

CITY OF MITCHELLVILLE, IOWA

Independent Auditors' Report
Basic Financial Statements and
Supplemental Information and Findings

June 30, 2004

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City of Mitchellville, Iowa

Officials

Name	Title	Term Expires
Before January, 2004		
Michael Kendall	Mayor	December, 2003
Jon Woods	Mayor Pro Tem	December, 2003
Dale Hoover	Council Member	December, 2003
Steve Michels	Council Member	December, 2003
Sara Chambers	Council Member	December, 2005
Susan Greenhorn	Council Member	December, 2005
Warren Hall	City Administrator/Clerk	Indefinite
Mildred Cunningham	Deputy City Clerk	Indefinite
Amy Beattie	City Attorney	Indefinite
Dan Miers	Director Public Works	Indefinite
After January, 2004		
Michael Kendall	Mayor	December, 2005
Jon Woods	Mayor Pro Tem	December, 2007
Peggy Olson	Council Member	December, 2007
James Scott	Council Member	December, 2007
Sara Chambers	Council Member	December, 2005
Susan Greenhorn	Council Member	December, 2005
Warren Hall	City Administrator/Clerk	Indefinite
Mildred Cunningham	Deputy City Clerk	Indefinite
Amy Beattie	City Attorney	Indefinite
Dan Miers	Director Public Works	Indefinite

POLLARD AND COMPANY P.C.

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Mitchellville

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Mitchellville, 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 Mitchellville's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Mitchellville 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 discussed in Note 11 to the financial statements, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our reports as dated below on our consideration of the City of Mitchellville's internal control over financial reporting and our 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 our audit.

The Management's Discussion and Analysis and the Budgetary Comparison information are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

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

January 27, 2005

Pollard and Company P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Mitchellville 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 undertook significant projects involving building a sewer treatment facility and preliminary steps to replace the water plant and well fields much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased 9%, or \$114,817, from FY 2003 to FY 2004. Property tax increased approximately \$24,869.
- Disbursements increased by more than 55% or \$1,046,023 in fiscal 2004 from fiscal 2003. Public safety and general government disbursements decreased \$31,783 and \$36,819 respectively. General obligation debt decreased \$55,000.
- The City's total cash basis net assets decreased approximately 28%, or \$535,314, from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities decreased approximately \$697,294 and the assets of the business type activities increased \$134,427.

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, 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 and the sanitary sewer system. 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 Employee Benefits, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

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

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

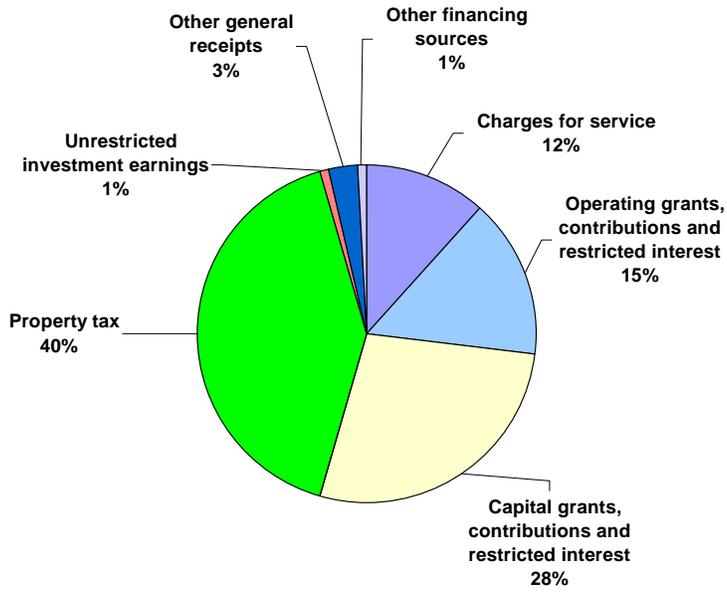
GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental activities.

