>Fire Retirement</b>	<b>\$ 157,404</b>	<b>\$ 187,043</b>
Police Retirement	349,488	411,567
Cablevision	38,191	44,156
Subtotal	<u>\$ 545,083</u>	<u>\$ 642,766</u>
<b>Total</b>	<u><u>\$12,637,905</u></u>	<u><u>\$10,224,500</u></u>

For more detailed information on the City's debt and amortization terms refer to pages 41 and 42.

**CITY OF CHARLES CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2004**

**Economic Factors**

While property taxes are important to the City, they represent less than 23% of total program resources. Property taxes were less than expected due to only partial state reimbursement on property tax credits. TIF revenues comprised just under 21% of revenues. The largest resource, at nearly 29%, comes from fees and charges for services and includes utility charges. The City monitors all of its resources and determines the need for program adjustment or fee increases accordingly.

**Next Year's Budget**

With the loss of state aids and bank franchise fees, both in FY2003-04 and in FY2004-05, expenses have been adjusted in all departments. The Library has cut back service levels, remaining closed on Saturdays. The Park and Recreation Department has cut part-time staff positions, reduced City funding for recreation programming, and has implemented a reduced maintenance plan. Capital equipment and facility improvements for Public Safety either have been delayed, reduced or eliminated.

The budget for FY 2004-05 continues the practice of upgrading the condition of the City's plant facilities and equipment. For the most part, these expenditures are to replace worn out equipment or to make minor repairs to plant facilities. In some cases, items are included to improve the safety or efficiency of operations, to shed excessive maintenance costs or to meet special needs in various departments. Items included in the 2004-05 budget financed with operating funds are as follows:

- Police Department/Emergency – Squad car replacement and computer
- Communications – Communications center equipment
- Fire Department – Facility updates and building inspection vehicle
- Street Department – Skid loader equipment
- Water Department – Plant fencing and security improvements
- Water Pollution Control Department – Chautauqua lift controls
- Park & Recreation Department – Fairway mower

**Financial Contact**

The City's financial statements are designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the City Clerk/Finance Officer at 105 Milwaukee Mall, Charles City, IA 50616, phone (641)257-6300 or email [jody@cityofcharlescity.org](mailto:jody@cityofcharlescity.org).

Jody J. Meyer  
City Clerk/Finance Officer

CITY OF CHARLES CITY, IOWA  
Statement of Activities and Net Assets - Cash Basis  
Year Ended June 30, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Receipts</u> <u>Operating Grants and Contributions</u>
Primary government:			
Governmental activities:			
Public safety	\$ 1,386,258	\$ 47,237	\$ 70,627
Public works	643,890	2,537	56,330
Health and social services	464,075	-	370,287
Culture and recreation	693,835	114,576	6,040
Community and economic development	2,877,243	27,160	740,872
General government	735,906	85,905	-
Debt service	1,429,633	-	-
Capital projects	3,120,287	-	-
Total governmental activities	<u>\$11,351,127</u>	<u>\$ 277,415</u>	<u>\$1,244,156</u>
Business-type activities:			
Water utility	\$ 458,899	\$ 823,844	\$ -
Utilities improvements	388,163	-	-
Water pollution control	512,208	837,565	-
Sewer improvement	2,479,820	-	-
Other	333,091	309,179	-
Total business-type activities	<u>\$ 4,172,181</u>	<u>\$1,970,588</u>	<u>\$ -</u>
<b>Total primary government</b>	<b><u>\$15,523,308</u></b>	<b><u>\$2,248,003</u></b>	<b><u>\$1,244,156</u></b>

General Receipts:

Property tax levied for:  
  General purposes  
  Tax increment financing  
  Debt service  
Local option sales tax  
Road use tax  
Other city taxes  
Grants and contributions not restricted for specific purpose  
Unrestricted interest on investments  
Bond proceeds  
Loan proceeds  
Refunding bond proceeds  
Payments to refunding escrow agent  
Miscellaneous  
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:  
  Debt service  
  Urban renewal projects  
Unrestricted  
**Total cash basis net assets**

*See Notes to Financial Statements.*

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

<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ -	\$(1,268,394)	\$ -	\$ (1,268,394)
16,100	(568,923)	-	(568,923)
-	(93,788)	-	(93,788)
-	(573,219)	-	(573,219)
621,851	(1,487,360)	-	(1,487,360)
-	(650,001)	-	(650,001)
-	(1,429,633)	-	(1,429,633)
910,993	(2,209,294)	-	(2,209,294)
<u>\$1,548,944</u>	<u>\$(8,280,612)</u>	<u>\$ -</u>	<u>\$ (8,280,612)</u>
\$ -	\$ -	\$ 364,945	\$ 364,945
-	-	(388,163)	(388,163)
-	-	325,357	325,357
-	-	(2,479,820)	(2,479,820)
-	-	(23,912)	(23,912)
<u>\$ -</u>	<u>\$ -</u>	<u>\$(2,201,593)</u>	<u>\$ (2,201,593)</u>
<b><u>\$1,548,944</u></b>	<b><u>\$(8,280,612)</u></b>	<b><u>\$(2,201,593)</u></b>	<b><u>\$(10,482,205)</u></b>
	\$ 1,782,905	\$ -	\$ 1,782,905
	1,041,109	-	1,041,109
	174,107	-	174,107
	515,303	-	515,303
	650,642	-	650,642
	233,146	-	233,146
	35,699	1,017	36,716
	504,075	13,470	517,545
	136,000	2,692,459	2,828,459
	95,684	-	95,684
	1,595,348	-	1,595,348
	(1,236,348)	-	(1,236,348)
	779,521	72,293	851,814
	708,140	(708,140)	-
	<u>\$ 7,015,331</u>	<u>\$ 2,071,099</u>	<u>\$ 9,086,430</u>
	\$(1,265,281)	\$ (130,494)	\$ (1,395,775)
	5,940,889	1,694,521	7,635,410
	<b><u>\$ 4,675,608</u></b>	<b><u>\$ 1,564,027</u></b>	<b><u>\$ 6,239,635</u></b>
	\$ 253,444	\$ -	\$ 253,444
	492,619	-	492,619
	3,929,545	1,564,027	5,493,572
	<b><u>\$ 4,675,608</u></b>	<b><u>\$ 1,564,027</u></b>	<b><u>\$ 6,239,635</u></b>

CITY OF CHARLES CITY, IOWA  
Statement of Cash Receipts, Disbursements and  
Changes in Cash Balances - Governmental Funds  
As of and for the Year Ended June 30, 2004

	<u>General</u>	<u>Special Revenue- Public Housing</u>
<b>RECEIPTS:</b>		
Property tax	\$1,370,080	\$ -
TIF revenues	-	-
Other City tax	91,606	-
Licenses and permits	83,065	-
Use of money and property	106,546	357,725
Intergovernmental	183,869	108,746
Charges for services	164,655	8,163
Special assessments	-	-
Miscellaneous	204,513	49,201
Total receipts	<u>\$2,204,334</u>	<u>\$ 523,835</u>
<b>DISBURSEMENTS:</b>		
Public safety	\$1,219,657	\$ -
Public works	220,515	-
Health and social services	13,547	-
Culture and recreation	652,863	-
Community and economic development	122,916	370,371
General government	657,798	-
Debt service:		
Contractual services	-	-
Principal	43,365	-
Interest	-	-
Capital projects	114,447	-
Total disbursements	<u>\$3,045,108</u>	<u>\$ 370,371</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (840,774)</u>	<u>\$ 153,464</u>
Other financing sources (uses):		
Operating transfers in	\$ 802,712	\$ -
Operating transfers out	(21,287)	(6,000)
Bond proceeds	-	-
Loan proceeds	-	-
Refunding bond proceeds	-	-
Payment to refunding escrow agent	-	-
Interfund loan repayment receipts	-	-
Interfund loan repayments	(12,707)	-
Total other financing sources (uses)	<u>\$ 768,718</u>	<u>\$ (6,000)</u>
Net change in cash balances	\$ (72,056)	\$ 147,464
Cash balances beginning of year (as restated)	<u>733,225</u>	<u>550,279</u>
Cash balances end of year	<u>\$ 661,169</u>	<u>\$ 697,743</u>
<b>Cash Basis Fund Balances:</b>		
Reserved:		
Debt service	\$ -	\$ -
Unreserved:		
General	661,169	-
Special revenue funds	-	697,743
Capital projects funds	-	-
Permanent funds	-	-
Total cash basis fund balances	<u>\$ 661,169</u>	<u>\$ 697,743</u>

(continued)

<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 174,107	\$ 412,825	\$ 1,957,012
-	1,041,109	1,041,109
-	591,635	683,241
-	-	83,065
2,047	37,756	504,074
-	3,252,031	3,544,646
-	18,997	191,815
-	2,537	2,537
30,560	495,249	779,523
<u>\$ 206,714</u>	<u>\$ 5,852,139</u>	<u>\$ 8,787,022</u>
\$ -	\$ 146,264	\$ 1,365,921
-	423,375	643,890
-	450,538	464,085
-	41,020	693,883
-	2,384,029	2,877,316
-	78,156	735,954
39,516	-	39,516
803,690	-	847,055
543,062	-	543,062
-	3,005,840	3,120,287
<u>\$ 1,386,268</u>	<u>\$ 6,529,222</u>	<u>\$11,330,969</u>
<u>\$(1,179,554)</u>	<u>\$ (677,083)</u>	<u>\$(2,543,947)</u>
\$ 1,127,312	\$ 99,289	\$ 2,029,313
(32,499)	(1,261,387)	(1,321,173)
-	136,000	136,000
-	95,684	95,684
1,595,348	-	1,595,348
(1,236,348)	-	(1,236,348)
-	136,382	136,382
-	(123,675)	(136,382)
<u>\$ 1,453,813</u>	<u>\$ (917,707)</u>	<u>\$ 1,298,824</u>
\$ 274,259	\$(1,594,790)	\$(1,245,123)
(20,815)	4,594,771	5,857,460
<u>\$ 253,444</u>	<u>\$ 2,999,981</u>	<u>\$ 4,612,337</u>
\$ 253,444	\$ -	\$ 253,444
-	-	661,169
-	2,435,346	3,133,089
-	545,721	545,721
-	18,914	18,914
<u>\$ 253,444</u>	<u>\$ 2,999,981</u>	<u>\$ 4,612,337</u>

CITY OF CHARLES CITY, IOWA  
 Reconciliation of the Statement of Cash  
 Receipts, Disbursements and Changes in Cash Balances  
 to the Statement of Activities and Net Assets -  
 Governmental Funds  
 Year Ended June 30, 2004

**Total governmental funds cash balances (page 15) \$ 4,612,337**

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

The Internal Service Funds are used by management to charge the costs of various services to individual funds. The assets of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.

63,271

**Cash basis net assets of governmental activities (page 13) \$ 4,675,608**

**Net change in cash balances (page 15) \$(1,245,123)**

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

The Internal Service Funds are used by management to charge the costs of various services to individual funds. The change in net assets of the Internal Service Funds are reported with governmental activities.

