

CITY OF BONDURANT

Bondurant, Iowa

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

June 30, 2004

With Independent Auditor's Reports

CITY OF BONDURANT
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CITY OF BONDURANT
City Officials
June 30, 2004

<u>Name</u>	<u>Prior to January 1, 2004</u> <u>Title</u>	<u>Term Expires</u>
Allen Ihde	Mayor	December 31, 2005
Michele Bailey	Council Member	December 31, 2005
Bruce Cordes	Council Member	December 31, 2003
Terry Thomas	Council Member	December 31, 2003
Jim Valentine	Council Member	December 31, 2005
Dave Williams	Council Member	December 31, 2003
Darrel Steven Carlyle	City Administrator	
Sandra Rhodes	Deputy City Clerk	
Steven P. Brick	City Attorney	

<u>Subsequent to December 31, 2003</u>		
Allen Ihde	Mayor	December 31, 2005
Michelle Bailey	Council Member	December 31, 2005
Bruce Cordes	Council Member	December 31, 2007
Jeffrey Komrie	Council Member	December 31, 2007
Gregory Schiermeister	Council Member	December 31, 2007
Jim Valentine	Council Member	December 31, 2005
Darrel Steven Carlyle	City Administrator	
Sandra Rhodes	Deputy City Clerk	
Steven P. Brick	City Attorney	

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Bondurant, Iowa

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

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, these financial statements have been 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 Bondurant, Iowa, as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 13, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, I have also issued my report dated February 6, 2006 on my consideration of the City of Bondurant's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 21 through 22 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 Bondurant'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 three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information presented on pages 23 through 28, 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.

S/ Stanley E. Siebke

Urbandale, Iowa
February 6, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

2004 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 44.3%, or \$562,901, from fiscal 2003 to fiscal 2004. Property tax increased \$89,009.
- Disbursements for governmental activities increased 47.9%, or \$616,849, in fiscal 2004 from fiscal 2003. Public works, community and economic development and debt service disbursements increased \$193,473, \$396,287 and \$73,846, respectively.
- The City's total cash basis net assets decreased 3%, or \$36,412, from June 30 2003 to June 30, 2004. Of this amount, the assets of the governmental activities decreased \$71,971 and the assets of the business type activities increased by \$35,559.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

Basis of Accounting

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and garbage funds, considered to be major funds of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities was reduced from a year ago, decreasing from \$617,304 to \$545,333. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	<u>Year Ended June 30</u>	
	<u>2004</u>	<u>2003</u>
Receipts:		
Property tax	\$ 646,817	557,808
TIF revenues	284,615	272,538
Other city taxes	1,629	1,608
Licenses and permits	127,505	66,101
Use of money and property	7,947	11,515
Intergovernmental	336,186	244,828
Charges for services	56,905	46,528
Miscellaneous	371,010	68,787
Total Receipts	<u>1,832,614</u>	<u>1,269,713</u>
Disbursements:		
Operating:		
Public safety	300,707	264,611
Public works	371,775	178,302
Health and social services	2,284	2,572
Culture and recreation	100,964	99,334
Community and economic development	406,455	10,168
General government	210,746	302,866
Debt service	503,729	429,883
Capital projects	7,925	0
Total Disbursements	<u>1,904,585</u>	<u>1,287,736</u>
Net Change in Cash Balances	(71,971)	(18,023)
Cash Balances at Beginning of Year	<u>617,304</u>	<u>635,327</u>
Cash Balances at End of Year	<u>\$ 545,333</u>	<u>617,304</u>

The City's total receipts for governmental activities increased by 44%, or \$562,901. The total cost of all programs and services increased by \$616,849 or 48%, with no new programs added this year. The increase in disbursements was primarily the result of additional expenses in the public works, community and economic development, and debt service areas.

The City increased the property tax rate for 2004 by an average of 2.5 percent. This increase raised the City's property tax receipts by \$89,009 in 2004. Based on increases in the total assessed valuation, property tax receipts are budgeted to increase by an additional \$110,711 next year.