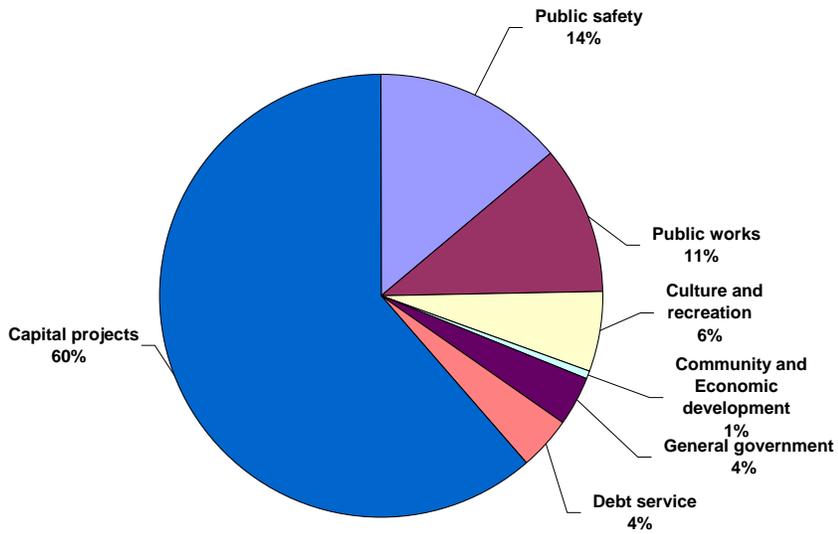
Changes in Cash Basis Net Assets of Governmental Activities Year ended June 30, 2004

Receipts and transfers:	
Program receipts:	
Charges for service	\$137,134
Operating grants, contributions and restricted interest	\$180,171
Capital grants, contributions and restricted interest	\$325,561
General receipts:	
Property tax	\$484,245
Unrestricted investment earnings	\$7,657
Other general receipts	\$34,436
Other financing sources	\$9,000
Total receipts and transfers	\$1,178,204
Disbursements:	
Public safety	\$262,331
Public works	\$199,840
Culture and recreation	\$111,260
Community and economic development	\$12,061
General government	\$66,278
Debt service	\$71,348
Capital projects	\$1,152,380
Total disbursements	\$1,875,498
Increase in cash basis net assets	(\$697,294)
Cash basis net assets beginning of year	\$914,725
Cash basis net assets end of year	\$217,431

Receipts by Source



Disbursement by Function



The City's total receipts for governmental activities were \$1,178,204. The total cost of all programs and services was \$1,875,498. This resulted in an decrease of cash-basis net assets of \$697,294.

The City decreased property tax rates for 2004 by about 53 cents per thousand dollars of taxable value. Despite this decrease, the increase in the total assessed valuation, raised the City's property tax receipts by approximately \$24,869 in 2004.

The cost of all governmental activities this year was \$1,875,498. As shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was \$1,232,632 or slightly over 66 percent, because some of the cost was paid by those directly benefited from the programs (\$137,134) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$505,732).

Changes in Cash Basis Net Assets of Business Type Activities
Year ended June 30, 2004

Receipts:	
Program receipts:	
Charges for service:	
Water	\$209,143
Sewer	\$243,768
Capital grants, contributions and restricted interest	
General receipts:	
Unrestricted interest on investments	\$4,844
Bond proceeds	
Other general receipts	\$20,766
Total receipts	\$478,521
Disbursements and transfers:	
Water	\$177,208
Sewer	\$157,886
Transfers	\$9,000
Total disbursements and transfers	\$344,094
Increase (decrease) in cash balance	\$134,427
Cash basis net assets beginning of year	\$1,080,517
Cash basis net assets end of year	\$1,214,944