(20,158)

**Change in cash balance of governmental activities (page 13) \$(1,265,281)**

*See notes to financial statements.*

CITY OF CHARLES CITY, IOWA  
Statement of Cash Receipts, Disbursements and  
Changes in Cash Balance - Proprietary Funds  
As of and for the Year Ended June 30, 2004

	<u>Waterworks</u>	<u>Sewer Improvement</u>
<b>Operating Receipts:</b>		
Intergovernmental	\$ 322	\$ -
Charges for services	823,844	-
Miscellaneous	462	2,137
Total operating receipts	<u>\$ 824,628</u>	<u>\$ 2,137</u>
<b>Operating Disbursements:</b>		
Governmental Activities:		
Public safety	\$ -	\$ -
Business-type activities:		
Personal services	214,984	\$ 4,822
Contractual services	242,660	130,364
Commodities	1,033	-
Capital outlay	253	2,344,634
Nonprogram	-	-
Total operating disbursements	<u>\$ 458,930</u>	<u>\$ 2,479,820</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>\$ 365,698</u>	<u>\$ (2,477,683)</u>
Non-operating receipts (disbursements):		
Property tax	\$ -	\$ -
Interest on investments	8,512	-
Bond proceeds	-	2,692,459
Operating transfers in	-	300,000
Operating transfers out	(529,946)	(201,365)
Total non-operating receipts (disbursements)	<u>\$ (521,434)</u>	<u>\$ 2,791,094</u>
Net change in cash balance	\$ (155,736)	\$ 313,411
Cash balances beginning of year (as restated)	<u>334,955</u>	<u>124,805</u>
<b>Cash balances end of year</b>	<u><b>\$ 179,219</b></u>	<u><b>\$ 438,216</b></u>
<b>Cash Basis Fund Balances:</b>		
Unreserved	<u><b>\$ 179,219</b></u>	<u><b>\$ 438,216</b></u>

(continued)

<u>Utilities Improvement</u>	<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ -	\$ 694	\$ 1,016	\$ -
-	1,146,744	1,970,588	540,519
1,858	2,160	6,617	442,226
<u>\$ 1,858</u>	<u>\$1,149,598</u>	<u>\$ 1,978,221</u>	<u>\$ 982,745</u>
\$ -	\$ -	\$ -	\$ 246,057
17,226	271,679	508,711	-
49,174	506,090	928,288	-
-	24,188	25,221	-
321,764	43,401	2,710,052	-
-	-	-	804,739
<u>\$ 388,164</u>	<u>\$ 845,358</u>	<u>\$ 4,172,272</u>	<u>\$1,050,796</u>
<u>\$ (386,306)</u>	<u>\$ 304,240</u>	<u>\$ (2,194,051)</u>	<u>\$ (68,051)</u>
\$ -	\$ 65,676	\$ 65,676	\$ -
-	4,958	13,470	367
-	-	2,692,459	-
441,369	-	741,369	-
(309,369)	(408,829)	(1,449,509)	-
<u>\$ 132,000</u>	<u>\$ (338,195)</u>	<u>\$ 2,063,465</u>	<u>\$ 367</u>
\$ (254,306)	\$ (33,955)	\$ (130,586)	\$ (67,684)
1,015,116	215,324	1,690,200	87,751
<u>\$ 760,810</u>	<u>\$ 181,369</u>	<u>\$ 1,559,614</u>	<u>\$ 20,067</u>
<u>\$ 760,810</u>	<u>\$ 181,369</u>	<u>\$ 1,559,614</u>	<u>\$ 20,067</u>

CITY OF CHARLES CITY, IOWA  
 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 18)** **\$ 1,559,614**

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

The Internal Service Funds are used by management to charge the costs of various services to individual funds. The assets of the Internal Service Funds are included in business type activities in the Statement of Net Assets.

4,413

**Cash basis net assets of business-type activities (page 13)** **\$ 1,564,027**

**Net change in cash balances (page 18)** **\$ (130,586)**

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

The Internal Service Funds are used by management to charge the costs of various services to individual funds. The change in net assets of the Internal Service Funds are reported with governmental activities.

90

**Change in cash balance of business-type activities (page 13)** **\$ (130,494)**

*See Notes to Financial Statements.*

**CITY OF CHARLES CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2004**

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

The City of Charles City is a political subdivision of the State of Iowa located in Floyd County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, public improvements and general government services. The City also provides water and sewer utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Charles City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

*Jointly Governed Organizations*

The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the city are such that exclusion does not cause the city's financial statements to be misleading or incomplete. City officials are members of the following boards or commissions: Floyd County Assessor's Conference Board, Floyd County Emergency Management Commission, Floyd County Joint E911 Service Board, and Floyd-Mitchell-Chickasaw Solid Waste Management Agency.

**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.

CITY OF CHARLES CITY, IOWA  
Notes to Financial Statements  
June 30, 2004

(1) Summary of Significant Accounting Policies - continued

*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. All remaining enterprise funds are aggregated and reported as nonmajor enterprise 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.

Public Housing Special Revenue Fund is used to account for the City's public housing program.

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

The Sewer Improvement Fund accounts for the maintenance and improvements to the City's waste water treatment and sanitary sewer system.

The Utilities Improvements Fund accounts for the improvements to the City's water utility system.

The City also reports the following additional proprietary fund:

Internal Service Funds are 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.

CITY OF CHARLES CITY, 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 Charles 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.

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

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 for internal service, permanent funds and pension funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions, not by fund. These functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities.

(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.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City had no investments at June 30, 2004.

**CITY OF CHARLES CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2004**

**(3) Bonds Payable**

The annual requirements to pay principal and interest on non-interfund obligations outstanding at June 30, 2004 are as follows:

**(4) Interfund Loan Agreements**

The City has approved various interfund loans from the police retirement, fire retirement and cablevision funds at a 7% annual interest rate as follows:

<u>Lending Fund</u>	<u>Borrowing Fund</u>	<u>Original Loan</u>	<u>Outstanding 6/30/2004</u>	<u>Annual Payment</u>	<u>Final Payment</u>
Police Retirement	East Park TIF	\$ 76,617	\$ 62,118	various	1/01/2007
Police Retirement	Riverside TIF	176,784	45,408	47,290	6/30/2004
Police Retirement	Riverside TIF	100,000	59,910	18,111	6/30/2008
Police Retirement	Riverside TIF	189,000	48,548	50,557	12/31/2003
Police Retirement	Riverside TIF	50,000	47,656	9,056	6/01/2009
Police Retirement	Riverside TIF	85,848	85,848	85,848	6/30/2005
Fire Retirement	Riverside TIF	105,000	78,815	20,000	6/01/2007
Fire Retirement	East Park TIF	36,043	16,712	6,528	6/30/2007
Fire Retirement	General	44,000	11,876	12,707	6/01/2005
Fire Retirement	South Grand TIF	350,000	50,000	50,000	12/01/2003
Cablevision	Riverside TIF	50,000	38,191	9,056	6/01/2009

**(5) General Obligation Debt Refunding**

The City issued, on July 1, 2003, \$1,235,000 of General Obligation Refunding Bonds, Series 2003 to crossover advance refund the remaining \$1,190,000 of General Obligation Corporate Purpose Bonds, Series 1997A at call date of June 1, 2004. \$1,209,386 of the proceeds were deposited with an escrow agent to purchase United State Treasury securities. The reacquisition price exceeded the net carrying amount of the old debt by \$19,386. Under the terms of the escrow agreement, the escrow fund is irrevocably pledged to the payment of principal and interest on the refunded bonds. As a result, the \$1,190,000 of the refunded obligations are considered defeased and the liability for these bonds has been removed from the City's long-term debt.

**CITY OF CHARLES CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2004**

**(5) General Obligation Debt Refunding - continued**

This refunding decreased the City's aggregate debt service payments to maturity by \$94,191, resulting in an economic gain (difference between present values of the debt service payments on the old and new debt) of \$80,274.

The City issued, on June 1, 2004, a \$359,000 General Obligation Refunding note to currently refund the remaining \$355,000 of General Obligation Refunding Bonds, Series 1997B on the call date of July 1, 2004. The proceeds will be deposited July 1, 2004 with the paying agent of the refunded bonds to pay the principal and interest of those bonds and accordingly, the remaining liability of \$355,000 has not been removed from the City's long-term debt schedule.

This refunding decreased the City's aggregate debt service payments by \$22,298, resulting in an economic gain (difference between present values of debt service payments on the old and new debt) of \$20,487.

**(6) County Urban Renewal Bonds**

The Southwest Bypass TIF district is located partially within the City limits and partially outside the City limits. The TIF district is jointly governed by a 28E agreement between the City and Floyd County. Per the agreement, the City is responsible for the financial administration of the district. The County issued \$1,335,000 of bonds secured by the TIF revenues of the district. In turn, the County transferred the proceeds to the City to pay the expenses of the current projects. The City, as financial administrator, will receive the TIF revenues from the district and will transfer funds to the County as the bonds mature. The bond payment schedule is as follows:

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2005	\$ 55,000	\$ 42,135
2006	55,000	41,145
2007	80,000	39,990
2008	80,000	38,070
2009	80,000	35,910
2010	90,000	33,590
2011	90,000	30,800
2012	95,000	27,920
2013	95,000	24,785
2014	100,000	21,555
2015	110,000	17,955
2016	115,000	13,885
2017	115,000	9,400
2018	120,000	4,800
	<u>\$1,280,000</u>	<u>\$381,940</u>

During the year ended June 30, 2004, the City was to pay principal and interest amounts of \$55,000 and \$43,015, respectively. In contravention of the governing 28E agreement and bond documents, the County Treasurer withheld the TIF funds from the City and remitted the principal and interest payments to the fiscal agent through the County.

**CITY OF CHARLES CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2004**

**(7) Conduit Debt**

From time to time, the City has issued Industrial or Health Facility Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds.

As of June 30, 2004, there was one series of Health Facility Refunding Revenue Bonds outstanding, with a principal amount payable of \$2,923,936.

**(8) Interfund Transfers**

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

<u>Fund</u>	<u>Transfer In</u>	<u>Transfers Out</u>
Governmental:		
General	\$ 802,712	\$ 21,287
Debt service	1,127,312	32,500
Nonmajor funds	99,289	1,267,386
Total governmental	<u>\$2,029,313</u>	<u>\$1,321,173</u>
Business-Type:		
Waterworks	\$ -	\$ 529,946
Sewer improvements	300,000	201,365
Utility improvements	441,369	309,369
Nonmajor funds	-	408,829
Total business-type	<u>\$ 741,369</u>	<u>\$1,449,509</u>
Total	<u>\$2,770,682</u>	<u>\$2,770,682</u>

Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted receipts collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**(9) Pension and Retirement Benefits**

MFPRSI - 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 financial report may be obtained by writing to the Municipal Fire and Police Retirement System of Iowa, 2836 104<sup>th</sup> Street, Urbandale, IA 50322.

**CITY OF CHARLES CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2004**

**(9) Pension and Retirement Benefits - continued**

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate may not be less than 20.48% 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 \$121,070, \$110,819 and \$106,851 respectively, which met the required minimum contribution for each year.

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 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. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$90,461, \$87,838 and \$84,653 respectively, equal to the required contribution for each of the years.

**(10) Deficit Fund Balances**

The City had deficit fund balances as follows:

Special Revenue:	
Foster Grandparents Program	\$ 1,073
Internal Service:	
Health Insurance	465

**(11) Compensated Absences**

City employees earn vacation and sick leave at rates dependent on years of service. Vacation leave is vested on the employee's anniversary date and must be used prior to the next anniversary date. Sick leave may be accumulated but is forfeited if not used. Certain employees are allowed to accumulate vested compensatory time off for overtime at one and one-half times the hours worked. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate maximum liability for unrecognized accrued employee benefits at June 30, 2004, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation time	<u>\$181,878</u>

This liability has been computed based on rates of pay as of June 30, 2004.

**(12) Health Plan**

The City has established a trustee health and welfare plan known as the Charles City Public Employees Health Plan. Under terms of the plan, the trustee is authorized and empowered to hold, invest and reinvest the funds paid over by the city and to make payments and transfers to cover claim payments and administrative expenses. The First Citizens National Bank, Charles City, Iowa, is the named trustee and Employee Group Service, Ltd., Cedar Rapids, Iowa, is administrator of the plan.

**CITY OF CHARLES CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2004**

(12) **Health Plan** - continued

Specific and aggregate stop-loss insurance is provided by ITT Hartford Insurance Company. The City is contingently liable to the trust in the event that a trust fund deficit should arise from adverse claims expense.

(13) **Budget Overexpenditure**

In accordance with the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2004, disbursements in Public Works, Community and Economic Development, General Government and Debt Service functions exceeded amounts budgeted.

(14) **Commitments and Contingencies**

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will be immaterial.

The City was notified by the United States Environmental Protection Agency (EPA) in March 1989, that the area known as the Shaw Avenue Dump had been determined to contain hazardous waste that has resulted in or could result in an *"imminent and substantial endangerment to the public health or welfare or the environment"*. The EPA placed the Shaw Avenue Dump on the National Priority List (NPL) on July 22, 1987.

On December 22, 1987, the City and Solvay Animal Health, Inc. (Solvay) entered into a cost-sharing agreement whereby each pays 50% of the costs associated with complying with the consent order.

