

City of Eldridge, Iowa
Independent Auditors' Reports
Basic Financial Statements and Supplementary Information
Schedule of Findings and Questioned Costs

June 30, 2004



Reiser, Jennings & Co., P.C.
Certified Public Accountants

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City of Eldridge, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Frank B. Wood	Mayor	January 2006
Hany Khoury	Council Member	January 2006
Steve Mohr	Council Member	January 2006
Steve Puls	Council Member	January 2008
John W. Strazewski	Council Member	January 2006
Donald M. Stoltenberg	Utility Board Trustee	February 2005
Lawrence B. Rauch	Utility Board Trustee	February 2006
Brian M. Roesler	Utility Board Trustee	February 2008
Michael E. Ripperger	Utility Board Trustee	February 2009
Kevin A. Kroeger	Utility Board Trustee	February 2008
John R. Dowd	City Administrator	Indefinite
Denise M. Benson	City Clerk	Indefinite
Thomas R. Schirman, Jr.	City Attorney	Indefinite
Martin J. Stolmeier	Police Chief	Indefinite
Brian Wessel	Street Superintendent	Indefinite
Myron K. Scheibe	City Engineer	Indefinite
James Lewandowski	Building Inspector	Indefinite
Dan Glunz	Utility Manager	Indefinite
Pat Bredow	Community Center Manager	Indefinite

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldridge at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 10 to the financial statements, for the year ended June 30, 2004, the City of Eldridge 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; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated September 10, 2004 on our consideration of the City of Eldridge'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.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 29 and 30 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain 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.

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Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Eldridge's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

REISER, JENNINGS & CO., PC
Certified Public Accountants

Davenport, Iowa
September 10, 2004

City of Eldridge
Statement of Net Assets
June 30, 2004

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<u>Assets</u>			
Cash and pooled investments	1,975,373	4,757,369	6,732,742
Receivables:			
Property tax:			
Delinquent	12,701	0	12,701
Succeeding year	1,164,952	0	1,164,952
Tax increment financing:			
Delinquent	1,423	0	1,423
Customer accounts and unbilled usage	19,533	465,772	485,305
Due from other funds	124,707	472,112	596,819
Inventories	27,474	325,392	352,866
Prepaid expenses	27,218	34,256	61,474
Restricted assets:			
Cash and pooled investments	0	817,131	817,131
Capital assets (net of accumulated depreciation)	22,193,736	36,607,444	58,801,180
Total assets	<u>25,547,117</u>	<u>43,479,476</u>	<u>69,026,593</u>
<u>Liabilities</u>			
Accounts payable	5,495	65,878	71,373
Accrued interest payable	0	6,490	6,490
Salaries and benefits payable	35,780	23,585	59,365
Due to other funds	0	596,819	596,819
Deferred revenue:			
Succeeding year property tax	1,164,952	0	1,164,952
Long-term liabilities:			
Portion due or payable within one year:			
Customer deposits	0	82,582	82,582
General obligation bonds/notes	170,000	0	170,000
Revenue notes payable	0	150,000	150,000
Compensated absences	42,113	8,624	50,737
Portion due or payable after one year:			
General obligation bonds/notes	1,200,000	0	1,200,000
Revenue notes payable	0	1,835,000	1,835,000
Compensated absences	71,706	14,684	86,390
Total liabilities	<u>2,690,046</u>	<u>2,783,662</u>	<u>5,473,708</u>

<u>Net assets</u>			
Invested in capital assets, net of related debt	22,193,736	36,607,444	58,801,180
Restricted for:			
Debt service	9,090	0	9,090
Road purposes	529,110	0	529,110
Revenue note retirement	0	353,390	353,390
Equipment replacement	319,672	154,183	473,855
Capital projects	274,153	309,557	583,710
Other purposes	597,015	0	597,015
Unrestricted	<u>(1,065,705)</u>	<u>3,271,240</u>	<u>2,205,535</u>
Total net assets	<u>22,857,071</u>	<u>40,695,814</u>	<u>63,552,885</u>

See notes to financial statements.