Total business type activities receipts for the fiscal year were \$478,521 compared to \$498,323 last year. Total disbursements and transfers for the fiscal year decreased by 20% to a total of \$344,094, due to funding the new wastewater treatment plant as a capital project.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As The City of Mitchellville completed the year, its governmental funds reported a combined fund balance of \$217,431, a decrease of \$697,294 from last year’s total of \$914,725. 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 \$51,719 from the prior year to \$324,995. This increase is attributable to reduced spending in programs that are funded by the General Fund.
- The Road Use Tax Fund cash balance had an increase of \$43,035 from \$207,980 to \$251,015 during the fiscal year. The City intends to use this money to maintain or upgrade the condition of all City roads and fund street lighting to offset budget cuts.
- The Capital Project Fund cash balance had a decrease during the year of \$826,819 from \$363,908 at the beginning of the year to a deficit of \$462,911 at the end of the year. This was due to wastewater treatment facility costs being paid ahead of funding.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$44,364 to \$379,345, due primarily to controlled spending.
- The Sewer Fund cash balance increased by \$86,383.

BUDGETARY HIGHLIGHTS

In May 2004, the City issued \$1.2 million in revenue loan debt under the State Revolving Loan Fund (SRF) in order to undergo a wastewater treatment facility improvement project but the funds were not drawn until after June 30, 2004.

DEBT ADMINISTRATION

At June 30, 2004, the City had approximately \$331,900 in bonds and other long-term debt, compared to approximately \$395,927 last year, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	2004	2003
General obligation capital loan notes	\$ 290,000	345,000
Lease purchase agreement		\$41,900
		\$50,927
Total	\$ 331,900	395,927

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt of \$331,900 is significantly below its constitutional debt limit of \$2,850,048.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Mitchellville's elected and appointed officials and department heads considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for various City activities.

Although property tax valuations increased, the City expects lower revenues from the state. Revenues from road use tax will pay for street lighting and street projects.

In May 2004, the City passed a resolution authorizing \$1.2 million in sewer revenue loan note under the State Revolving Loan Fund. The City did not draw from the SRF until after June 30, 2004. The City is planning to issue revenue obligation debt for the water plant and well site projects following required hearings expected to take place in January and February 2005.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Andrew J. Lent, City Clerk, 110 2nd Street NE, Mitchellville, Iowa.

City of Mitchellville, Iowa
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2004

	Disbursements	Program Receipts		
		Charges for Services	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental Activities				
Public safety	\$ 262,331	\$ 56,718	\$ -	\$ -
Public works	199,840	71,518	169,657	-
Culture and recreation	111,260	8,898	10,514	-
Community and economic development	12,061	-	-	-
General government	66,278	-	-	-
Debt service	71,348	-	-	-
Capital projects	1,152,380	-	-	325,561
Total governmental activities	1,875,498	137,134	180,171	325,561
Business type activities				
Water	177,208	209,143	-	2,422
Sewer	157,886	243,768	-	2,422
Total business type activities	335,094	452,911	-	4,844
Total	\$ 2,210,592	\$ 590,045	\$ 180,171	\$ 330,405
General Receipts				
Property tax levied for				
General purposes				
Debt service				
Unrestricted interest on investments				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash basis net assets				
Restricted (deficit)				
Streets				
Capital project				
Debt service				
Employee benefits				
Other purposes				
Unrestricted				
Total cash basis net assets				
<i>There were no reconciling items between the Governmental and Proprietary Fund Statements of Cash Receipts, Disbursements and Changes in Cash Balances and the above Statement. See notes to financial statements.</i>				

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (205,613)	\$ -	\$ (205,613)
41,335	-	41,335
(91,848)	-	(91,848)
(12,061)	-	(12,061)
(66,278)	-	(66,278)
(71,348)	-	(71,348)
(826,819)	-	(826,819)
(1,232,632)	-	(1,232,632)
-	34,357	34,357
-	88,304	88,304
-	122,661	122,661
\$ (1,232,632)	\$ 122,661	\$ (1,109,971)
405,448	-	405,448
78,797	-	78,797
7,657	-	7,657
34,436	20,766	55,202
9,000	(9,000)	-
535,338	11,766	547,104
(697,294)	134,427	(562,867)
914,725	1,080,517	1,995,242
\$ 217,431	\$ 1,214,944	\$ 1,432,375
\$ 251,015	\$ -	\$ 251,015
(462,911)	-	(462,911)
27,274	52,016	79,290
5,364	-	5,364
71,694	-	71,694
324,995	1,162,928	1,487,923
\$ 217,431	\$ 1,214,944	\$ 1,432,375