The cost of all governmental activities this year was \$1,904,585 compared to \$1,287,736 last year. However, as shown in the Statement of Activities and Net Assets on pages 10 - 11, the amount taxpayers ultimately financed for these activities was only \$1,071,914 because some of the cost was paid by those directly benefited from the programs (\$182,161) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$650,510). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2004 from \$291,356 to \$832,671, principally due to increases in collections for pass-through development costs and more than doubled collections for licenses and permits. The City paid for the remaining "public benefit" portion of governmental activities with \$931,432 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Change in Cash Basis Net Assets of Business Type Activities

	<u>Year Ended June 30</u>	
	<u>2004</u>	<u>2003</u>
Operating Receipts:		
Charges for service:		
Water	\$ 323,744	326,397
Sewer	195,428	192,756
Garbage	92,377	87,508
Total Operating Receipts	611,549	606,661
Operating Disbursements:		
Business type activities:		
Water	259,246	299,568
Sewer	123,778	130,774
Garbage	89,363	81,902
Total Operating Disbursements	472,387	512,244
Excess of Operating Receipts over Operating Disbursements	139,162	94,417
Total Non-Operating Receipts (Disbursements)	(103,603)	(253,670)
Net Change in Cash Balances	35,559	(159,253)
Cash Balances at Beginning of Year	625,661	784,914
Cash Balances at End of Year	\$ 661,220	625,661

Total business type activities receipts for the fiscal year were \$611,549 compared to \$606,661 last year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Bondurant completed the year, its governmental funds reported a combined fund balance of \$545,333, a decrease of \$71,971 from last year's total of \$617,304. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$96,558 from the prior year to \$445,776. The change to the General Fund balance was highlighted by an increase in property tax collections of \$77,653, licenses and permits revenue increases of \$61,404 and a decrease of intergovernmental revenues of \$25,097.

- The Road Use Tax Fund cash balance decreased by \$22,222 to \$16,248 during the fiscal year. This decrease was attributable to an increase in public works expenditures of \$32,552.
- The balance in the City's Urban Renewal Tax Increment Fund decreased an additional \$131,642 in fiscal 2004 and had a negative net fund balance of \$398,802 at the end of the fiscal year. The reason for this decrease includes payments on existing TIF debt and development costs in the C.O.V.E. project. Future TIF collections will eliminate the deficit.
- The Debt Service Fund cash balance decreased by \$88,477 to \$6,666 during the fiscal year. This decrease was due, in part, to insufficient property tax collections in this fund. Bond principal and interest payments increased \$94,725 in fiscal 2004 from \$241,771 to \$336,496.
- The Capital Projects cash balance decreased by \$7,925 to \$411,148.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$2,131 to \$367,397.
- The Sewer Fund cash balance increased by \$30,413 to \$285,270.
- The Garbage Fund cash balance increased by \$3,015 to \$8,553.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on June 21, 2004 to provide for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

DEBT ADMINISTRATION

At June 30, 2004, the City had \$1,655,000 in general obligation debt, \$891,000 in water utility debt and \$463,000 in sewer utility debt. Of the \$1,655,000, \$865,000 is anticipated to be funded with Tax Increment (TIF) revenues with the remaining \$790,000 funded through the debt service levy. Total City debt, including water and sewer debt on June 30, 2004 was \$3,009,000 compared to \$3,469,888 on June 30, 2003. During the year ended June 30, 2004, the City received the final \$23,112 in proceeds from the 2000 State Revolving Fund Water Revenue Bonds.

	<u>Outstanding Debt at Year End</u>	
	<u>2004</u>	<u>2003</u>
General obligation bonds	\$ 1,655,000	2,065,000
Water revenue bonds	891,000	919,888
Sewer revenue bonds	463,000	485,000
	<u>\$ 3,009,000</u>	<u>3,469,888</u>

The City does not have a bond rating. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The total amount of debt the City of Bondurant could issue in FY 2004 is \$3,625,848. The City has \$1,655,000 of outstanding general obligation debt as of June 30, 2004. On a percentage basis, the City has issued 45.64% of its eligible general obligation debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Applying the FY 2004 tax rate of \$14.56 to the FY 2002 valuation of \$46,686,135 yielded \$679,610 in property tax revenue for the City in FY 2004. This compares to a tax rate of \$14.21 applied to FY2001 valuation of \$36,308,497 for \$568,899 in property taxes raised for the FY 2003 budget. An additional \$110,711 in property tax revenue was used by the City in FY 2004.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide Bondurant's citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Administrator Mark Arentsen, 200 Second Street, P.O. Box 37, Bondurant, IA 50003, 515-967-2418, e-mail marentsen@cityofbondurant.com. Mr. Arentsen was not an employee of the City of Bondurant during the period covered in this audit, however, as the custodian of City records, he will assist you in answering any questions you may have.