City of Eldridge
Statement of Activities
Year ended June 30, 2004

<u>Functions / Programs:</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (E: Cha</u>
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Governmental Activities</u>
Governmental activities:				
Public safety	596,955	11,897	20,655	(564,403)
Public works	2,698,464	246,340	0	(2,452,124)
Culture and recreation	232,235	24,104	5,297	(202,834)
Community and economic development	377,537	0	0	(377,537)
General government	649,862	123,356	0	(526,506)
Interest on long-term debt	59,832	0	0	(59,832)
Total governmental activities	<u>4,614,885</u>	<u>405,697</u>	<u>25,952</u>	<u>(4,183,236)</u>
Business type activities:				
Electric	2,795,120	2,418,085	0	0
Water	613,478	491,663	0	0
Sewer	908,178	435,509	0	0
Community Center	250,231	220,311	0	0
Total business type activities	<u>4,567,007</u>	<u>3,565,568</u>	<u>0</u>	<u>0</u>
Total government	<u><u>9,181,892</u></u>	<u><u>3,971,265</u></u>	<u><u>25,952</u></u>	<u><u>(4,183,236)</u></u>
General Revenues:				
Property and other city tax levied for:				
General purposes				1,385,954
Debt service				45,905
Tax increment financing				653,347
Local option sales tax				501,591
Grants and contributions not restricted to specific purpose				285
Unrestricted investment earnings				19,017
Transfers (to) from other funds				14,300
Miscellaneous				98,727
Total general revenues				<u>2,719,126</u>
Change in net assets				(1,464,110)
Net assets beginning of year, as restated				<u>24,321,181</u>
Net assets end of year				<u><u>22,857,071</u></u>

See notes to financial statements.

Expense) Revenue and
Changes in Net Assets

Business Type	
Activities	Total
0	(564,403)
0	(2,452,124)
0	(202,834)
0	(377,537)
0	(526,506)
0	(59,832)
0	(4,183,236)
(377,035)	(377,035)
(121,815)	(121,815)
(472,669)	(472,669)
(29,920)	(29,920)
(1,001,439)	(1,001,439)
(1,001,439)	(5,184,675)
0	1,385,954
0	45,905
0	653,347
0	501,591
0	285
71,754	90,771
(14,300)	0
131,502	230,229
188,956	2,908,082
(812,483)	(2,276,593)
41,508,297	65,829,478
40,695,814	63,552,885

City of Eldridge
Balance Sheet
Governmental Funds
June 30, 2004

	<u>Special Revenue</u>				
	<u>General</u>	<u>Road Use</u>	<u>Sales Tax Projects</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>Assets</u>					
Cash	592,861	530,212	328,778	9,035	262,763
Receivables:					
Property tax:					
Current year	1,256	0	0	55	11,390
Succeeding year	1,107,965	0	0	56,987	0
Tax increment financing	0	0	0	0	0
Customer accounts	19,533	0	0	0	0
Inventories	27,474	0	0	0	0
Due from other funds	124,707	0	0	0	0
Prepaid expenditures	27,218	0	0	0	0
	<u>1,901,014</u>	<u>530,212</u>	<u>328,778</u>	<u>66,077</u>	<u>274,153</u>
<u>Liabilities and fund balances</u>					
Liabilities:					
Accounts payable	4,393	1,102	0	0	0
Salaries and benefits payable	69,783	0	0	0	0
Deferred revenue:					
Succeeding year property tax	1,107,965	0	0	56,987	0
Due to other funds	0	0	0	0	0
Total liabilities	<u>1,182,141</u>	<u>1,102</u>	<u>0</u>	<u>56,987</u>	<u>0</u>
Fund balances:					
Reserved for debt service	0	0	0	9,090	0
Unreserved:					
Reported in:					
General fund	718,873	0	0	0	0
Special revenue funds	0	529,110	328,778	0	0
Capital projects fund	0	0	0	0	274,153
Total fund balances	<u>718,873</u>	<u>529,110</u>	<u>328,778</u>	<u>9,090</u>	<u>274,153</u>
Total liabilities and fund balances	<u>1,901,014</u>	<u>530,212</u>	<u>328,778</u>	<u>66,077</u>	<u>274,153</u>

See notes to financial statements.

<u>Nonmajor Special Revenue</u>	<u>Total</u>
251,724	1,975,373
0	12,701
0	1,164,952
1,423	1,423
0	19,533
0	27,474
0	124,707
0	27,218
<u>253,147</u>	<u>3,353,381</u>
0	5,495
0	69,783
0	1,164,952
0	0
<u>0</u>	<u>1,240,230</u>
0	9,090
0	718,873
253,147	1,111,035
0	274,153
<u>253,147</u>	<u>2,113,151</u>
<u>253,147</u>	<u>3,353,381</u>

City of Eldridge
Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets
June 30, 2004

Total governmental fund balances (page 11)	2,113,151
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$26,418,894 and the accumulated depreciation is \$4,225,157.	22,193,737
Long-term liabilities, including bonds payable, compensated absences and accrued interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	<u>(1,449,817)</u>
Net assets of governmental activities (page 9)	<u><u>22,857,071</u></u>

See notes to financial statements.