City of Mitchellville, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2004

		Special Revenue		
		General	Road Use Tax	Employee Benefits
Receipts				
	Property Taxes	\$ 315,466	\$ -	\$ 74,408
	Licenses and Permits	10,778	-	-
	Use of Money and Property	7,657	-	-
	Intergovernmental	35,024	169,657	-
	Charges for Services	120,227	-	-
	Miscellaneous	12,805	-	-
	Total Receipts	501,957	169,657	74,408
Disbursements				
	Operating			
	Public Safety	223,212	-	32,659
	Public Works	63,317	121,622	14,901
	Culture and Recreation	100,773	-	10,487
	Community and Economic Development	12,061	-	-
	General Government	59,068	-	6,910
	Debt Service	-	-	-
	Capital Projects	-	-	-
	Total Disbursements	458,431	121,622	64,957
Excess (deficiency) of receipts				
	over (under) disbursements	43,526	48,035	9,451
Other financing sources (uses)				
	Intrafund Loans	(5,500)	-	-
	Operating transfers in	13,765	-	-
	Operating transfers out	-	(5,000)	-
	Total other financing sources (uses)	8,265	(5,000)	-
Net change in cash balances				
		51,791	43,035	9,451
Cash balance (deficit) - beginning of year				
		273,204	207,980	(4,087)
Cash balance (deficit) - end of year				
		\$ 324,995	\$ 251,015	\$ 5,364
Cash basis fund balances (deficit)				
	Unreserved			
	Debt service	\$ -	\$ -	\$ -
	General fund	324,995	-	-
	Special revenue funds	-	251,015	5,364
	Capital projects fund	-	-	-
	Permanent fund	-	-	-
	Total cash basis fund balances	\$ 324,995	\$ 251,015	\$ 5,364

The accompanying notes to financial statements are an integral part of this statement.

Capital Project	Debt Service	Other Nonmajor Governmental Funds	Total
\$ -	\$ 78,797	\$ 15,574	\$ 484,245
-	-	-	10,778
2,050	-	-	9,707
323,511	-	-	528,192
-	-	-	120,227
-	-	3,250	16,055
325,561	78,797	18,824	1,169,204
-	6,460	-	262,331
-	-	-	199,840
-	-	-	111,260
-	-	-	12,061
-	300	-	66,278
-	71,348	-	71,348
1,152,380	-	-	1,152,380
1,152,380	78,108	-	1,875,498
(826,819)	689	18,824	(706,294)
-	-	-	(5,500)
-	-	15,000	28,765
-	-	(9,265)	(14,265)
-	-	5,735	9,000
(826,819)	689	24,559	(697,294)
363,908	26,585	47,135	914,725
\$ (462,911)	\$ 27,274	\$ 71,694	\$ 217,431
\$ -	\$ 27,274	\$ -	\$ 27,274
-	-	-	324,995
-	-	40,936	297,315
(462,911)	-	-	(462,911)
-	-	30,758	30,758
\$ (462,911)	\$ 27,274	\$ 71,694	\$ 217,431