CITY OF BONDURANT
Statement of Activities and Net Assets - Cash Basis
As of and For the Year Ended June 30, 2004

	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Program Receipts Operating Grants, Contributions, and Restricted Interest</u>
Function/ Programs:			
Governmental activities:			
Public safety	\$ 300,707	32,621	47,404
Public works	371,775	0	165,731
Health and social services	2,284	0	0
Culture and recreation	100,964	12,061	25,043
Community and economic development	406,455	137,479	0
General government	210,746	0	0
Debt service	503,729	0	0
Capital projects	7,925	0	0
Total Governmental Activities	1,904,585	182,161	238,178
Business type activities:			
Water	347,751	317,959	3,026
Sewer	165,032	195,360	17
Garbage	89,363	91,355	1
Total Business Type Activities	602,146	604,674	3,044
Total	\$ 2,506,731	786,835	241,222
General Receipts:			
Property tax levied for:			
General purposes			
Tax increment financing			
Debt service			
Utility franchise tax			
Unrestricted interest on investments			
Proceeds of long-term debt			
Miscellaneous			
Total General Receipts			
Change in Cash Basis Net Assets			
Cash Basis Net Assets at Beginning of Year			
Cash Basis Net Assets at End of Year			
Cash Basis Net Assets:			
Restricted:			
Streets			
Urban renewal purposes			
Debt service			
Unrestricted			
Total Cash Basis Fund Balances			

The accompanying notes are an integral part of these financial statements.

CITY OF BONDURANT
Statement of Activities and Net Assets - Cash Basis
As of and For the Year Ended June 30, 2004

Capital Grants, Contributions and Restricted <u>Interest</u>	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
	<u>Net (Disbursements) Receipts and</u> <u>Changes in Cash Basis Net Assets</u>		
0	(220,682)	0	(220,682)
110,264	(95,780)	0	(95,780)
0	(2,284)	0	(2,284)
0	(63,860)	0	(63,860)
302,068	33,092	0	33,092
0	(210,746)	0	(210,746)
0	(503,729)	0	(503,729)
0	(7,925)	0	(7,925)
<u>412,332</u>	<u>(1,071,914)</u>	<u>0</u>	<u>(1,071,914)</u>
0	0	(26,766)	(26,766)
0	0	30,345	30,345
0	0	1,993	1,993
<u>0</u>	<u>0</u>	<u>5,572</u>	<u>5,572</u>
<u>412,332</u>	<u>(1,071,914)</u>	<u>5,572</u>	<u>(1,066,342)</u>
	398,798	0	398,798
	284,615	0	284,615
	248,019	0	248,019
	1,629	0	1,629
	7,946	0	7,946
	0	23,112	23,112
	58,936	6,875	65,811
	<u>999,943</u>	<u>29,987</u>	<u>1,029,930</u>
	(71,971)	35,559	(36,412)
	617,304	625,661	1,242,965
	<u>\$ 545,333</u>	<u>661,220</u>	<u>1,206,553</u>
	\$ 16,248	0	16,248
	(398,802)	0	(398,802)
	6,666	0	6,666
	921,221	661,220	1,582,441
	<u>\$ 545,333</u>	<u>661,220</u>	<u>1,206,553</u>

CITY OF BONDURANT
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 TIF</u>	<u>Debt Service</u>	<u>Permanent Fund</u>
Receipts:				
Property tax	\$ 398,798	0	248,019	0
TIF revenues	0	284,615	0	0
Other city taxes	1,629	0	0	0
Licenses and permits	127,505	0	0	0
Use of money and property	7,827	0	0	120
Intergovernmental	69,442	0	0	112,995
Charges for services	56,905	0	0	0
Miscellaneous	6,548	0	0	364,462
Total Receipts	668,654	284,615	248,019	477,577
Disbursements:				
Operating:				
Public safety	288,407	0	0	12,300
Public works	30,868	0	0	164,936
Health and social services	2,284	0	0	0
Culture and recreation	88,994	0	0	11,970
Community and economic development	10,025	207,769	0	188,661
General government	208,123	0	0	2,623
Debt service	0	167,233	336,496	0
Capital projects	0	0	0	0
Total Disbursements	628,701	375,002	336,496	380,490
Other Financing Sources (Uses):				
Operating transfers in (out)	56,605	(41,255)	0	(15,350)
Net Change in Cash Balances	96,558	(131,642)	(88,477)	81,737
Cash Balances at Beginning of Year	349,218	(267,160)	95,143	(17,440)
Cash Balances at End of Year	\$ 445,776	(398,802)	6,666	64,297
Cash Basis Fund Balances:				
Reserved:				
Debt service	\$ 0	0	6,666	0
Unreserved:				
General fund	445,776	0	0	0
Special revenue funds	0	(398,802)	0	0
Capital projects fund	0	0	0	0
Permanent fund	0	0	0	64,297
Total Cash Basis Fund Balances	\$ 445,776	(398,802)	6,666	64,297

The accompanying notes are an integral part of these financial statements.