City of Eldridge
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Government Funds
Year Ended June 30, 2004

	Special Revenue			Debt Service
	General	Road Use	Sales Tax Projects	
Revenues:				
Property tax	968,740	0	0	45,905
Tax increment financing	0	0	0	0
Other tax revenues	34,301	0	501,591	0
Licenses and permits	127,864	0	0	0
Use of money and property	43,870	938	35	0
Intergovernmental	121,784	346,393	0	0
Charges for service	154,069	0	0	0
Miscellaneous	68,239	0	0	0
Total revenues	<u>1,518,867</u>	<u>347,331</u>	<u>501,626</u>	<u>45,905</u>
Expenditures:				
Operating:				
Public safety	573,775	0	0	0
Public works	478,953	78,262	0	0
Culture and recreation	196,159	0	0	0
Community and economic development	45,398	0	0	0
General government	317,735	0	91,181	300
Debt service	0	0	0	220,633
Capital projects	0	202,883	300,788	0
Total expenditures	<u>1,612,020</u>	<u>281,145</u>	<u>391,969</u>	<u>220,933</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(93,153)</u>	<u>66,186</u>	<u>109,657</u>	<u>(175,028)</u>
Other financing sources (uses):				
Operating transfers in	30,895	0	20,221	166,575
Operating transfers out	0	(25,000)	(107,595)	0
Total other financing sources (uses)	<u>30,895</u>	<u>(25,000)</u>	<u>(87,374)</u>	<u>166,575</u>
Net change in fund balances	(62,258)	41,186	22,283	(8,453)
Fund balances (deficit) beginning of year, as restated	<u>781,131</u>	<u>487,924</u>	<u>306,495</u>	<u>17,543</u>
Fund balances (deficit) end of year	<u>718,873</u>	<u>529,110</u>	<u>328,778</u>	<u>9,090</u>

See notes to financial statements.

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<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
0	0	1,014,645
0	653,347	653,347
29,058	28,252	593,202
0	0	127,864
12,091	0	56,934
0	0	468,177
0	0	154,069
0	0	68,239
<u>41,149</u>	<u>681,599</u>	<u>3,136,477</u>

0	16,000	589,775
16,862	0	574,077
440	0	196,599
0	9,548	54,946
0	291,176	700,392
0	0	220,633
35,636	0	539,307
<u>52,938</u>	<u>316,724</u>	<u>2,875,729</u>
<u>(11,789)</u>	<u>364,875</u>	<u>260,748</u>

50,000	0	267,691
<u>(20,221)</u>	<u>(100,575)</u>	<u>(253,391)</u>
<u>29,779</u>	<u>(100,575)</u>	<u>14,300</u>
17,990	264,300	275,048
<u>256,163</u>	<u>(11,153)</u>	<u>1,838,103</u>
<u>274,153</u>	<u>253,147</u>	<u>2,113,151</u>

City of Eldridge
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances -
 Governmental Funds to the Statement of Activities
 Year ended June 30, 2004

Net change in fund balances - Total governmental funds (page 13) 275,048

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	0	
Depreciation expense	<u>(1,961,651)</u>	(1,961,651)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are: 225,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences		<u>(2,507)</u>
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Change in net assets of governmental activities (page 10) (1,464,110)

See notes to financial statements.

City of Eldridge
Statement of Net Assets
Proprietary Funds
June 30, 2004

	Enterprise Funds			
	Electric	Water	Sewer	Community Center
<u>Assets</u>				
Cash	3,909,514	591,416	184,439	72,000
Receivables (net of allowance for uncollectibles):				
Customer accounts and unbilled usage	339,809	70,720	55,243	0
Due from other funds	472,112	0	0	0
Inventories	267,486	44,832	8,896	4,178
Prepaid expenses	14,623	4,853	7,844	6,936
Restricted cash	153,913	277,429	385,789	0
Capital assets (net of accumulated depreciation)	12,908,474	8,877,750	13,871,220	950,000
Total assets	<u>18,065,931</u>	<u>9,867,000</u>	<u>14,513,431</u>	<u>1,033,114</u>
<u>Liabilities</u>				
Accounts payable	60,024	1,360	0	4,494
Salaries and benefits payable	7,294	3,679	6,555	6,057
Due to other funds	3,852	592,967	0	0
Payable from restricted assets:				
Customer deposits	82,582	0	0	0
Revenue notes payable	0	75,000	75,000	0
Accrued interest payable	0	4,320	2,170	0
Compensated absences	8,624	0	0	0
Long-term liabilities:				
Revenue bonds payable	0	1,155,000	680,000	0
Compensated absences	14,684	0	0	0
Total liabilities	<u>177,060</u>	<u>1,832,326</u>	<u>763,725</u>	<u>10,551</u>
<u>Net Assets</u>				
Invested in capital assets, net of related debt	12,908,474	8,877,750	13,871,220	950,000
Restricted for:				
Revenue bond retirement	0	180,750	172,640	0
Equipment replacement	6,457	34,620	113,106	0
Capital projects	147,456	62,059	100,042	0
Unrestricted	4,826,484	(1,120,505)	(507,302)	72,563
Total net assets	<u><u>17,888,871</u></u>	<u><u>8,034,674</u></u>	<u><u>13,749,706</u></u>	<u><u>1,022,563</u></u>