City of Mitchellville, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2004

	Sewer	Sewer Sinking	Water	Utility Deposits	Total
Operating receipts					
Use of money and property	\$ 2,422	\$ -	\$ 2,422	\$ -	\$ 4,844
Charges for service	243,768	-	209,143	-	452,911
Miscellaneous	3,079	-	9,627	8,060	20,766
Total operating receipts	249,269	-	221,192	8,060	478,521
Operating disbursements					
Business type activities	157,886	-	172,828	4,380	335,094
Excess of operating receipts over operating disbursements	91,383	-	48,364	3,680	143,427
Intrafund loan repayment	-	-	5,500	-	5,500
Operating transfers out	(5,000)	-	(9,500)	-	(14,500)
	(5,000)	-	(4,000)	-	(9,000)
Net change in cash balances	86,383	-	44,364	3,680	134,427
Cash balances - beginning of year	697,200	32,492	334,981	15,844	1,080,517
Cash balances - end of year	\$ 783,583	\$ 32,492	\$ 379,345	\$ 19,524	\$ 1,214,944
Cash basis fund balances					
Reserved for debt service	\$ -	\$ 32,492	\$ -	\$ 19,524	\$ 52,016
Unreserved	783,583	-	379,345	-	1,162,928
Total cash basis fund balances	\$ 783,583	\$ 32,492	\$ 379,345	\$ 19,524	\$ 1,214,944
<i>See notes to financial statements</i>					

City of Mitchellville, Iowa
 Statement of Cash Receipts, Disbursements and Changes in Cash Balances
 Fiduciary Fund – Blake Trust
 As of and for the year ended June 30, 2004

Receipts		
	Investment earnings - interest	\$ 1,058
	Total receipts	1,058
Excess of receipts over disbursements		1,058
	Cash balance - beginning of year	57,861
	Cash balance - end of year	\$ 58,919

City of Mitchellville, Iowa
Notes To Financial Statements
June 30, 2004

1/ Summary of Significant Accounting Policies

The City of Mitchellville is a political subdivision of the State of Iowa located in Polk County. It was first incorporated in 1856 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 nonpartisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements, and general administrative services.

A. Reporting Entity

For financial reporting purposes, the City of Mitchellville 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 board 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.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the City's citizenry, but do not meet the criteria for 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: The Safety Coalition of Central Iowa Cities, HAZ-MAT Services, Urban Design Standards and Construction Specification Agreement, City of Colfax Mutual Fire and Police Assistance Agreement and Central Regional Iowa Drinking Water Commission.

In addition, the City, in conjunction with seventeen other cities, created the Metro Waste Authority. The Authority board consists of an elected representative of the governing body of each participating governmental jurisdiction. The purpose of this joint public body is to provide for the economic disposal of all solid waste produced or generated by the jurisdictions and private contractors. During the year ended June 30, 2004, the City paid the Metro Waste Authority \$14,125 for the Curb It Program.

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.

B. Basis of Presentation (continued)

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

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

The City reports the following major governmental funds:

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition of capital facilities.

Special Revenue:

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

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

The Employee Benefits Fund is used to account for the tax levy and the disbursement for the benefits.

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

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

2/ Cash and Pooled Investments

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

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

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,255,695 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

3/ Bonds and Notes Payable

Annual debt service requirements for general obligation notes and lease purchase notes are as follows:

	General Obligation Bond		Lease Purchase Note		Total	
Year Ending						
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2005	60,000	13,703	9,576	2,527	69,576	16,230
2006	60,000	10,808	10,155	1,948	70,155	12,756
2007	25,000	8,500	10,768	1,335	35,768	9,835
2008	25,000	7,250	11,401	768	36,401	8,018
2009	30,000	6,000			30,000	6,000
2010	30,000	4,500			30,000	4,500
2011	30,000	3,000			30,000	3,000
2012	30,000	1,500			30,000	1,500
Total	\$ 290,000	\$ 55,261	\$ 41,900	\$ 6,578	\$ 331,900	\$ 61,839

The sewer revenue bonds were paid off during the year ended June 30, 2003. Those bonds required a sinking fund be established. The balance in the fund, totaling \$32,492 at June 30, 2004, is being maintained to comply with the anticipated requirements of bond financing needed to complete the sewer improvement project.

4/ Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual compensation and the City is required to contribute 5.93% of annual covered payroll except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$22,690, \$22,812, and \$20,784, respectively, which is equal to the required contributions for each year.

5/ Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for these earned termination payments payable to employees at June 30, 2004, primarily relating to the General Fund, is \$2,300.

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

6/ Risk Management

The City of Mitchellville 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.