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

Other Nonmajor Governmental Funds	Total
0	646,817
0	284,615
0	1,629
0	127,505
0	7,947
153,749	336,186
0	56,905
0	371,010
<u>153,749</u>	<u>1,832,614</u>

0	300,707
175,971	371,775
0	2,284
0	100,964
0	406,455
0	210,746
0	503,729
7,925	7,925
<u>183,896</u>	<u>1,904,585</u>

<u>0</u>	<u>0</u>
(30,147)	(71,971)
457,543	617,304
<u>427,396</u>	<u>545,333</u>

0	6,666
0	445,776
16,248	(382,554)
411,148	411,148
0	64,297
<u>427,396</u>	<u>545,333</u>

CITY OF BONDURANT
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Proprietary Funds
As of and For the Year Ended June 30, 2004

	<u>Enterprise Funds</u>			<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	
Operating Receipts:				
Charges for services	\$ 317,959	195,360	91,355	604,674
Miscellaneous	5,785	68	1,022	6,875
Total Operating Receipts	<u>323,744</u>	<u>195,428</u>	<u>92,377</u>	<u>611,549</u>
Operating Disbursements:				
Business type activities	259,246	123,778	89,363	472,387
Total Operating Disbursements	<u>259,246</u>	<u>123,778</u>	<u>89,363</u>	<u>472,387</u>
Excess of Operating Receipts over Operating Disbursements	<u>64,498</u>	<u>71,650</u>	<u>3,014</u>	<u>139,162</u>
Non-Operating Receipts (Disbursements)				
Use of money and property	3,026	17	1	3,044
Proceeds of long-term debt	23,112	0	0	23,112
Debt service	(88,505)	(41,254)	0	(129,759)
Total Non-Operating Receipts (Disbursements)	<u>(62,367)</u>	<u>(41,237)</u>	<u>1</u>	<u>(103,603)</u>
Net Change in Cash Balances	2,131	30,413	3,015	35,559
Cash Balances at Beginning of Year	<u>365,266</u>	<u>254,857</u>	<u>5,538</u>	<u>625,661</u>
Cash Balances at End of Year	<u>\$ 367,397</u>	<u>285,270</u>	<u>8,553</u>	<u>661,220</u>
Cash Basis Fund Balances:				
Unrestricted:				
Reserved for construction	\$ 160,307	54,495	0	214,802
Unreserved	207,090	230,775	8,553	446,418
Total Cash Basis Fund Balance:	<u>\$ 367,397</u>	<u>285,270</u>	<u>8,553</u>	<u>661,220</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BONDURANT
Notes to the Financial Statements
Year Ended June 30, 2004

(1) Summary of Significant Accounting Policies

The City of Bondurant is a political subdivision of the State of Iowa located in Polk County. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis.

Reporting Entity

For financial reporting purposes, the City of Bondurant has included all funds, organizations, account groups, 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 of Bondurant has no component units.

The City also participates in jointly governed organizations that provide goods or services to the citizens of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Metro Waste Authority, Polk County Assessor's Conference Board, Polk County Emergency Management Conference, and Polk County Joint E911 Service Board.

Basis of Presentation

Government-wide Financial Statements

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

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

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

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

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

CITY OF BONDURANT
Notes to the Financial Statements – Continued

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 funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

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

Special Revenue Funds:

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

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

Permanent Fund – The Permanent Fund is used to account for funds which the City holds for pass-through purposes.

The City reports the following major proprietary funds:

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

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

Garbage Fund – The Garbage Fund accounts for the operation of the City's solid waste removal and recycling programs.

Measurement Focus and Basis of Accounting

The City of Bondurant 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.

Budgets and Budgetary Accounting

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

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions, not by fund. 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.

CITY OF BONDURANT
Notes to the Financial Statements - Continued

During the year ended June 30, 2004, the budget was amended under the statutorily prescribed procedures.

(2) Pooled Deposits and Investments

The City's deposits 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.

Funds that have deficit cash in bank balances are considered to have borrowed cash from other 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.