On May 26, 1989, the City and Solvay entered into a consent order with the EPA. The purpose of the consent order is to determine the nature and extent of any releases or threatened releases of pollutants or contaminants; to assess the threat, if any, to the public health and welfare; and to identify and evaluate remedial alternatives to prevent or mitigate such releases. On October 4, 1991, the EPA released a Record of Decision on the investigation of the contaminated area. Their decision was to require the City to perform a stabilization process to secure the contaminants.

Subsequent to issuance of the Record of Decision, the EPA determined that the technology to implement the stabilization process would not be adequate. On February 28, 1992, the City and Solvay entered into a Consent Decree with EPA for remedial action which consisted of excavation and off-site treatment by best practical means and disposal of chemical fill and contaminated soil. During the year ended June 30, 2004, the City had incurred expenditures of \$13,547 which represents 50% of the total expense shared with Solvay.

The Shaw Avenue Dump project has now been complete for several years. The EPA has approved the remedial plan. However, the City anticipates expending \$25,000 for annual maintenance and testing fees until the EPA approves the final project.

(15) **Related Party Transactions**

The City had business transactions between the City and the City officials, totaling \$12,131 during the year ended June 30, 2004.

**CITY OF CHARLES CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2004**

**(16) Floyd-Mitchell-Chickasaw Solid Waste Management Agency**

The City, in conjunction with twenty-six other municipalities, has created the Floyd-Mitchell-Chickasaw Solid Waste Management Agency. The Agency was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. On dissolution of the corporation, the net assets of the Agency will be prorated among the municipalities. The Agency is governed by a board composed of an elected representative of the governing body of each participating governmental jurisdiction.

The Agency is not accumulating sufficient financial resources and the participating governments are obligated for a proportionate share of the debt. Therefore, the City of Charles City has an ongoing financial responsibility. The City is also obligated to remit a share of the operating and administration costs. During the year ended June 30, 2004, the City of Charles City paid Jendro Sanitation \$232,626. The sanitation company is then responsible for paying all landfill fees for the City's share of the costs. Completed financial statements for the Agency can be obtained from the Floyd-Mitchell-Chickasaw Solid Waste Management Agency.

**(17) Risk Management**

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

**(18) Litigation**

There are currently no claims against the City seeking damages. The City is unaware of any unasserted claims.

**(19) Construction Commitments**

At June 30, 2004, the following construction and purchase commitments had been made:

	Total <u>Contracts</u>	Costs <u>Incurred</u>
Streets	\$1,477,486	\$ 890,770
Airport	2,072,786	61,500
Public Utilities	4,927,880	3,576,574
Lighting	92,607	89,057
	<u>\$8,570,759</u>	<u>\$4,617,901</u>

**(20) Subsequent Events**

The City awarded \$439,729 in paving construction and \$27,253 in public housing building repair contracts subsequent to June 30, 2004.

The City has issued \$1,340,000 of general obligation bonds dated September 1, 2004, to finance airport and street improvements and to refund 1999 TIF bonds. The bonds are payable over an 11 year period at 3.5 - 4.0% interest. Principal and interest payments of \$115,870 - \$268,000 are due in subsequent years beginning July 1, 2005. Interest payments only are due during the

**CITY OF CHARLES CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2004**

**(20) Subsequent Events** - continued

fiscal year ending June 30, 2005. The bonds due in fiscal years ending 2012-2015 are callable June 1, 2011 or any subsequent date at par plus accrued interest. As part of the bond issuance, the City has called \$270,000 of the Optional Series 1999A bonds maturing in fiscal years ending 2009-2014 as of June 1, 2008 at par plus accrued interest.

The City has issued \$320,000 of water revenue bonds dated July 1, 2004 payable over a 15-year period at 2.50 - 5.00% interest rates. Principal and interest payments of \$27,364 - 32,563 are due in subsequent years.

The bonds maturing in 2013 through 2019 are callable on June 1, 2012 or any date thereafter at par plus accrued interest.

**(21) 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 - 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. As a result, cash basis fund balances/net assets have been restated/reclassified as follows:

	<u>June 30, 2003</u>	<u>Restatement/ Reclassification Amounts</u>	<u>July 1, 2003</u>
Primary Government:			
General fund	\$ 636,270	\$ 96,955	\$ 733,225
Special revenue funds	3,695,910	138,838	3,834,748
Debt service fund	(979)	(19,836)	(20,815)
Capital project funds	1,367,234	(77,119)	1,290,115
Enterprise funds	1,690,200	-	1,690,200
Internal service funds	87,751	-	87,751
Permanent funds	-	20,187	20,187
Fiduciary funds	159,025	(159,025)	-
Total fund balances	<u>\$7,635,411</u>	<u>\$ -</u>	<u>\$7,635,411</u>

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 July 1, 2003, as previously restated	\$5,857,460	\$1,690,200
Internal service fund	<u>83,429</u>	<u>4,322</u>
Cash basis net assets July 1, 2003, as restated	<u>\$5,940,889</u>	<u>\$1,694,522</u>

**CITY OF CHARLES CITY, IOWA**  
**Statement of Revenues, Disbursements and**  
**Changes in Balances - Budget to Actual**  
**For the Year Ended June 30, 2004**

	<b>Governmental Funds Actual</b>	<b>Proprietary Funds Actual</b>
<b>RECEIPTS:</b>		
Property tax	\$ 1,957,012	\$ 65,676
TIF revenues	1,041,109	-
Other City tax	683,241	-
Licenses and permits	83,064	-
Use of money and property	504,075	13,837
Intergovernmental	3,544,649	1,017
Charges for services	191,813	2,511,108
Special assessments	2,537	-
Miscellaneous	779,522	448,842
Total receipts	<u>\$ 8,787,022</u>	<u>\$ 3,040,480</u>
<b>DISBURSEMENTS:</b>		
Public safety	\$ 1,365,921	\$ 246,057
Public works	643,890	-
Health and social services	464,085	-
Culture and recreation	693,883	-
Community and economic development	2,877,316	-
General government	735,954	-
Debt service	1,429,633	-
Capital projects	3,120,287	-
Business-type activities	-	4,172,272
Non-program	-	804,739
Total disbursements	<u>\$11,330,969</u>	<u>\$ 5,223,068</u>
Excess (deficiency) of receipts over (under) disbursements	\$(2,543,947)	\$(2,182,588)
Other financing sources, net	<u>1,298,824</u>	<u>1,984,319</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$(1,245,123)	\$ (198,269)
Balances beginning of year	<u>5,857,460</u>	<u>1,777,950</u>
<b>Balances end of year</b>	<b><u>\$ 4,612,337</u></b>	<b><u>\$ 1,579,681</u></b>

*See Accompanying Independent Auditor's Report.*

Less Funds Not Required To be Budgeted	Net	Budgeted Amounts		Variance with Amended Budget
		Original	Final	Positive (Negative)
\$ -	\$ 2,022,688	\$ 2,019,206	\$ 2,019,206	\$ 3,482
-	1,041,109	1,154,427	1,154,427	(113,318)
-	683,241	634,131	634,131	49,110
-	83,064	36,325	66,325	16,739
367	517,545	99,550	274,950	242,595
-	3,545,666	2,792,767	3,331,067	214,599
540,519	2,162,402	3,335,384	3,343,384	(1,180,982)
-	2,537	1,000	1,000	1,537
442,226	786,138	291,112	486,112	300,026
<u>\$ 983,112</u>	<u>\$10,844,390</u>	<u>\$10,363,902</u>	<u>\$11,310,602</u>	<u>\$ (466,212)</u>
\$ 246,057	\$ 1,365,921	\$ 1,665,742	\$ 1,743,242	\$ 377,321
-	643,890	592,436	592,436	(51,454)
-	464,085	474,145	474,145	10,060
-	693,883	723,991	723,991	30,108
-	2,877,316	1,904,053	2,229,053	(648,263)
-	735,954	567,503	573,503	(162,451)
-	1,429,633	904,921	1,039,001	(390,632)
-	3,120,287	4,206,215	4,560,015	1,439,728
-	4,172,272	6,020,032	6,123,332	1,951,060
804,739	-	-	-	-
<u>\$ 1,050,796</u>	<u>\$15,503,241</u>	<u>\$17,059,038</u>	<u>\$18,058,718</u>	<u>\$ 2,555,477</u>
\$ (67,684)	\$ (4,658,851)	\$ (6,695,136)	\$ (6,748,116)	
-	3,283,143	3,114,000	3,114,000	
\$ (67,684)	\$ (1,375,708)	\$ (3,581,136)	\$ (3,634,116)	
87,751	7,547,659	7,166,364	7,166,364	
<u>\$ 20,067</u>	<u>\$ 6,171,951</u>	<u>\$ 3,585,228</u>	<u>\$ 3,532,248</u>	

**CITY OF CHARLES CITY, 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 non-program. 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, two budget amendments increased budgeted disbursements by \$999,680. The budget amendments are reflected in the final budgeted amounts.

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

**CITY OF CHARLES CITY, IOWA**  
**Statement of Cash Receipts, Disbursements and**  
**Changes in Cash Balances - Nonmajor Governmental Funds**  
**As of and for the Year Ended June 30, 2004**

	<b>SPECIAL REVENUE</b>		
	<b>Road Use Tax</b>	<b>Local Option Sales Tax</b>	<b>RISE Grant</b>
<b>RECEIPTS:</b>			
Property tax	\$ -	\$ -	\$ -
TIF revenues	-	-	-
Other City tax	-	515,303	-
Use of money and property	-	8,186	-
Intergovernmental	650,642	-	910,993
Charges for services	-	-	-
Special assessments	-	-	-
Miscellaneous	-	27,258	-
Total receipts	\$ 650,642	\$ 550,747	\$ 910,993
<b>DISBURSEMENTS:</b>			
Public safety	\$ -	\$ -	\$ -
Public works	350,661	-	-
Health and social services	-	-	-
Culture and recreation	-	-	-
Community and economic development	5,269	-	78,933
General government	78,156	-	-
Capital projects	-	483,596	1,204,737
Total disbursements	\$ 434,086	\$ 483,596	\$1,283,670
Excess (deficiency) of receipts over (under) disbursements	\$ 216,556	\$ 67,151	\$ (372,677)
Other financing sources (uses):			
Operating transfers in	\$ -	\$ -	\$ -
Operating transfers out	(142,720)	-	-
Bond proceeds	-	-	-
Loan proceeds	-	-	-
Interfund loan repayment receipts	-	-	-
Interfund loan repayments	-	-	-
Total other financing sources (uses)	\$ (142,720)	\$ -	\$ -
Net change in cash balances	\$ 73,836	\$ 67,151	\$ (372,677)
Cash balances beginning of year (as restated)	309,692	364,180	523,618
<b>Cash balances end of year</b>	<b>\$ 383,528</b>	<b>\$ 431,331</b>	<b>\$ 150,941</b>
<b>CASH BASIS FUND BALANCES:</b>			
Unreserved:			
Special revenue funds	\$ 383,528	\$ 431,331	\$ 150,941
Capital projects funds	-	-	-
Permanent funds	-	-	-
Total cash basis fund balances	\$ 383,528	\$ 431,331	\$ 150,941

(continued)