7/ Interfund Loan

In a prior year, the Enterprise Fund Water Operation Fund loaned \$10,500 to the General Fund for park improvements. During the year ended June 30, 2004 and 2003, the General Fund repaid \$5,500 and \$5,000, respectively.

8/ Interfund Transfers

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

		Transfer To
		General
Transfer from		
	Road Use Tax	\$ 5,000
	Enterprise	14,500
		\$ 19,500

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

9/ Commitments

As of June 30, 2004, the City has committed to a sewer project with an estimated cost of \$2,211,000. The costs will be funded by grants from the Iowa Transportation and Corrections Departments in the amounts of \$193,000 and \$668,000, respectively, and the balance from a loan from the State Sewer Revolving Loan Fund. As of June 30, 2004, the City has received \$781,593 from the Departments.

10/ Lease

In 2002, the City entered into a two-year municipal lease agreement with Ford Motor Credit to lease a police car. During the year, \$6,400 expense was charged to the Debt Service Fund. The lease is subject to annual appropriations.

11/ Accounting Change

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the fiscal year ending 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. Implementation of these standards had no effect on the beginning fund balances.

12/ Deficit Fund Balance

The Capital Project Fund had a deficit balance of \$462,911. The deficit was a result of project expenditures being made ahead of receipts. Subsequent receipts from the Departments and bond proceeds eliminated the deficit.

City of Mitchellville, Iowa
 Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2004

	Governmental Funds Actual	Enterprise Funds Actual	Net
Receipts			
Property Taxes	\$ 484,245	\$ -	\$ 484,245
Licenses and permits	10,778		10,778
Use of money and property	9,707	4,844	14,551
Intergovernmental	528,192		528,192
Charges for Service	120,227	452,911	573,138
Miscellaneous	16,055	20,766	36,821
Total Receipts	1,169,204	478,521	\$ 1,647,725
Disbursements			
Public safety	262,331	-	262,331
Public works	199,840	-	199,840
Health and social services	-	-	-
Culture and recreation	111,260	-	111,260
Community and economic development	12,061	-	12,061
General government	66,278	-	66,278
Debt service	71,348	-	71,348
Capital projects	1,152,380	-	1,152,380
Business type activities	-	335,094	335,094
Total Disbursements	1,875,498	335,094	2,210,592
Excess (deficiency) of receipts over (under) disbursements	(706,294)	143,427	(562,867)
Other financing sources, net	9,000	(9,000)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(697,294)	134,427	(562,867)
Balance - beginning of year	914,725	1,080,517	-
Balance - end of year	\$ 217,431	\$ 1,214,944	\$ (562,867)
<i>See accompanying independent auditors' report.</i>			

Budgeted Amounts		
Original	Final	Final to Net Variance
\$ 460,346	\$ 460,346	\$ 23,899
8,545	8,545	2,233
26,950	26,950	(12,399)
206,811	206,811	321,381
537,005	537,005	36,133
32,137	33,831	2,990
1,271,794	1,273,488	374,237
286,769	286,769	24,438
219,431	219,431	19,591
1,950	1,950	1,950
127,553	129,247	17,987
16,100	16,100	4,039
110,571	110,571	44,293
78,203	78,203	6,855
1,250,000	1,250,000	97,620
339,397	339,397	4,303
2,429,974	2,431,668	221,076
(1,158,180)	(1,158,180)	595,313
600,000	600,000	600,000
(558,180)	(558,180)	(4,687)
1,827,336	2,053,799	(2,053,799)
\$ 1,269,156	\$ 1,495,619	\$ (2,058,486)

City of Mitchellville, 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 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, a budget amendment increased budgeted disbursements by \$1,694. The budget amendments are reflected in the final budgeted amounts.