(3) Long-Term Debt

A summary of the City's June 30, 2004 long-term debt is as follows:

Year Ending June 30,	Interest Rates	<u>General Obligation Bonds</u>		<u>Revenue Bonds</u>		<u>Total</u>
		<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2005	3.84 - 5.35%	\$ 295,000	73,853	80,000	52,364	501,217
2006	3.84 - 5.40	320,000	60,682	91,000	49,274	520,956
2007	3.84 - 5.45	325,000	46,290	96,000	45,760	513,050
2008	3.84 - 4.40	245,000	31,475	100,000	42,054	418,529
2009	3.84 - 4.50	215,000	20,890	106,000	38,293	380,183
		<u>1,400,000</u>	<u>233,190</u>	<u>473,000</u>	<u>227,745</u>	<u>2,333,935</u>
2010-2014	3.84 - 4.70	255,000	17,310	591,000	126,490	989,800
2015-2019	3.84 - 3.92	0	0	290,000	26,605	316,605
		<u>\$ 1,655,000</u>	<u>250,500</u>	<u>1,354,000</u>	<u>380,840</u>	<u>3,640,340</u>

Interest paid on General Obligation Bonds amounted to \$91,999, interest paid on Water Revenue Bonds amounted to \$36,033 and interest paid on Sewer Revenue Bonds amounted to \$19,012. This entire amount of \$147,044 was charged to expense.

Assets restricted for the payment of bonds at June 30, 2004 are as follows:

Type of Indebtedness

General Obligation Bonds \$ 6,666

(4) Retirement System - IPERS

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

CITY OF BONDURANT
Notes to the Financial Statements - Continued

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll. Contribution rates are established by State statute. The City's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$14,090, \$13,188, and \$12,373, respectively, equal to the required contribution for each year.

- (5) General Long-Term Debt Account Group
Changes in the general long-term debt account group during the year ended June 30, 2004 are summarized as follows:

	General Obligation <u>Bonds</u>
Balance at the beginning of the year	\$ 2,065,000
New debt issued during the year	0
Principal payments during the year	(410,000)
Balance at the end of the year	\$ 1,655,000

- (6) Compensated Absences
City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as expenditures by the City until used or paid. The City's approximate maximum liability for unrecognized accrued employee benefits at June 30, 2004 is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 10,236
Sick leave	30,979
	\$ 41,215

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

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

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

CITY OF BONDURANT
Notes to the Financial Statements - Continued

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its general fund at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2004 were \$28,123.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such extra coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$50,000 each accident, each location, with excess coverage reinsured on an individual-member basis. All property risks are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Property Tax Calendar

Property taxes are collected and remitted to the City by the county government. Taxes are levied annually on July 1 based on an assessment as of January 1. Taxes are due one-half on September 30 in the year following the levy and one-half on the subsequent March 31. The lien date is July 1. Current and delinquent tax payments are recognized as receipts by the City when received.

CITY OF BONDURANT
Notes to the Financial Statements – Continued

- (9) Related Party Transactions
The City leases its library building from an entity in which the mayor and a council member each have a 25% ownership interest. The lease calls for monthly rental payments of \$800 renewable on a monthly basis. Rental payments for the year ended June 30, 2004 were \$9,600.
- (10) Stewardship, Compliance and Accountability – Deficit Fund Balances
At June 30, 2004, the City had a deficit fund balance in the Special Revenue – TIF Fund of \$398,802 as a result of disbursements exceeding receipts during the years ended June 30, 2004 and 2002.
- (11) Commitments and Contingencies
Subsequent to June 30, 2004, the City entered into a construction contract with a price of \$317,259 and committed to issue revenue bonds in the amount of \$1,300,000.
- Also subsequent to June 30, 2004, the City has been named a defendant in a lawsuit claiming the City was negligent in monitoring development activities. The claim is currently being handled by the City's insurance carrier and the ultimate outcome of the claim cannot be determined at this time.
- (12) Budget Overexpenditure
Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the function level. During the year ended June 30, 2004, disbursements in the public works, community and economic development, general government, debt service and business type/enterprise programs exceeded the budgeted amounts.
- (13) Accounting Change and Restatements
The 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 Notes Disclosures and Statement No. 41, Budgetary Comparison Schedule – Prospective Differences were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.
- The government-wide financial statement reports the City's governmental and business type activities.

CITY OF BONDURANT
 Budgetary Comparison Schedule of Receipts, Disbursements
 and Changes in Cash Balances - Budget and Actual (Cash Basis)
 All Governmental and Proprietary Funds
 Year Ended June 30, 2004