SPECIAL REVENUE					
Riverside TIF	Southwest Bypass TIF	South Grand TIF	East Park TIF	Park Avenue TIF	2002 Winnebago PFSA
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
288,188	421,615	307,482	23,824	-	-
-	-	-	-	-	-
6,593	8,115	-	-	-	-
-	-	-	-	-	392,940
-	-	-	-	-	-
-	-	-	-	-	-
358	17,687	2,852	-	10,000	-
<u>\$ 295,139</u>	<u>\$ 447,417</u>	<u>\$ 310,334</u>	<u>\$ 23,824</u>	<u>\$ 10,000</u>	<u>\$ 392,940</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
67,377	168,596	26,868	14	231,318	944,052
-	-	-	-	-	-
-	167,925	30,122	-	-	-
<u>\$ 67,377</u>	<u>\$ 336,521</u>	<u>\$ 56,990</u>	<u>\$ 14</u>	<u>\$ 231,318</u>	<u>\$ 944,052</u>
<u>\$ 227,762</u>	<u>\$ 110,896</u>	<u>\$ 253,344</u>	<u>\$ 23,810</u>	<u>\$ (221,318)</u>	<u>\$ (551,112)</u>
\$ 55,392	\$ -	\$ -	\$ -	\$ -	\$ -
(139,148)	(162,943)	(311,066)	-	-	-
-	-	-	-	136,000	-
-	-	-	-	95,684	-
-	-	-	-	-	-
<u>(105,147)</u>	<u>-</u>	<u>-</u>	<u>(18,528)</u>	<u>-</u>	<u>-</u>
<u>\$(188,903)</u>	<u>\$(162,943)</u>	<u>\$(311,066)</u>	<u>\$ (18,528)</u>	<u>\$ 231,684</u>	<u>\$ -</u>
\$ 38,859	\$ (52,047)	\$ (57,722)	\$ 5,282	\$ 10,366	\$(551,112)
45,133	421,519	75,653	5,576	-	964,763
<u>\$ 83,992</u>	<u>\$ 369,472</u>	<u>\$ 17,931</u>	<u>\$ 10,858</u>	<u>\$ 10,366</u>	<u>\$ 413,651</u>
\$ 83,992	\$ 369,472	\$ 17,931	\$ 10,858	\$ 10,366	\$ 413,651
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 83,992</u>	<u>\$ 369,472</u>	<u>\$ 17,931</u>	<u>\$ 10,858</u>	<u>\$ 10,366</u>	<u>\$ 413,651</u>

**CITY OF CHARLES CITY, IOWA**  
**Statement of Cash Receipts, Disbursements and**  
**Changes in Cash Balances - Nonmajor Governmental Funds**  
**As of and for the Year Ended June 30, 2004**

	<u>SPECIAL REVENUE</u>		<u>CAPITAL</u>
	<u>Other Special Revenue</u>	<u>Total</u>	<u>Charles City Cedar Mall Project</u>
<b>RECEIPTS:</b>			
Property tax	\$ 399,992	\$ 399,992	\$ -
TIF revenues	-	1,041,109	-
Other City tax	76,332	591,635	-
Use of money and property	7,875	30,769	-
Intergovernmental	1,183,878	3,138,453	-
Charges for service	18,997	18,997	-
Special assessments	-	-	-
Miscellaneous	159,540	217,695	189,463
Total receipts	<u>\$1,846,614</u>	<u>\$5,438,650</u>	<u>\$ 189,463</u>
<b>DISBURSEMENTS:</b>			
Public safety	\$ 146,264	\$ 146,264	\$ -
Public works	72,714	423,375	-
Health and social services	450,538	450,538	-
Culture and recreation	35,157	35,157	-
Community and economic development	861,602	2,384,029	-
General government	-	78,156	-
Capital projects	-	1,886,380	907,727
Total disbursements	<u>\$1,566,275</u>	<u>\$5,403,899</u>	<u>\$ 907,727</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 280,339</u>	<u>\$ 34,751</u>	<u>\$ (718,264)</u>
Other financing sources (uses):			
Operating transfers in	\$ 27,495	\$ 82,887	\$ -
Operating transfers out	(446,219)	(1,202,096)	-
Bond proceeds	-	136,000	-
Loan proceeds	-	95,684	-
Interfund loan repayment receipts	127,326	127,326	-
Interfund loan repayments	-	(123,675)	-
Total other financing sources uses	<u>\$ (291,398)</u>	<u>\$ (883,874)</u>	<u>\$ -</u>
Net change in cash balances	\$ (11,059)	\$ (849,123)	\$ (718,264)
Cash balances beginning of year (as restated)	<u>574,335</u>	<u>3,284,469</u>	<u>843,591</u>
<b>Cash balances end of year</b>	<b><u>\$ 563,276</u></b>	<b><u>\$2,435,346</u></b>	<b><u>\$ 125,327</u></b>
<b>CASH BASIS FUND BALANCES:</b>			
Unreserved:			
Special revenue funds	\$ 563,276	\$2,435,346	\$ -
Capital projects funds	-	-	125,327
Permanent funds	-	-	-
Total cash basis fund balances	<u>\$ 563,276</u>	<u>\$2,435,346</u>	<u>\$ 125,327</u>

*See Accompanying Independent Auditor's Report.*

SCHEDULE 1  
(continued)

PROJECTS		PERMANENT			
Other Capital Projects	Total	Zastrow Library Trust	Marth Library Trust	Total	Total
\$ 12,833	\$ 12,833	\$ -	\$ -	\$ -	\$ 412,825
-	-	-	-	-	1,041,109
-	-	-	-	-	591,635
2,397	2,397	4,009	581	4,590	37,756
113,578	113,578	-	-	-	3,252,031
-	-	-	-	-	18,997
2,537	2,537	-	-	-	2,537
88,091	277,554	-	-	-	495,249
<u>\$ 219,436</u>	<u>\$ 408,899</u>	<u>\$ 4,009</u>	<u>\$ 581</u>	<u>\$ 4,590</u>	<u>\$ 5,852,139</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 146,264
-	-	-	-	-	423,375
-	-	-	-	-	450,538
-	-	5,560	303	5,863	41,020
-	-	-	-	-	2,384,029
-	-	-	-	-	78,156
211,733	1,119,460	-	-	-	3,005,840
<u>\$ 211,733</u>	<u>\$1,119,460</u>	<u>\$ 5,560</u>	<u>\$ 303</u>	<u>\$ 5,863</u>	<u>\$ 6,529,222</u>
\$ 7,703	\$ (710,561)	\$ (1,551)	\$ 278	\$ (1,273)	\$ (677,083)
\$ 16,402	\$ 16,402	\$ -	\$ -	\$ -	\$ 99,289
(59,291)	(59,291)	-	-	-	(1,261,387)
-	-	-	-	-	136,000
-	-	-	-	-	95,684
9,056	9,056	-	-	-	136,382
-	-	-	-	-	(123,675)
<u>\$ (33,833)</u>	<u>\$ (33,833)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (917,707)</u>
\$ (26,130)	\$ (744,394)	\$ (1,551)	\$ 278	\$ (1,273)	\$ (1,594,790)
446,524	1,290,115	4,255	15,932	20,187	4,594,771
<u>\$ 420,394</u>	<u>\$ 545,721</u>	<u>\$ 2,704</u>	<u>\$ 16,210</u>	<u>\$ 18,914</u>	<u>\$ 2,999,981</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,435,346
420,394	545,721	-	-	-	545,721
-	-	2,704	16,210	18,914	18,914
<u>\$ 420,394</u>	<u>\$ 545,721</u>	<u>\$ 2,704</u>	<u>\$ 16,210</u>	<u>\$ 18,914</u>	<u>\$ 2,999,981</u>

CITY OF CHARLES CITY, IOWA  
Statement of Cash Receipts, Disbursements and  
Changes in Cash Balances - Nonmajor Enterprise Funds  
As of and for the Year Ended June 30, 2004

	<u>Water Pollution Control</u>	<u>Waste Collection</u>
<b>OPERATING RECEIPTS:</b>		
Intergovernmental	\$ 694	\$ -
Charges for services	837,565	273,267
Miscellaneous	760	-
Total operating receipts	<u>\$ 839,019</u>	<u>\$ 273,267</u>
<b>OPERATING DISBURSEMENTS:</b>		
Business-type activities:		
Personal services	\$ 257,944	\$ 13,735
Contractual services	207,540	239,860
Commodities	3,378	600
Capital outlay	43,401	-
Total operating disbursements	<u>\$ 512,263</u>	<u>\$ 254,195</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>\$ 326,756</u>	<u>\$ 19,072</u>
Non-operating receipts (disbursements):		
Property tax	\$ -	\$ -
Interest on investments	4,958	-
Operating transfers out	(388,577)	(20,252)
Total non-operating receipts (disbursements)	<u>\$(383,619)</u>	<u>\$(20,252)</u>
Net change in cash balance	\$ (56,863)	\$ (1,180)
Cash balances beginning of year (as restated)	<u>144,982</u>	<u>2,147</u>
<b>Cash balances end of year</b>	<b><u>\$ 88,119</u></b>	<b><u>\$ 967</u></b>
<b>CASH BASIS FUND BALANCES:</b>		
Unreserved	<u>\$ 88,119</u>	<u>\$ 967</u>

*See Accompanying Independent Auditor's Report.*

<u>Other</u>	<u>Total</u>
\$ -	\$ 694
35,912	1,146,744
1,400	2,160
<u>\$ 37,312</u>	<u>\$1,149,598</u>
\$ -	\$ 271,679
58,690	506,090
20,210	24,188
-	43,401
<u>\$ 78,900</u>	<u>\$ 845,358</u>
<u>\$ (41,588)</u>	<u>\$ 304,240</u>
\$ 65,676	\$ 65,676
-	-
-	(408,829)
<u>\$ 65,676</u>	<u>\$ (338,195)</u>
\$ 24,088	\$ (33,955)
<u>68,195</u>	<u>215,324</u>
<u><b>\$ 92,283</b></u>	<u><b>\$ 181,369</b></u>
<u><b>\$ 92,283</b></u>	<u><b>\$ 181,369</b></u>

CITY OF CHARLES CITY, IOWA  
Statement of Cash Receipts, Disbursements and  
Changes in Cash Balances - Internal Service Funds  
As of and for the Year Ended June 30, 2004

	<u>Health Insurance</u>	<u>Police Dispatch</u>
<b>OPERATING RECEIPTS:</b>		
Charges for services	\$531,349	\$ 9,170
Miscellaneous	<u>250,382</u>	<u>191,814</u>
Total operating receipts	<u>\$781,731</u>	<u>\$200,984</u>
<b>OPERATING DISBURSEMENTS:</b>		
Governmental activities:		
Public safety	\$ -	\$242,818
Nonprogram	<u>804,739</u>	<u>-</u>
Total operating disbursements	<u>\$804,739</u>	<u>\$242,818</u>
Excess (deficiency of operating receipts over (under) operating disbursements	\$(23,008)	\$(41,834)
Non-operating receipts:		
Interest on investments	<u>367</u>	<u>-</u>
Net change in cash balance	\$(22,641)	\$(41,834)
Cash balances beginning of year (as restated)	<u>22,176</u>	<u>61,864</u>
<b>Cash balances end of year</b>	<b><u>\$ (465)</u></b>	<b><u>\$ 20,030</u></b>
<b>CASH BASIS FUND BALANCES:</b>		
Unreserved	<u>\$ (465)</u>	<u>\$ 20,030</u>

*See Accompanying Independent Auditor's Report.*

<u>Multi-Purpose Emergency Response Vehicle</u>	<u>Total</u>
\$ -	\$ 540,519
30	442,226
<u>\$ 30</u>	<u>\$ 982,745</u>
\$ 3,239	\$ 246,057
-	804,739
<u>\$ 3,239</u>	<u>\$1,050,796</u>
\$ (3,209)	\$ (68,051)
-	367
\$ (3,209)	\$ (67,684)
3,711	87,751
<u>\$ 502</u>	<u>\$ 20,067</u>
<u>\$ 502</u>	<u>\$ 20,067</u>

**CITY OF CHARLES CITY, IOWA**  
**Schedule of Indebtedness**  
**Year Ended June 30, 2003**

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds:			
Corporate Purpose	12-01-93	3.10 - 4.40%	\$2,025,000
Corporate Purpose	6-01-97	4.00 - 5.30	1,905,000
Corporate Purpose	6-01-97	4.60 - 5.15	585,000
Essential Corporate Purpose	9-01-99	4.30 - 5.20	1,550,000
Water Utility	9-01-00	4.70 - 5.50	1,180,000
Corporate Purpose	4-01-02	2.50 - 5.20	1,410,000
Corporate Purpose	2-13-03	1.40 - 4.20	980,000
Corporate Purpose	2-18-03	2.00 - 4.50	139,000
Refunding	7-01-03	1.35 - 3.25	1,235,000
General Obligation Note:			
Refunding	6-01-04	1.50 - 3.22%	\$ 359,000
Corporate Purpose	6-29-01	6.47	40,000
Corporate Purpose	5-29-03	4.00	260,000
Revenue Bonds:			
Urban Renewal	2-13-03	1.75 - 4.75%	\$ 585,000
Water Utility	3-13-03	2.00 - 4.90	1,400,000
Sewer Utility	7-01-03	3.00	3,000,000
Urban Renewal	12-23-03	4.00	136,000
Revenue Note:			
Road Use Tax	6-24-99	4.30 - 5.50%	\$ 520,000
Revenue Bond Anticipation Note:			
Urban Renewal	10-20-03	2.00%	\$ 95,684
Capital Loan Note:			
Siren Note	9-04-02	0.001%	\$ 30,000
Siren Note	12-17-02	0.001	25,024
Interfund Loan Agreements:			
Fire Retirement	4-15-96	7.00%	\$ 350,000
Police Retirement	12-07-98	7.00	76,617
Police Retirement	12-29-99	7.00	189,000
Police Retirement	6-30-00	7.00	176,784
Fire Retirement	8-22-00	7.00	36,043
Fire Retirement	10-01-01	7.00	44,000
Police Retirement	12-17-01	7.00	100,000
Fire Retirement	6-01-02	7.00	105,000
Cablevision	7-01-02	7.00	50,000
Police Retirement	7-01-02	7.00	50,000
Police Retirement	3-03-03	7.00	85,848