City of Mitchellville, Iowa
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2004

		Special Revenue			
		Emergency Levy	Backhoe Fund	Special Assessment	DARE
Receipts					
	Property tax	\$ 9,265	\$ -	\$ 6,309	\$ -
	Miscellaneous	-	-	-	-
	Total Receipts	9,265	-	6,309	-
Excess of receipts					
	over disbursements	9,265	-	6,309	-
Other financing uses					
	Operating transfers in	-	15,000	-	-
	Operating transfers out	(9,265)	-	-	-
		(9,265)	15,000	-	-
Net change in cash balances		-	15,000	6,309	-
Cash balance - beginning of year		-	-	13,392	45
Cash balance - end of year		\$ -	\$ 15,000	\$ 19,701	\$ 45
Cash basis fund balances					
	Unreserved				
	Special revenue funds	\$ -	\$ 15,000	\$ 19,701	\$ 45
	Permanent fund	-	-	-	-
	Total cash basis fund balances	\$ -	\$ 15,000	\$ 19,701	\$ 45
<i>See accompanying independent auditors' report.</i>					

Special Revenue		Permanent	
Park Fund	Tax Abatement	Cemetery Perpetual Care	Total
\$ -	\$ -	\$ -	\$ 15,574
-	-	3,250	3,250
-	-	3,250	18,824
-	-	3,250	18,824
-	-	-	15,000
-	-	-	(9,265)
-	-	-	5,735
-	-	3,250	24,559
2,940	3,250	27,508	47,135
\$ 2,940	\$ 3,250	\$ 30,758	\$ 71,694
\$ 2,940	\$ 3,250	\$ -	\$ 40,936
-	-	30,758	30,758
\$ 2,940	\$ 3,250	\$ 30,758	\$ 71,694

City of Mitchellville, Iowa
Schedule of Indebtedness
For the year ended June 30, 2004

		Date of Issue	Interest Rates	Amount Originally Issued
Obligation				
	General Obligation Notes			
	Sewer Improvement	December, 1995	4.70%	\$ 250,000
	Community/Senior Center	February, 1996	4.70%	100,000
	Storm Sewer Improvement	March, 1997	5.00%	375,000
	Totals			
	Lease Purchase Note			
	Ambulance	July, 1997	6.04%	\$ 88,910
	(secured by a lien on the ambulance)			
<i>See accompanying independent auditor's report.</i>				

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 75,000	\$ -	\$ 25,000	\$ 50,000	\$ 2,938
30,000	-	10,000	20,000	1,410
240,000	-	20,000	220,000	12,000
\$ 345,000	\$ -	\$ 55,000	\$ 290,000	\$ 16,348
\$ 50,927	\$ -	\$ 9,027	\$ 41,900	\$ 3,076

City of Mitchellville, Iowa
 Bond and Note Maturities
 June 30, 2004

	Storm Sewer				Sewer Improvements	
	Issued March 1, 1997				Issued December 1, 1995	
Year Ending June 30,	Interest Rates (%)	Amount			Interest Rates (%)	Amount
2005	5.00	\$ 25,000			4.70	\$ 25,000
2006	5.00	25,000			4.70	25,000
2007	5.00	25,000				
2008	5.00	25,000				
2009	5.00	30,000				
2010	5.00	30,000				
2011	5.00	30,000				
2012	5.00	30,000				
Totals		\$ 220,000				\$ 50,000
	Community Senior Center			General Obligation Bonds and Notes	Lease Purchase Note Ambulance	
	Issued February 1, 1996				Issued July 30, 1997	
Year Ending June 30,	Interest Rates (%)	Amount	Total		Interest Rates (%)	Amount
2005	4.70	\$ 10,000	\$ 60,000		6.04	\$ 9,576
2006	4.70	10,000	60,000		6.04	10,155
2007			25,000		6.04	10,768
2008			25,000		6.04	11,401
2009			30,000			
2010			30,000			
2011			30,000			
2012			30,000			
Totals		\$ 20,000	\$ 290,000			\$ 41,900
<i>See accompanying independent auditors' report.</i>						

City of Mitchellville, Iowa
 Schedule of Receipts by Source and Disbursements by Function
 All Government Funds
 As of and for the year ended June 30, 2004