	Governmental Funds	Proprietary Funds	Total
Receipts:			
Property tax	\$ 646,817	0	646,817
TIF revenues	284,615	0	284,615
Other city taxes	1,629	0	1,629
Licenses and permits	127,505	0	127,505
Use of money and property	7,947	3,044	10,991
Intergovernmental	336,186	0	336,186
Charges for services	56,905	604,674	661,579
Miscellaneous	371,010	6,875	377,885
Total Receipts	<u>1,832,614</u>	<u>614,593</u>	<u>2,447,207</u>
Disbursements:			
Public safety	300,707	0	300,707
Public works	371,775	0	371,775
Health and social services	2,284	0	2,284
Culture and recreation	100,964	0	100,964
Community and economic development	406,455	0	406,455
General government	210,746	0	210,746
Debt service	503,729	0	503,729
Capital projects	7,925	0	7,925
Business type activities	0	602,146	602,146
Total Disbursements	<u>1,904,585</u>	<u>602,146</u>	<u>2,506,731</u>
Excess (Deficit) of Receipts over (under) Disbursements	(71,971)	12,447	(59,524)
Other financing sources (net)	<u>0</u>	<u>23,112</u>	<u>23,112</u>
Excess (Deficit) of Receipts and Other Financing Sources over (under) Disbursements and Other Financing Uses	(71,971)	35,559	(36,412)
Balances at Beginning of Year	617,304	625,661	1,242,965
Balances at End of Year	<u>\$ 545,333</u>	<u>661,220</u>	<u>1,206,553</u>

CITY OF BONDURANT
 Budgetary Comparison Schedule of Receipts, Disbursements
 and Changes in Cash Balances - Budget and Actual (Cash Basis)
 All Governmental and Proprietary Funds
 Year Ended June 30, 2004

<u>Budgeted Amounts</u>		<u>Variance to Final</u>
<u>Original</u>	<u>Amended</u>	
615,827	615,827	30,990
277,110	277,110	7,505
31,173	31,173	(29,544)
34,250	114,154	13,351
27,600	27,157	(16,166)
183,603	156,103	180,083
719,847	756,649	(95,070)
52,355	63,277	314,608
<u>1,941,765</u>	<u>2,041,450</u>	<u>405,757</u>
282,880	315,569	14,862
181,153	226,507	(145,268)
8,454	15,314	13,030
121,609	119,957	18,993
10,350	10,350	(396,105)
183,726	182,059	(28,687)
414,951	414,951	(88,778)
68,674	68,674	60,749
568,331	568,331	(33,815)
<u>1,840,128</u>	<u>1,921,712</u>	<u>(585,019)</u>
101,637	119,738	(179,262)
<u>(41,255)</u>	<u>(41,255)</u>	<u>64,367</u>
60,382	78,483	(114,895)
1,805,559	1,805,559	(562,594)
<u>1,865,941</u>	<u>1,884,042</u>	<u>(677,489)</u>

CITY OF BONDURANT
Schedule 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 Road Use Tax</u>	<u>Capital Projects</u>	<u>Total</u>
Receipts:			
Intergovernmental	\$ 153,749	0	153,749
Total Receipts	<u>153,749</u>	<u>0</u>	<u>153,749</u>
Disbursements:			
Operating:			
Public works	175,971	0	175,971
Capital projects	0	7,925	7,925
Total Disbursements	<u>175,971</u>	<u>7,925</u>	<u>183,896</u>
Net Change in Cash Balances	(22,222)	(7,925)	(30,147)
Cash Balances at Beginning of Year	<u>38,470</u>	<u>419,073</u>	<u>457,543</u>
Cash Balances at End of Year	<u>\$ 16,248</u>	<u>411,148</u>	<u>427,396</u>
Cash Basis Fund Balances:			
Unreserved:			
Special Revenue Fund	\$ 16,248	0	16,248
Capital Projects Fund	0	411,148	411,148
	<u>\$ 16,248</u>	<u>411,148</u>	<u>427,396</u>

CITY OF BONDURANT
Schedule of Long-Term Debt and Interest
Year Ended June 30, 2004

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds:			
Essential Corporate Purpose	10/1/93	3.15 - 4.70%	\$ 120,000
Essential Corporate Purpose	7/1/95	5.65 - 6.90	125,000
Essential Corporate Purpose	3/1/96	4.10 - 4.85	260,000
Essential Corporate Purpose	5/1/97	4.50 - 5.45	780,000
Essential Corporate Purpose	7/1/98	4.05 - 4.40	355,000
Essential Corporate Purpose	6/1/99	4.25 - 4.70	1,215,000
Essential Corporate Purpose	3/1/01	3.80 - 4.40	565,000
Total General Obligation Bonds			
Water Revenue:			
Series 2000	12/22/00	3.84	972,000
Sewer Revenue:			
Series 1998A	10/5/98	3.92	473,934
Series 1998B	10/5/98	3.92	326,066
Total Sewer			
Total Long-Term Debt			

CITY OF BONDURANT
Schedule of Long-Term Debt and Interest
Year Ended June 30, 2004