**Total**

*See Accompanying Independent Auditors 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>
\$ 235,000	\$ -	\$ 235,000	\$ -	\$ 10,340	\$ -
1,310,000	-	1,310,000	-	66,583	-
420,000	-	65,000	355,000	20,902	-
1,275,000	-	120,000	1,155,000	61,910	-
1,030,000	-	50,000	980,000	53,832	-
1,380,000	-	80,000	1,300,000	60,975	-
980,000	-	40,000	940,000	43,867	-
139,000	-	11,000	128,000	6,230	-
-	1,235,000	-	1,235,000	27,793	-
<u>\$ 6,769,000</u>	<u>\$1,235,000</u>	<u>\$1,911,000</u>	<u>\$ 6,093,000</u>	<u>\$ 352,432</u>	<u>\$ -</u>
\$ -	\$ 359,000	\$ -	\$ 359,000	\$ -	\$ -
29,369	-	7,690	21,679	1,807	-
260,000	-	20,000	240,000	11,267	-
<u>\$ 289,369</u>	<u>\$ 359,000</u>	<u>\$ 27,690</u>	<u>\$ 620,679</u>	<u>\$ 13,074</u>	<u>\$ -</u>
\$ 585,000	\$ -	\$ 20,000	\$ 565,000	\$ 30,300	\$ -
1,400,000	-	35,000	1,365,000	71,281	-
-	2,722,459	-	2,722,459	47,272	-
-	136,000	-	136,000	2,388	-
<u>\$ 1,985,000</u>	<u>\$2,858,459</u>	<u>\$ 55,000</u>	<u>\$ 4,788,459</u>	<u>\$ 151,241</u>	<u>\$ -</u>
<u>\$ 495,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 495,000</u>	<u>\$ 26,315</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 95,684</u>	<u>\$ -</u>	<u>\$ 95,684</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 18,341	\$ -	\$ 18,341	\$ -	\$ -	\$ -
25,024	-	25,024	-	-	-
<u>\$ 43,365</u>	<u>\$ -</u>	<u>\$ 43,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 50,000	\$ -	\$ -	\$ 50,000	\$ -	\$ -
69,269	-	7,151	62,118	4,849	-
68,997	-	20,449	48,548	4,830	-
64,536	-	19,128	45,408	4,517	-
21,722	-	5,009	16,713	1,519	-
22,971	-	11,095	11,876	1,612	-
72,917	-	13,007	59,910	5,104	-
92,350	-	13,535	78,815	6,464	-
44,156	-	5,965	38,191	3,091	-
50,000	-	2,344	47,656	6,712	-
85,848	-	-	85,848	-	-
<u>\$ 642,766</u>	<u>\$ -</u>	<u>\$ 97,683</u>	<u>\$ 545,083</u>	<u>\$ 38,698</u>	<u>\$ -</u>
<u><b>\$10,224,500</b></u>	<u><b>\$4,548,143</b></u>	<u><b>\$2,134,738</b></u>	<u><b>\$12,637,905</b></u>	<u><b>\$ 581,760</b></u>	<u><b>\$ -</b></u>

CITY OF CHARLES CITY, IOWA  
Bond and Note Maturities  
June 30, 2004

Year Ending June 30,	GENERAL					
	Corporate Purpose		Corporate Purpose		Water Utility	
	Issued June 1, 1997		Issued September 1, 1999		Issued September 1, 2000	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2005	4.85%	\$ 65,000	4.60%	\$ 130,000	4.90%	\$ 50,000
2006	4.90	65,000	4.70	135,000	4.95	55,000
2007	5.00	70,000	4.75	145,000	5.00	60,000
2008	5.10	75,000	4.85	150,000	5.05	60,000
2009	5.15	80,000	4.95	160,000	5.10	65,000
2010	-	-	5.00	160,000	5.15	65,000
2011	-	-	5.05	65,000	5.20	70,000
2012	-	-	5.10	65,000	5.25	75,000
2013	-	-	5.15	70,000	5.30	80,000
2014	-	-	5.20	75,000	5.35	80,000
2015	-	-	-	-	5.40	155,000
2016	-	-	-	-	5.50	165,000
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
<b>Total</b>		<b><u>\$355,000</u></b>		<b><u>\$1,155,000</u></b>		<b><u>\$980,000</u></b>

Year Ending June 30,	GENERAL OBLIGATION BONDS			GENERAL	
	Refunding		Total	Corporate Purpose	
	Issued July 1, 2003			Issued June 29, 2001	
	Interest			Interest	
	Rate	Amount		Rate	Amount
2005	1.35%	\$ 145,000	\$ 532,000	6.47%	\$ 8,227
2006	1.80	145,000	548,000	6.47	8,772
2007	2.10	145,000	573,000	6.47	4,680
2008	2.40	155,000	604,000	-	-
2009	2.60	155,000	624,000	-	-
2010	2.80	160,000	550,000	-	-
2011	3.10	165,000	475,000	-	-
2012	3.25	165,000	491,000	-	-
2013	-	-	346,000	-	-
2014	-	-	335,000	-	-
2015	-	-	345,000	-	-
2016	-	-	370,000	-	-
2017	-	-	210,000	-	-
2018	-	-	90,000	-	-
<b>Total</b>		<b><u>\$1,235,000</u></b>	<b><u>\$6,093,000</u></b>		<b><u>\$21,679</u></b>

(continued)

<b>OBLIGATION BONDS</b>					
<u>Corporate Purpose</u>		<u>Corporate Purpose</u>		<u>Corporate Purpose</u>	
<u>Issued April 1, 2002</u>		<u>Issued February 13, 2003</u>		<u>Issued February 18, 2003</u>	
Interest		Interest		Interest	
<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
3.30%	\$ 80,000	1.40%	\$ 50,000	2.25%	\$ 12,000
3.60	80,000	2.20	55,000	2.75	13,000
3.80	85,000	2.20	55,000	3.00	13,000
3.95	90,000	2.85	60,000	3.25	14,000
4.20	90,000	2.85	60,000	3.50	14,000
4.40	90,000	3.40	60,000	4.00	15,000
4.50	95,000	3.40	65,000	4.25	15,000
4.70	100,000	3.75	70,000	4.40	16,000
4.80	110,000	3.75	70,000	4.50	16,000
4.90	110,000	4.00	70,000		-
5.00	115,000	4.00	75,000		-
5.10	125,000	4.20	80,000		-
5.20	130,000	4.20	80,000		-
	-	4.20	90,000		-
	<u>\$1,300,000</u>		<u>\$940,000</u>		<u>\$128,000</u>

<b>OBLIGATION NOTES</b>					
<u>Corporate Purpose</u>		<u>Refunding</u>			
<u>Issued May 29, 2003</u>		<u>Issued June 1, 2004</u>			
Interest		Interest			
<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Total</u>	
4.00%	\$ 20,000	1.50%	\$ 70,000	\$ 98,227	
4.00	20,000	2.00	67,000	95,772	
4.00	20,000	2.50	71,000	95,680	
4.00	20,000	2.85	74,000	94,000	
4.00	20,000	3.22	77,000	97,000	
4.00	20,000		-	20,000	
4.00	20,000		-	20,000	
4.00	20,000		-	20,000	
4.00	20,000		-	20,000	
4.00	20,000		-	20,000	
4.00	20,000		-	20,000	
4.00	20,000		-	20,000	
4.00	20,000		-	20,000	
	-		-	-	
	-		-	-	
	<u>\$240,000</u>		<u>\$359,000</u>	<u>\$620,679</u>	

CITY OF CHARLES CITY, IOWA  
Bond and Note Maturities  
June 30, 2004

Year Ending June 30,	REVENUE					
	Urban Renewal		Water Utility		Sewer Utility	
	Issued February 13, 2003		Issued March 13, 2003		Issued July 1, 2003	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2005	1.75%	\$ 30,000	2.00%	\$ 50,000	3.00%	\$ 112,000
2006	2.75	30,000	2.25	50,000	3.00	115,000
2007	2.75	35,000	3.00	50,000	3.00	118,000
2008	3.40	35,000	3.00	55,000	3.00	122,000
2009	3.40	35,000	3.50	55,000	3.00	126,000
2010	4.00	35,000	4.00	60,000	3.00	129,000
2011	4.00	40,000	4.00	60,000	3.00	133,000
2012	4.20	40,000	4.00	65,000	3.00	137,000
2013	4.20	40,000	4.00	65,000	3.00	141,000
2014	4.40	45,000	4.10	70,000	3.00	146,000
2015	4.40	45,000	4.20	70,000	3.00	150,000
2016	4.75	50,000	4.30	75,000	3.00	155,000
2017	4.75	50,000	4.40	80,000	3.00	159,000
2018	4.75	55,000	4.50	85,000	3.00	164,000
2019		-	4.60	85,000	3.00	169,000
2020		-	4.70	90,000	3.00	174,000
2021		-	4.80	95,000	3.00	179,000
2022		-	4.90	100,000	3.00	185,000
2023		-	4.90	105,000	3.00	108,459
<b>Total</b>		<b><u>\$565,000</u></b>		<b><u>\$1,365,000</u></b>		<b><u>\$2,722,459</u></b>

Year Ending June 30,	REVENUE NOTE		REVENUE ANTICIPATION NOTE	
	Road Use Tax		Urban Renewal	
	Issued June 24, 1999		Issued October 20, 2003	
	Interest		Interest	
	Rate	Amount	Rate	Amount
2005	4.80%	\$ 15,000		\$ -
2006	3.00	10,000	2.00%	95,684
2007	3.00	25,000		-
2008	3.00	35,000		-
2009	3.00	50,000		-
2010	3.00	55,000		-
2011	3.00	70,000		-
2012	3.00	75,000		-
2013	3.00	80,000		-
2014	3.00	80,000		-
<b>Total</b>		<b><u>\$495,000</u></b>		<b><u>\$95,684</u></b>

See Accompanying Independent Auditor's Report.