		2004	2003
Receipts			
Property taxes		\$ 484,245	\$ 458,376
Other city tax		-	957
Licenses and permits		10,778	5,775
Use of money and property		9,707	15,526
Intergovernmental		528,192	653,862
Charges for service		120,227	129,467
Miscellaneous		16,055	20,058
Total		\$ 1,169,204	\$ 1,284,021
Disbursements			
Operating			
Public safety		\$ 262,331	\$ 294,114
Public works		199,840	183,225
Health and human services		-	1,944
Culture and recreation		111,260	110,273
Community and economic development		12,061	13,028
General government		66,278	103,097
Debt service		71,348	80,695
Capital projects		1,152,380	43,099
Total		\$ 1,875,498	\$ 829,475
<i>See accompanying independent auditors' report.</i>			

POLLARD AND COMPANY P.C.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Honorable Mayor and
Members of the City Council

We have audited the financial statements of the City of Mitchellville, Iowa as of and for the year ended June 30, 2004, and have issued our report as dated below. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with 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 Mitchellville's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Mitchellville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

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

This report, a matter of public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Mitchellville and other parties to whom the City of Mitchellville may report. This report is not intended to be and should not be used by anyone other than these specified parties.

January 27, 2005

Pollard and Company P.C.

CITY OF MITCHELLVILLE, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

PART I Findings Related to the Financial Statements

REPORTABLE CONDITIONS

I-A-04 Segregation of Duties

One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the general ledger, reconciliations and securities control and custody are all done by the same person.

Recommendation

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

Response

With the addition of a utility clerk in January, 2004, the City will attempt to segregate duties to the extent possible to provide additional control through review of financial transactions and reports and segregation of duties.

Conclusion

Response accepted.

I-B-04 Reconciliation of Utility Billings, Collections and Delinquencies

Utility collections were not reconciled to the general ledger throughout the year by an independent person. Also, utility collections were not reconciled to bank deposits.

Recommendation

Procedures should be established to reconcile utility collections for each period and also to reconcile collections to deposits by a person independent of billing and collections and general ledger.

Response

These procedures will be implemented as recommended.

Conclusion

Response accepted.

I-C-04 Reconciliation of Fire Department Billings and Collections

Ambulance billings, collections and delinquent accounts were not reconciled to the general ledger throughout the year. Also, ambulance collections were not reconciled to bank deposits.

Recommendation

Procedures should be established to reconcile ambulance billings, collections and delinquencies each billing period and also to reconcile collections to bank deposits. The City Manager or an independent person should review the reconciliations and monitor delinquencies. In addition, Council should approve all account write-offs.

Response

We will implement this recommendation.

Conclusion

Response accepted.

PART II Other Findings Related to Statutory Reporting:

II-A-04 Official Depositories

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

II-B-04 Certified Budget

Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted.

II-C-04 Questionable Disbursements

We noted no disbursements for parties, banquets or other entertainment expenses that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-04 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-04 Business Transactions

No business transactions between the City and City officials were noted in accordance with Chapter 362.5(10) of the Code of Iowa.

II-F-04 Bond Coverage

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

II-G-04 Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not except the following:

Per the City ordinance, the City clerk is authorized to pay certain obligations prior to Council approval. The payments are to be submitted for Council approval at the next regular meeting. The December 19, 2003 and June 24, 2004 payrolls were omitted from the subsequent minutes.

Recommendation

The City ordinance should be followed.

Response

We will implement procedures to assure that all transactions are approved in the Council minutes.

Conclusion

Response accepted.

II-H-04 Deposits and Investments

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

II-I-04 Time Cards

The supervisors did not approve all time cards submitted by employees.

Recommendation

All time cards should be approved by the employee's supervisor.

Response

A supervisor will approve the time cards of affected employees.

Conclusion

Response accepted.

II-J-04 Financial Condition

As further explained in Note 12 of the financial statements, the Capital Project Fund had a deficit balance at June 30, 2004.

Recommendation

The City should investigate alternatives to eliminate the deficit in order to return the fund to a sound financial position.

Response

Note 12 of the financial statements indicates the City's plans to eliminate the deficit.

Conclusion

Response accepted.