<u>Balance</u> <u>June 30, 2003</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u> <u>June 30, 2004</u>	<u>Interest</u> <u>Paid</u>
\$ 15,000	0	15,000	0	705
65,000	0	65,000	0	3,430
70,000	0	70,000	0	2,604
300,000	0	60,000	240,000	16,115
235,000	0	45,000	190,000	10,113
865,000	0	100,000	765,000	37,822
515,000	0	55,000	460,000	21,210
<u>2,065,000</u>	<u>0</u>	<u>410,000</u>	<u>1,655,000</u>	<u>91,999</u>
919,888	23,112	52,000	891,000	36,033
206,000	0	9,000	197,000	8,075
279,000	0	13,000	266,000	10,937
<u>485,000</u>	<u>0</u>	<u>22,000</u>	<u>463,000</u>	<u>19,012</u>
<u>\$ 3,469,888</u>	<u>23,112</u>	<u>484,000</u>	<u>3,009,000</u>	<u>147,044</u>

CITY OF BONDURANT
Bond Maturities
June 30, 2004

Year Ending June 30,	<u>General Obligation Bonds</u>					
	<u>Issued 5/1/97</u>		<u>Issued 7/1/98</u>		<u>Issued 6/1/99</u>	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2005	5.35%	\$ 75,000	4.25	45,000	4.25	120,000
2006	5.40	80,000	4.30	45,000	4.25	135,000
2007	5.45	85,000	4.35	50,000	4.30	125,000
2008	--	0	4.40	50,000	4.40	130,000
2009	--	0	--	0	4.50	145,000
2010	--	0	--	0	4.60	55,000
2011	--	0	--	0	4.70	55,000
		<u>\$ 240,000</u>		<u>190,000</u>		<u>765,000</u>

Year Ending June 30,	<u>Water Revenue Bonds</u>		<u>Sewer Revenue Bonds</u>				
	<u>Issued 12/22/00</u>		<u>Issued 10/5/98</u>		<u>Issued 10/5/98</u>		Total
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	
2005	3.84%	\$ 57,000	3.92	10,000	3.92	13,000	23,000
2006	3.84	67,000	3.92	10,000	3.92	14,000	24,000
2007	3.84	71,000	3.92	11,000	3.92	14,000	25,000
2008	3.84	74,000	3.92	11,000	3.92	15,000	26,000
2009	3.84	78,000	3.92	12,000	3.92	16,000	28,000
2010	3.84	81,000	3.92	12,000	3.92	16,000	28,000
2011	3.84	85,000	3.92	12,000	3.92	17,000	29,000
2012	3.84	89,000	3.92	13,000	3.92	18,000	31,000
2013	3.84	91,000	3.92	13,000	3.92	18,000	31,000
2014	3.84	93,000	3.92	14,000	3.92	19,000	33,000
2015	3.84	99,000	3.92	15,000	3.92	20,000	35,000
2016	3.84	4,000	3.92	15,000	3.92	20,000	35,000
2017	3.84	2,000	3.92	16,000	3.92	21,000	37,000
2018	--	0	3.92	16,000	3.92	22,000	38,000
2019	--	0	3.92	17,000	3.92	23,000	40,000
		<u>\$ 891,000</u>		<u>197,000</u>		<u>266,000</u>	<u>463,000</u>

CITY OF BONDURANT

Bond Maturities

June 30, 2004

<u>Issued 3/1/01</u>		
Interest		
<u>Rate</u>	<u>Amount</u>	<u>Total</u>
3.90	55,000	295,000
4.00	60,000	320,000
4.05	65,000	325,000
4.10	65,000	245,000
4.20	70,000	215,000
4.30	70,000	125,000
4.40	75,000	130,000
	<u>460,000</u>	<u>1,655,000</u>

CITY OF BONDURANT
Schedule of Receipts by Source and Disbursements by Function
All Governmental Funds

	<u>Years Ended June 30,</u>			
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Receipts:				
Property tax	\$ 646,817	557,808	572,981	565,176
TIF revenues	284,615	272,538	258,668	207,196
Other city taxes	1,629	1,608	1,448	1,313
Licenses and permits	127,505	66,101	35,864	41,668
Use of money and property	7,947	11,515	27,790	45,093
Intergovernmental	336,186	244,828	247,267	230,376
Charges for services	56,905	46,528	34,169	24,403
Miscellaneous	371,010	68,787	60,017	77,561
Total Receipts	<u>\$ 1,832,614</u>	<u>1,269,713</u>	<u>1,238,204</u>	<u>1,192,786</u>
Disbursements:				
Public safety	\$ 300,707	264,611	194,661	163,610
Public works	371,775	178,302	185,538	180,920
Health and social services	2,284	2,572	1,353	2,260
Culture and recreation	100,964	99,334	106,139	86,889
Community and economic development	406,455	10,168	575,459	118,534
General government	210,746	302,866	192,568	185,332
Debt service	503,729	429,883	376,420	307,303
Capital projects	7,925	0	0	150,805
Total Disbursements	<u>\$ 1,904,585</u>	<u>1,287,736</u>	<u>1,632,138</u>	<u>1,195,653</u>