<u>BONDS</u>		
<u>Urban Renewal</u>		
<u>Issued December 23, 2003</u>		
<u>Interest</u>		
<u>Rates</u>	<u>Amount</u>	<u>Total</u>
	\$ -	\$ 192,000
	-	195,000
4.00%	7,400	210,400
4.00	7,700	219,700
4.00	8,100	224,100
4.00	8,300	232,300
4.00	8,700	241,700
4.00	9,100	251,100
4.00	9,400	255,400
4.00	9,700	270,700
4.00	10,100	275,100
4.00	10,500	290,500
4.00	11,100	300,100
4.00	11,500	315,500
4.00	11,900	265,900
4.00	12,500	276,500
	-	274,000
	-	285,000
	-	213,459
	<u>\$136,000</u>	<u>\$4,788,459</u>

CITY OF CHARLES CITY, IOWA  
 Schedule of Receipts by Source and Disbursements by Function -  
 All Governmental Funds  
 For the Last Two Years

	<u>2004</u>	<u>2003</u>
<b>RECEIPTS:</b>		
Property tax	\$ 1,957,012	\$ 2,130,014
Tax increment financing collections	1,041,109	890,431
Other City tax	683,241	549,348
Licenses and permits	83,065	72,511
Use of money and property	504,074	494,507
Intergovernmental	3,544,646	4,873,982
Charges for service	191,815	324,974
Special assessments	2,537	1,207
Miscellaneous	<u>779,523</u>	<u>716,221</u>
<b>Total</b>	<b><u>\$ 8,787,022</u></b>	<b><u>\$10,053,195</u></b>
<b>DISBURSEMENTS:</b>		
Operating:		
Public safety	\$ 1,365,921	\$ 1,449,034
Public works	643,890	772,068
Health and social services	464,085	452,611
Culture and recreation	693,883	717,289
Community and economic development	2,877,316	3,243,570
General government	735,954	726,357
Debt service	1,429,633	1,678,740
Capital projects	<u>3,120,287</u>	<u>2,864,021</u>
<b>Total</b>	<b><u>\$11,330,969</u></b>	<b><u>\$11,903,690</u></b>

*See Accompanying Independent Auditor's Report.*

CITY OF CHARLES CITY, IOWA  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2004

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Program Expenditures</u>
<b>Federal Awards</b>			
<b>Direct:</b>			
<b>Department of Housing and Urban Development:</b>			
Section 8 Housing Choice Vouchers	14.871	KC-9079V	\$ 545,730
Congregate Housing Services Program:			
North Cedar Terrace	14.170	IA05-G940-004	18,784
South Cedar Terrace	14.170	IA05-G940-006	45,051
Public Housing Capital Fund:			
Fiscal Year 2001	14.872	IA05POO250101	56,337
Fiscal Year 2002	14.872	IA05POO250102	154,792
Fiscal Year 2003	14.872	IA05P00250103	22,337
Fiscal Year 2004	14.872	IA05P00250203	-
Public and Indian Housing	14.850	IA00200104J	73,480
Total			<u>\$ 916,511</u>
<b>Department of Transportation:</b>			
Airport Improvement Program	20.106	3-19-0015-04-2004	\$ 59,155
Airport Improvement Program	20.106	3-19-0015-04-2003	15,210
Total			<u>\$ 74,365</u>
<b>Department of Justice:</b>			
Bulletproof Vest Partnership Program:			
2002	16.607	Charles City, IA	\$ 604
2003	16.607	Charles City, IA	-
2004	16.607	Charles City, IA	-
Total			<u>\$ 604</u>
<b>Federal Emergency Management Agency:</b>			
Assistance to Firefighters	83.544	EMW-2003-FG-03728	\$ 60,825
Cooperating Technical Partners	83.555	EMK-2001-CA-022	-
Total			<u>\$ 60,825</u>
<b>Corporation for National and Community Service:</b>			
Foster Grandparent Program	94.011	01SFNIA003	\$ 293,466
Total direct			<u>\$1,345,771</u>
<b>Indirect:</b>			
<b>Department of Housing and Urban Development:</b>			
Iowa Department of Economic Development:			
Community Development Block Grants/ State's Program:			
2003 Winnebago PFSA	14.228	02-PF-002	\$ 175,662
2003 Winnebago EDSA	14.228	02-ED-003	-
Housing Rehabilitation	14.228	01-HSG-052	72,619
2003 CDI, LLC EDSA	14.228	03-ED-006	-
Total			<u>\$ 248,281</u>
<b>Department of Justice:</b>			
Governor's Alliance on Substance Abuse:			
Local Law Enforcement Block Grant	16.592	01LE-0130	\$ 3,114
Local Law Enforcement Block Grant	16.592	03LE-0124	9,064
Total			<u>\$ 12,178</u>

(continued)

CITY OF CHARLES CITY, IOWA  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2004

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Program Expenditures</u>
<b>Federal Awards</b>			
<b>Indirect:</b>			
<b>Department of Labor:</b>			
Elderbridge Agency on Aging: Senior Community Service Employment Program	17.235		\$ <u>5,194</u>
<b>Department of Transportation:</b>			
Governor's Traffic Safety Bureau: State Incentive Grants for Use of Seat Belts	20.604	04-157, Task 25	\$ <u>3,500</u>
<b>Environmental Protection Agency:</b>			
Iowa Department of Natural Resources: Capitalization Grants for State Revolving Funds	66.458	SRF CS 192221 01	\$ <u>2,268,625</u>
<b>Federal Emergency Management Agency:</b>			
Iowa Department of Public Defense:			
Iowa Emergency Management Division:			
Hazard Mitigation Grant Programs:			
City of Charles City Housing Flood Buyouts	83.548	1282-0005	\$ 747
1999 Housing Flood Buyouts	97.039	12774N-0014	2,083
Public Assistance Grants:			
Predisaster Mitigation	83.557	PDM-2002-0006	-
			\$ <u>2,830</u>
Total indirect			\$ <u>2,540,608</u>
Total expenditures of federal awards			\$ <u>3,886,379</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Charles City and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

*See accompanying independent auditor's report.*



Certified Public Accountant  
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Charles City, Iowa 50616-2036

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

To the Mayor and Council  
City of Charles City, Iowa:

I have audited the financial statements of the City of Charles City, Iowa as of and for the year ended June 30, 2004, and have issued my report thereon dated October 13, 2004. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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 Charles City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance that are described in Part V of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City of Charles 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 of Charles 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 been resolved except for items V-H-03, V-I-03, V-J-03 which have been repeated in Part V of the Schedule of Findings and Questioned Costs.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Charles City'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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be a material weakness.

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

*Douglas E. Kronlage*

October 13, 2004



Certified Public Accountant  
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Charles City, Iowa 50616-2036

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE**

To the Mayor and Council  
City of Charles City, Iowa:

Compliance

I have audited the compliance of the City of Charles City, Iowa with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2004. The City of Charles City's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Charles City's management. My responsibility is to express an opinion on the City of Charles City's compliance based on my audit.

I conducted my audit of compliance 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 and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Charles City's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the City of Charles City's compliance with those requirements.

As described in items III-A-04, III-B-04 and III-C-04 in the accompanying schedule of findings and questioned costs, the City of Charles City did not comply with requirements regarding the Davis-Bacon Act that are applicable to its Housing Capital Fund. Compliance with such requirements is necessary, in our opinion, for the City of Charles City to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Charles City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items III-D-04, III-E-04 and III-F-04.

## Internal Control Over Compliance

The management of the City of Charles City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the City of Charles City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

I noted a certain matter involving the internal control over compliance and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect the City of Charles City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in Part III of the accompanying Schedule of Findings and Questioned Costs.

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 non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance 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, I believe the reportable conditions described above, which are items III-A-04, III-B-04 and III-C-04, are material weaknesses.

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 Charles City and other parties to whom the City of Charles City may report, including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Douglas E. Kronlage*

October 13, 2004

CITY OF CHARLES CITY, IOWA  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2004

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A reportable condition in internal control over major programs was disclosed by the audit of the financial statements, which was also a material weakness.
- (e) A qualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Programs tested as major programs were as follows:
  - CFDA Number 14.872 - Public Housing Capital Fund Program
  - CFDA Number 66.458 - Capitalization Grants for State Revolving Funds
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City qualified as a low-risk auditee.

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

**INSTANCES OF NONCOMPLIANCE:**

There were no prior year or current year instances of noncompliance identified.

**REPORTABLE CONDITION:**

There were no prior year or current year reportable conditions.

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NONCOMPLIANCE:**

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

**Public Housing Capital Fund Program - CFDA 14.872**

**Fiscal Year 2001**

**Fiscal Year 2003**

- III-A-04 Davis-Bacon Act Requirements not Included in Contract Documents - The bid and contract documents for the Cedar Terrace North Community Room Roof Replacement did not include a Department of Labor wage determination nor any requirements for compliance with Davis-Bacon Act.

CITY OF CHARLES CITY, IOWA  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2004

**Part III: Findings and Questioned Costs for Federal Awards:** (continued)

**INSTANCES OF NONCOMPLIANCE:**

Criteria - Construction contracts in excess of \$2,000 using federal funds are required to comply with the Davis-Bacon Act unless specifically exempted.

Effect - The contractor may not have complied with minimum wage requirements of the Davis-Bacon Act. Monitoring of contractor payroll by the City was not done. All costs of this contractor incurred during the year are questioned. \$56,337

Cause - Failure of all individuals involved in the preparation of documents and management of the project to understand the Davis-Bacon requirements.

Recommendation - The City should ensure that all individuals with responsibility for construction contract preparation, oversight and monitoring are knowledgeable of the Davis-Bacon Act requirements. The project manager should request technical assistance from HUD if there are any questions as to applicability.

Response - We were unable to include Davis-Bacon information in the contract as it has already been completed. However, we obtained a Department of Labor (DOL) wage determination for this job from the Department of Housing and Urban Development (HUD) for the appropriate time period and wage classifications. We obtained a certification of the payroll for this project from the contractor. The wages paid are above the amounts shown in the DOL wage determination. We were unable to interview employees due to the length of time since the work was completed.

Conclusion - Auditee has complied with the intent of the requirements of the Davis-Bacon Act, except for performing interviews of the contractor's employees. Response accepted.

III-B-04

Davis-Bacon Act Monitoring Requirements were not Done - The bid and contract documents for the 2003 Building Improvements, Morningside Apartments Kitchen Modernization Project included a Department of Labor wage determination and the standard HUD wording notifying the contractor that this project was subject to the Davis-Bacon Act. The City did not monitor compliance with Davis-Bacon in that they did not interview contractor employees for appropriate pay levels.

Criteria - Construction contracts in excess of \$2,000 using federal funds are required to comply with the Davis-Bacon Act including the requirement of on-site monitoring of contractor employee pay rates.

Effect - Monitoring of the contractor payroll by the City was not done. All costs of this contractor incurred during the year are questioned. \$22,337

Cause - Failure on the part of the project manager to inform the Engineering Department of the need to perform on-site monitoring or to perform the monitoring herself.

CITY OF CHARLES CITY, IOWA  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2004

**Part III: Findings and Questioned Costs for Federal Awards:** (continued)

**INSTANCES OF NONCOMPLIANCE:**

Recommendation - The City should devise a system to ensure that there is communication between the project manager and the engineering department to insure that the appropriate monitoring is done prior to payment of the contractor when the Davis-Bacon Act applies to a contract.

Response - We were unable to perform an on-site interview of the employees as the project was already completed.

Conclusion - Auditee has complied with the requirements of the Davis-Bacon Act, except for performing interviews of the contract's employee. Response accepted.

III-C-04

Davis Bacon Act Requirement not Included in Contract Documents - The bid and contract documents for the 2003 Morningside Apartments Drainage Improvements project did not include a Department of Labor wage determination nor any requirements for compliance with the Davis-Bacon Act.

Criteria - Construction contracts in excess of \$2,000 using federal funds are required to comply with the Davis-Bacon Act unless specifically exempted.

Effect - The contractor may not have complied with the minimum wage requirements of the Davis-Bacon Act. Monitoring of the contractor's payroll by the City would not be done. All costs of this contractor paid during the year are questioned. \$49,472

Cause - Failure of the project manager to understand the Davis-Bacon Act requirements and communicate them to the engineering firm preparing the bid and contract documents.

Recommendation - The City should ensure that the project manager has sufficient knowledge of the Davis-Bacon Act requirements to determine when it is required and how to implement it. This knowledge may be obtained through attendance at formal training sessions or reading of technical information or by inquiry of knowledgeable HUD employees.

Response - We were unable to include Davis-Bacon information in the contract as it had already been let when it was discovered, we were not in compliance. However, we have obtained a DOL wage determination for this project from HUD for the appropriate time period and job classifications. We have obtained a certification of the payroll for this project from the contract. The wages paid are not above the amounts shown in the DOL wage determination. We are presently in the process of determining the individuals and amounts underpaid. We intend to issue additional checks to the contractor in order to comply with the HUD wage determination. We will obtain certification from the contractor that the additional amounts were paid to the contractor's employees. We were unable to conduct an on-site interview of the employees as the contract was already completed when we were notified of the deficiency.

CITY OF CHARLES CITY, IOWA  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2004

**Part III: Findings and Questioned Costs for Federal Awards:** (continued)

**INSTANCES OF NONCOMPLIANCE:**

Conclusion - Auditee has not complied with the intent of the requirements of the Davis-Bacon Act.

**COMMUNITY DEVELOPMENT BLOCK GRANT - CFDA 14.228  
Public Facilities Set Aside 02-PF-002**

III-D-04      Grant Drawdowns Were in Excess of Allowable Amounts - The City drew \$210,374.43 more than the amount allowed by the grant agreement.

Criteria - The grant agreement specifies a state matching percentage of 27.716% of eligible costs as the costs are incurred. The City drew the funds as though there was a 100% match of eligible costs.

Effect - The City has received excess reimbursement equal to \$210,374.43 and has no additional eligible expenses as of June 30, 2004.

Cause - Project manager and city administrator were not knowledgeable of the matching requirements included in the grant.

Recommendation - All City staff members responsible for the administration or oversight of a grant should be familiar with the requirements for matching included in a grant. The City may want to consider a standardized "highlights" sheet to be maintained for each grant. The "highlights" sheet would contain such items as the grant name, CFDA number, grantor contact information (name, address, phone number and e-mail address), grant beginning and ending dates, grant amount, matching requirements, report dates and additional information deemed important. A copy of the "highlights" sheet could be kept in the grant file and one copy in a centralized location.

In addition, the City should contact the grantor and investigate the possibilities of amending the original contract to include additional work items to bring the City's contribution into compliance with the original grant agreement. If additional costs are not available or allowable for an amended contract, the City should request instructions for the repayment of the \$210,374.43 to the Iowa Department of Economic Development.

Response - City staff visited with IDED staff regarding this matter. The intent of the original CDBG commitment of \$500,000 was part of the State of Iowa's financial commitment to the Winnebago Expansion in Charles City. This funding amount was part of the original budget for expenses for construction of the new water tower to serve the Winnebago facility. Project costs came in lower than estimated in the original budget. Staff should have submitted a revised budget for the project to IDED. Staff has reviewed this matter with IDED and submitted a budget amendment for their approval that includes the revised project amounts. Since the City has matched grant CDBG funds, the City will not have to return any funds to IDED.

Conclusion - Response accepted.

CITY OF CHARLES CITY, IOWA  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2004

**Part III: Findings and Questioned Costs for Federal Awards:** (continued)

**INSTANCES OF NONCOMPLIANCE:**

**CORPORATION FOR NATIONAL AND COMMUNITY SERVICE  
Foster Grandparent Program - CFDA 94.011**

III-E-04     Income not Correctly Documented - The annual income certification for one individual showed net income after medical deduction in excess of the amount allowed for participation as a paid foster grandparent. Per the local program director, the individual qualified because the farm rental income shown on the certification had not been reduced by the related expenses. This information was not available in the file.

Criteria - Individuals are eligible for a stipend if they meet specific income guidelines. Individuals must certify their income on an annual basis.

Effect - The file did not contain sufficient information to determine that the individual qualified for a stipend. Therefore, none of the stipends paid to this individual would be allowed as a grant eligible cost of the program.

Cause - The local program director did not document in the file additional information that she was aware of, thereby causing the foster grandparent to appear to have exceeded the income guidelines.

Recommendation - The program director should document in the file all information necessary to determine that an individual meets the income guidelines.

Response - A new income sheet has been created to insure accurate reporting of participant income. A comment section has been added to document specific income areas.

Conclusion - Response accepted.

**DEPARTMENT OF TRANSPORTATION  
Airport Improvement Program - CFDA 20.106  
Grant 3-19-0015-04-2003**

III-F-04     Grant Drawdowns Were in Excess of Allowable Amounts - The City drew \$890 more than the allowable amount for the grant.

Criteria - The grant agreement specifies a federal reimbursement of 90% of eligible project costs. The city requested and received reimbursement at a 95% rate.

Effect - The City has received excess reimbursement equal to 5% of eligible costs.

Cause - Error on the part of the project manager in determining the correct reimbursement rate.

Recommendation - The City needs to insure that the correct reimbursement rate is used when requesting reimbursement of eligible expenses. The City should reimburse the grantor for the overage as the project is completed.

CITY OF CHARLES CITY, IOWA  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2004

**Part III: Findings and Questioned Costs for Federal Awards:** (continued)

**INSTANCES OF NONCOMPLIANCE:**

Response - Discussions with the engineers indicate that not all costs were included in the early request for reimbursement. Future reimbursements will be at the 90% rate in addition to an adjustment being made in a future draw to correct the total amount reimbursed to the City equaling 90%.

Conclusion - Response accepted.

**Part IV - Summary Schedule of Prior Audit Findings:**

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:**

**Finding III-A-03: Housing Choice Voucher Program**

Condition - The City had errors in the computation of tenant income, rent reasonableness documentation was not included in files and utility information was inconsistent within the tenant files.

Recommendation - The City should modify its procedures to include more training of the technicians and more oversight by the director

Current Status - No errors were found in the tenant files tested in the current year.

**Finding III-B-03: Public Housing Capital Fund Program**

Condition - The City did not include Davis-Bacon requirements in the bid and contract documents for the Cedar Terrace North Community Room Roof Replacement project nor include a Department of Labor (DOL) wage determination.

Recommendation - The City should ensure that all individuals with responsibility for the construction contract preparation, oversight and monitoring are knowledgeable of the Davis-Bacon requirements.

Current Status - A DOL wage determination was obtained for the project. Certified payroll reports were obtained from the contractor showing wage rates equal to or higher than the wage determination rates. Employee monitoring interviews were not done as the project was completed prior to discovery of the findings.

**Finding III-C-03: Public Housing Capital Fund Program**

Condition - The City did not obtain certified payroll reports nor conduct contractor employee interviews in accordance with Davis-Bacon requirements for the 2003 Building Improvements, Morningside Apartments Kitchen Modernization Project.

Recommendation - The City should ensure that there is communication between the project manager and the individuals responsible for doing the Davis-Bacon monitoring.

Current Status - Certified payroll reports were obtained from the contractor showing wage rates equal to or higher than the wage determination rates. Employee monitoring interviews were not done as the project was completed prior to discovery of the findings.

**CITY OF CHARLES CITY, IOWA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2004**

**Part IV - Summary Schedule of Prior Audit Findings:** (continued)

**Finding III-D-03: Public Housing Capital Fund Program**

Condition - The City did not include Davis-Bacon requirements in the bid and contract documents for the 2003 Morningside Apartments Drainage Improvements project nor include a Department of Labor (DOL) wage determination.

Recommendation - The City should ensure that all individuals with responsibility for the construction contract preparation, oversight and monitoring are knowledgeable of the Davis-Bacon requirements.

Current Status - A DOL wage determination was obtained for the project. Certified payroll reports were obtained from the contractor showing wage rates not equal to or higher than the wage determination rates. Employee monitoring interviews were not done as the project was completed prior to discovery of the findings. See current year item III-C-04.

**CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:**

**Finding III-E-03: Foster Grandparent Program**

Condition - The annual income certification for two individuals tested showed net income after medical expenses in excess of the amount allowed for participation in the program. There was no documentation in the individual's files to show that they met the requirements in a prior year and therefore would be eligible to participate in the current year.

Recommendation - The City should maintain sufficient years of income determination worksheets in the individual files to show that an individual qualifies to participate in the program.

Current Status - Ten individual files were tested in the current year and all files contained sufficient information to determine qualifications for the program.

**Finding III-F-03: Foster Grandparent Program**

Condition - Information necessary to determine that an individual qualified for participation in the program was not included on the income certification worksheet or elsewhere in the file.

Recommendation - The program director should document in the file all information necessary to determine that an individual meets the income guidelines.

Current Status - We discovered one such item during the current year testing. See Item III-E-04. A new, expanded income form has been incorporated into the income determination process for the next fiscal year. Current year income certifications had been completed using the old form prior to discovery of the problem.

**CITY OF CHARLES CITY, IOWA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2004**

**Part V - Other Findings Related to Required Statutory Reporting:**

V-A-04      Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were exceeded during the year ended June 30, 2004.

Recommendation - The City should monitor bank balances and approve a new resolution to comply with Chapter 12C.2 of the Code of Iowa.

Response - Since the City went out for bids for the banking business and changed banks, a new resolution had not been adopted. Resolution No. 84-04 was adopted on August 2, 2004 to correct this oversight.

Conclusion - Response accepted.

V-B-04      Certified Budget - Disbursements during the year ended June 30, 2004 exceeded the amended budget in Public Works, Community and Economic Development, General Government and Debt Service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The City should monitor disbursements and amend the budget in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The City makes every effort to comply with the provisions of Chapter 384.20 of the Code of Iowa. With GASB 34 conversion from four program areas to nine programs, Debt Service and Capital Projects expenditures were further allocated to not only Debt Service and Capital Projects, but also Debt Service - Enterprise and Capital Projects - Enterprise categories under Business Type Activities Section. Further calculations of the allocations would determine the exact comparison between budget and actual expenditures.

Conclusion - Response accepted.

V-C-04      Questionable Expenditures - I noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

V-D-04      Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted. No travel advances to City officials or employees were noted.

V-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>
Ed Hobert, Volunteer Fireman, Owner of Hobert Electric	Traffic signal repairs and supplies	\$1,159
Jerry Joerger, Council Member, Owner of Yeg's Sports	Door signs and supplies	1,461

**CITY OF CHARLES CITY, IOWA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2004**

**Part V - Other Findings Related to Required Statutory Reporting:** (continued)

Virginia Titus, Payroll-A/P Clerk, Owner of J & V Signs	Clothing and signs	360
Dennis Sanvig, Council Member Owner of Sanvig Enterprises	Housing assistance payments	5,880
Bryan Quade, Street Employee Spouse of Bridgette Quade	Housing assistance payments	3,271

In accordance with Chapter 362.5(10) of the Code of Iowa, the above transactions with Ed Hobert, Jerry Joeger and Virginia Titus do not appear to represent a conflict of interest since total transactions were less than \$1,500 per individual during the fiscal year. The payments to Dennis Sanvig and Bryan Quade may represent a conflict of interest.

Recommendation - The City should consult legal counsel to determine if a conflict of interest exists.

Response - We will consult our attorney.

Conclusion - Response accepted.

V-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.

V-G-04     Deposits and Investments - Deposits and investments were in compliance with Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

V-H-04     Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not other than the approval of minutes discussed below.

Although minutes of Council proceedings were published, a significant number (three of ten tested) were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation - The City should publish minutes in the time frame required by the Code of Iowa.

Response - In reviewing the publication of Council minutes beginning with FY 2004-05 of the 14 published minutes, two were published after the 15 day timeframe of which one of the two was one day late.

Conclusion - The City should increase its efforts to publish minutes in compliance with the law. Publication of unapproved minutes is appropriate.

V-I-04     Financial Condition - As noted in Note 9 to the financial statements, the Foster Grandparent Program fund and Health Insurance fund had deficit balances at June 30, 2004.

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

CITY OF CHARLES CITY, IOWA  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2004

**Part V - Other Findings Related to Required Statutory Reporting:** (continued)

Response - The deficits are due to expenditures prior to receipt of grant funds (in the case of the Foster Grandparent program) and the health plan is funded with employer/employee contributions that are received at various times during the month.

Conclusion - Response accepted.

V-J-04

Interfund Loans - The City has various interfund loans outstanding with 7% interest per annum and various payments and terms. The City is incorrectly computing payments or not making the scheduled payments to pay back the loans with interest as originally intended per Council resolutions.

Recommendation - The City should either increase payments to pay back these loans in the approved timeframe or approve a resolution reasonably extending the loan period to pay back these loans as originally intended.

Response - The City is using a simplified calculation to repay its own financing as the loans are internal - the City is paying itself back, thereby saving interest/administrative costs otherwise incurred if using conventional financing through a bank. If a timeframe needs to be adjusted, a resolution is adopted adjusting those dates and figures.

Conclusion - Response accepted.