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

To the Honorable Mayor and
Members of the City Council
City of Bondurant, Iowa

I have audited the financial statements of the City of Bondurant, Iowa, as of and for the year ended June 30, 2004 and have issued my report thereon dated February 6, 2006. 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 Bondurant's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items 04-III-B, 04-III-G, 04-III-J, and 04-III-K.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Bondurant's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions

involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment could adversely affect the City of Bondurant's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe none of the items are material weaknesses. Prior year reportable conditions have been resolved except for item 04-II-A.

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

S/ Stanley E. Siebke

Urbandale, Iowa
February 6, 2006

CITY OF BONDURANT
Schedule of Findings
Year Ended June 30, 2004

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF BONDURANT
Schedule of Findings
Year Ended June 30, 2004

Part II: Findings Related to the Financial Statements

Instances of Non-compliance

No matters were noted.

Reportable Conditions

04-II-A Segregation of Duties

One important aspect of the internal control over financial reporting is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that one employee is involved in cash disbursements, bank deposits and bank reconciliations.

I realize that with the limited number of employees, improvement of these controls is not economically feasible. However, I believe that management of the City should be aware of the situation.

Response: The Council is aware of the situation.

Conclusion: Response accepted.

CITY OF BONDURANT
Schedule of Findings
Year Ended June 30, 2004

Part III: Other Findings Related to Statutory Reporting

04-III-A Official Depositories

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

04-III-B Certified Budget

City expenditures during the year ended June 30, 2004 exceeded amounts budgeted therefore in the public works, community and economic development, general government, debt service and business type/enterprise programs. Chapter 384 of the Code of Iowa prohibits such budget overruns. City officials should carefully monitor expenditures and prepare budget amendments when necessary.

Response: We will carefully monitor expenditures to avoid budget overruns.

Conclusion: Response accepted.

04-III-C Questionable Disbursements

I noted no expenditures for parties, banquets, or other entertainment for employees that I believe may constitute an unlawful expenditure of public funds as defined in an Attorney General's opinion dated April 25, 1979.

04-III-D Travel Expense

No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.

04-III-E Business Transactions

During the year ended June 30, 2004, the City paid rent to the following City officials:

JICK Investors	Allen Ihde	\$ 9,600
	Bruce Cordes	

Since the total payment is less than \$2,500 per individual, there appears to be no violation of Chapter 362.5(11) of the Code of Iowa.

04-III-F Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions.

04-III-G Council Minutes

No transactions were found that I believe should have been approved in the Council minutes but were not.

It was noted that on one occasion, the City's official publication source failed to publish the council minutes in a timely manner. In addition, the publication of the minutes did not include a summary of receipts and the total disbursements from each fund as required by Section 372.13(6) of the Code of Iowa. The City needs to be diligent in monitoring its publications to be certain that publications are made when submitted to the newspaper and should include these required items in the publication of the minutes.

CITY OF BONDURANT
Schedule of Findings
Year Ended June 30, 2004

Response: We will include a summary of all receipts and the total disbursements from each fund with the publication of the minutes and monitor the timely publication.

Conclusion: Response accepted.

04-III-H Water and Sewer Revenue Bonds

The provisions of the resolutions for the issuance of the revenue bonds relating to funding of the sinking funds were followed.

04-III-I Deposits and Investments

I noted no instances of non-compliance with the City's investment policy and investment provisions of Chapter 12B and 12C of the Code of Iowa.

04-III-J Economic Development

During the year ended June 30, 2004, the City paid \$3,692 to the Eastern Polk Regional Development Association and \$6,300 to Bondurant Development, which may not be appropriate expenditures of public funds since the public benefits to be derived have not been clearly documented.

According to Chapter 15A of the Code of Iowa and an Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises that the governing body should evaluate the public benefits to be obtained and discusses specific criteria to be considered in documenting public purpose.

Response: The Council did receive and review full reports from the development organizations. We believe them to comply with the intent of the law.

Conclusion: Response accepted.

04-III-K Deficit Fund Balances

At June 30, 2004, the City had a deficit fund balance in the Special Revenue Fund – TIF of \$398,802. The City should make transfers, increase receipts or reduce disbursements to eliminate this deficit.

Response: We will work to eliminate the deficit.

Conclusion: Response accepted.