**CITY OF CHARLES CITY, IOWA**  
**Corrective Action Plan for Federal Audit Findings**  
**Year Ended June 30, 2004**

<u>Comment Number</u>	<u>Comment Title</u>	<u>Corrective Action Planned</u>	<u>Contact Person, Title, Phone Number</u>	<u>Anticipated Date of Completion</u>
III-A-04	Davis-Bacon Act requirements not included in contract documents	We have obtained a DOL wage determination and certified payrolls for this project. No additional action is contemplated.	Deb Bullerman, Director 641-228-6661	June 30, 2004
III-B-04	Davis-Bacon Act monitoring requirements were not done	We have obtained the required certified payrolls for this project and determined that the contractor is in compliance with the DOL wage determination included in the contract. No additional action is contemplated.	Deb Bullerman, Director 641-228-6661	June 30, 2004
III-C-04	Davis-Bacon Act requirements not included in contract documents	We have obtained a DOL wage determination and certified payrolls for this project. Additional compensation will be paid to the contractor's employees to comply with the wage determination.	Deb Bullerman, Director 641-228-6661	December 31, 2004
III-D-04	Grant Drawdowns were in excess of allowable amounts	We will contact the grantor and amend the contract to include additional work related to the project so that the local match is met.	Tracy Meise, Project Coordinator 641-257-6300	December 31, 2004
III-E-04	Income not correctly documented	A new income worksheet will be developed to more accurately document income and deductions.	Mary Litterer, Director 641-257-6327	Has been completed
III-F-04	Grant drawdowns were in excess of allowable amounts.	Additional engineering costs will be incorporated into future reimbursement Requests to increase the City's share to the appropriate level.	Tracy Meise, Project Coordinator 641-257-6300	December 31, 2004

Charles City Press  
Charles City, IA 50616

**N E W S   R E L E A S E**

**FOR RELEASE January 3, 2005**

Douglas E. Kronlage, Certified Public Accountant, today released an audit report on the City of Charles City 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.

The City's receipts totaled \$16,346,992 for the year ended June 30, 2004, a 2% increase from 2003. The receipts included \$2,022,688 in property tax, \$1,041,109 from tax increment financing collections, \$2,162,403 from charges for services, \$1,244,156 from operating grants, contributions and restricted interest, \$1,548,944 from capital grants, contributions and restricted interest, \$515,303 from local option sales tax, \$517,545 from unrestricted investment earnings and \$6,291,809 from other general receipts.

Disbursements for the year totaled \$16,554,037, a 16% increase from the prior year, and included \$3,120,287 for capital projects, \$2,877,316 for community and economic development, and \$1,429,633 for debt service. Also, disbursements for business type activities totaled \$4,172,272.

The significant increase in receipts and disbursements is due primarily to business type activities and capital projects.

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

#####

KCHA AM & FM  
Charles City, IA 50616

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January 10, 2005

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

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

Dear Sir or Madam:

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.

An electronic copy of the audit report will be sent shortly.

Sincerely yours,

Douglas E. Kronlage, CPA

ksw  
enclosures

January 10, 2005

Iowa Department of Economic Development  
Attn: Toni Casber  
Bureau of Community Financing  
200 East Grand  
Des Moines, IA 50309

RE: City of Charles City, Iowa

Dear Ms. Casber:

In accordance with the requirements of the Iowa Department of Economic Development, I am submitting one copy of the audited financial statements and the supplementary report on federal assistance of the above-referenced governmental unit for the year ended June 30, 2004.

I have determined that the Department of Housing and Urban Development is the general oversight or cognizant agency for Single Audit Act purposes. A copy of this report has been filed with the Single Audit Clearinghouse.

If I may be of further service to you, please contact me.

Sincerely yours,

Douglas E. Kronlage, CPA

ksw  
enclosures

January 10, 2005

Single Audit Clearinghouse  
Bureau of the Census  
1201 E. Tenth Street  
Jeffersonville, IN 47132

RE: City of Charles City, Iowa

Dear Sir or Madam:

In accordance with the requirements of Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, I am submitting one copy of the audited financial statements and the supplementary report on federal assistance of the above-referenced governmental unit for the year ended June 30, 2004, as an archival copy.

I have included reporting packages for the following federal agencies for which an audit finding is included in the schedule of findings and questioned costs relating to awards funded directly by the agency:

Corporation for National and Community Service  
Housing and Urban Development  
Transportation

I have included reporting packages for the following federal agencies for which the current status of a prior audit finding is reported in the summary schedule of prior audit findings.

Corporation for National and Community Service  
Housing and Urban Development

I have determined that the Department of Housing and Urban Development is the general oversight or cognizant agency for Single Audit Act purposes.

If I may be of further service to you, please contact me.

Sincerely yours,

Douglas E. Kronlage, CPA

ksw  
enclosures

cc: Meyer

January 10, 2005

Department of Public Safety  
Governor's Traffic Safety Bureau  
307 East Seventh Street  
Des Moines, IA 50319-0248

RE: City of Charles City, Iowa

Dear Sir or Madam:

In accordance with the requirements of your office, I am submitting one copy of the audited financial statements and the supplementary report on federal assistance of the above-referenced governmental unit for the year ended June 30, 2004.

I have determined that the Department of Housing and Urban Development is the general oversight or cognizant agency for Single Audit Act purposes. A copy of this report has been filed with the Single Audit Clearinghouse.

If I may be of further service to you, please contact me.

Sincerely yours,

Douglas E. Kronlage, CPA

ksw  
enclosures

January 10, 2005

Ms. Ellen M. Gordon, Administrator  
Iowa Emergency Management Division  
Hoover State Office Building  
Des Moines, IA 50319

RE: City of Charles City, Iowa

Dear Ms. Gordon:

In accordance with the requirements of your office, I am submitting one copy of the audited financial statements and the supplementary report on federal assistance of the above-referenced governmental unit for the year ended June 30, 2004.

I have determined that the Department of Housing and Urban Development is the general oversight or cognizant agency for Single Audit Act purposes. A copy of this report has been filed with the Single Audit Clearinghouse.

If I may be of further service to you, please contact me.

Sincerely yours,

Douglas E. Kronlage, CPA

ksw  
enclosures

January 10, 2005

Mr. Kim Doughty  
Elderbridge Agency on Aging, Inc.  
22 N. Georgia, Suite 216  
Mason City, IA 50401

RE: City of Charles City, Iowa

Dear Mr. Doughty:

In accordance with the requirements of your office, I am submitting one copy of the audited financial statements and the supplementary report on federal assistance of the above-referenced governmental unit for the year ended June 30, 2004.

I have determined that the Department of Housing and Urban Development is the general oversight or cognizant agency for Single Audit Act purposes. A copy of this report has been filed with the Single Audit Clearinghouse.

If I may be of further service to you, please contact me.

Sincerely yours,

Douglas E. Kronlage, CPA

ksw  
enclosures

January 10, 2005

U.S. Department of Housing and Urban Development  
Attn: Frances Cleary  
Office of Public Housing  
Gateway Tower II, Room 200  
400 State Avenue  
Kansas City, KS 66101-2406

RE: City of Charles City, IA

Ms. Cleary:

In accordance with your request, we are submitting one copy of the audited financial statements and the supplementary report on federal assistance of the above-referenced governmental unit for the year ended June 30, 2004.

We have determined that the Department of Housing and Urban Development is the general oversight or cognizant agency for Single Audit Act purposes. A copy of this audit has been filed with the Single Audit Clearinghouse.

If we may be of further service to you, please contact us.

Sincerely yours,

Douglas E. Kronlage

ksw  
enclosures

January 10, 2005

Ms. Shirley Christopherson  
Budget and Finance Bureau  
Iowa Department of Natural Resources  
Wallace State Office Building  
Des Moines, IA 50319

RE: City of Charles City, Iowa  
SRF Project No. CS 192221 01

Dear Ms. Christopherson:

In accordance with the requirements of your office, I am submitting one copy of the audited financial statements and the supplementary report on federal assistance of the above-referenced governmental unit for the year ended June 30, 2004.

I have determined that the Department of Housing and Urban Development is the general oversight or cognizant agency for Single Audit Act purposes. A copy of this report has been filed with the Single Audit Clearinghouse.

If I may be of further service to you, please contact me.

Sincerely yours,

Douglas E. Kronlage, CPA

enclosure

January 6, 2004

IDNR Bureau of Forestry  
Attn: Gail Kantak, IDNR Fire Supervisor  
2404 South Duff Avenue  
Ames, IA 50010

RE: City of Charles City, Iowa

To whom it may concern:

An audit of the City of Charles City, Iowa was recently accepted by the city council. Included in the audit report was the report on Federal Assistance for the year ended June 30, 2004. This report was completed in accordance with OMB Circular A-133 guidelines and included the following grant:

<u>CFDA #</u>	<u>NAME</u>	<u>GRANT #</u>
10.664	Cooperative Forestry Assistance	2003 VFA

The schedule of findings and questioned costs disclosed no findings relating to awards funded through your organization.

The summary schedule of prior audit findings did not report the status of any finding related to programs previously funded through your organization.

We have determined that the Department of Housing and Urban Development is the general oversight or cognizant agency for Single Audit Act purposes. A copy of this audit has been filed with the Single Audit Clearinghouse.

If we may be of further service to you, please contact us.

Sincerely yours,

Douglas E. Kronlage, CPA

January 10, 2005

Federal Emergency Management Agency  
Financial and Acquisition Management Division  
Grants Management Branch  
500 C Street, Room 350  
Washington, DC 20472

RE: City of Charles City, Iowa

To whom it may concern:

An audit of the City of Charles City, Iowa was recently accepted by the city council. Included in the audit report was the report on Federal Assistance for the year ended June 30, 2004. This report was completed in accordance with OMB Circular A-133 guidelines and included the following grants:

<u>CFDA #</u>	<u>NAME</u>	<u>GRANT #</u>
83.544	Assistance to Firefighters Grant	EMW-2003-FG-03728
83.555	Cooperating Technical Partners Grant	EMK-2001-CA-0022

The schedule of findings and questioned costs disclosed no findings relating to awards funded through your organization.

The summary schedule of prior audit findings did not report the status of any finding related to programs previously funded through your organization.

We have determined that the Department of Housing and Urban Development is the general oversight or cognizant agency for Single Audit Act purposes. A copy of this audit has been filed with the Single Audit Clearinghouse.

If we may be of further service to you, please contact us.

Sincerely yours,

Douglas E. Kronlage, CPA

January 10, 2005

U. S. Department of Justice  
Bureau of Justice Assistance  
Bulletproof Vest Control Desk  
810 7<sup>th</sup> Street N.W.  
Washington, DC 20531

RE: City of Charles City, Iowa

To whom it may concern:

An audit of the City of Charles City, Iowa was recently accepted by the city council. Included in the audit report was the report on Federal Assistance for the year ended June 30, 2004. This report was completed in accordance with OMB Circular A-133 guidelines and included the following grants:

<u>CFDA #</u>	<u>NAME</u>	<u>GRANT #</u>
16.607	Bulletproof Vest Partnership Program	Charles City, IA

The schedule of findings and questioned costs disclosed no findings relating to awards funded through your organization.

The summary schedule of prior audit findings did not report the status of any finding related to programs previously funded through your organization.

We have determined that the Department of Housing and Urban Development is the general oversight or cognizant agency for Single Audit Act purposes. A copy of this audit has been filed with the Single Audit Clearinghouse.

If we may be of further service to you, please contact us.

Sincerely yours,

Douglas E. Kronlage, CPA

January 10, 2005

Governor's Office of Drug Control Policy  
321 East 12<sup>th</sup> Street, 1<sup>st</sup> Floor  
Des Moines, IA 50319

RE: City of Charles City, Iowa

To whom it may concern:

An audit of the City of Charles City, Iowa was recently accepted by the city council. Included in the audit report was the report on Federal Assistance for the year ended June 30, 2004. This report was completed in accordance with OMB Circular A-133 guidelines and included the following grants:

<u>CFDA #</u>	<u>NAME</u>	<u>GRANT #</u>
16.592	Local Law Enforcement Block Grant	01LE-0130
16.592	Local Law Enforcement Block Grant	03LE-0124

The schedule of findings and questioned costs disclosed no findings relating to awards funded through your organization.

The summary schedule of prior audit findings did not report the status of any finding related to programs previously funded through your organization.

We have determined that the Department of Housing and Urban Development is the general oversight or cognizant agency for Single Audit Act purposes. A copy of this audit has been filed with the Single Audit Clearinghouse.

If we may be of further service to you, please contact us.

Sincerely yours,

Douglas E. Kronlage, CPA

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