See notes to financial statements.

Total

4,757,369

465,772

472,112

325,392

34,256

817,131

36,607,444

43,479,476

65,878

23,585

596,819

82,582

150,000

6,490

8,624

1,835,000

14,684

2,783,662

36,607,444

353,390

154,183

309,557

3,271,240

40,695,814

City of Eldridge
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2004

	Enterprise Funds				Total
	Electric	Water	Sewer	Community Center	
Operating revenues:					
Charges for service	2,418,085	491,663	435,509	220,311	3,565,568
Miscellaneous	25,465	26,923	170	1,387	53,945
Total operating revenues	<u>2,443,550</u>	<u>518,586</u>	<u>435,679</u>	<u>221,698</u>	<u>3,619,513</u>
Operating expenses:					
Business type activities					
Cost of sales and service	2,478,217	307,566	327,259	225,231	3,338,273
Depreciation	316,903	233,625	557,083	25,000	1,132,611
Total operating expenses	<u>2,795,120</u>	<u>541,191</u>	<u>884,342</u>	<u>250,231</u>	<u>4,470,884</u>
Operating income (loss)	<u>(351,570)</u>	<u>(22,605)</u>	<u>(448,663)</u>	<u>(28,533)</u>	<u>(851,371)</u>
Non-operating revenues (expenses):					
Interest income	64,874	2,053	3,287	1,540	71,754
Interest expense	0	(72,287)	(23,836)	0	(96,123)
Transfers to other funds	4,210	(4,210)	(14,300)	0	(14,300)
Miscellaneous	77,557	0	0	0	77,557
Total non-operating revenues (expenses)	<u>146,641</u>	<u>(74,444)</u>	<u>(34,849)</u>	<u>1,540</u>	<u>38,888</u>
Change in net assets	(204,929)	(97,049)	(483,512)	(26,993)	(812,483)
Net assets beginning of year	<u>18,093,800</u>	<u>8,131,723</u>	<u>14,233,219</u>	<u>1,049,555</u>	<u>41,508,297</u>
Net assets end of year	<u><u>17,888,871</u></u>	<u><u>8,034,674</u></u>	<u><u>13,749,707</u></u>	<u><u>1,022,562</u></u>	<u><u>40,695,814</u></u>

See notes to financial statements.

City of Eldridge
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2004

	Enterprise Funds		
	Electric	Water	Sewer
Cash flows from operating activities:			
Cash received from customers and users	2,490,602	492,789	434,404
Cash received from other revenues	83,021	26,923	170
Cash paid for personal services	(240,645)	(103,564)	(179,536)
Cash paid to suppliers	(2,173,122)	(205,131)	(145,979)
Net cash provided by operating activities	<u>159,856</u>	<u>211,017</u>	<u>109,059</u>
Cash flows from noncapital financing activities:			
Advances to other funds, net of advance repayments	<u>4,210</u>	<u>116,645</u>	<u>(14,300)</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(813,027)	0	0
Proceeds from sale of capital assets	20,000	0	0
Principal paid on revenue notes	0	(70,000)	(65,000)
Principal received (paid) on other loans	123,564	(9,888)	0
Interest paid on revenue notes	0	(72,537)	(26,317)
Net cash used for capital and related financing activities	<u>(669,463)</u>	<u>(152,425)</u>	<u>(91,317)</u>
Cash flows from investing activities:			
Interest on investments	<u>79,220</u>	<u>2,808</u>	<u>3,287</u>
Net cash provided by investing activities	<u>79,220</u>	<u>2,808</u>	<u>3,287</u>
Net increase in cash and cash equivalents	(426,177)	178,045	6,729
Cash and cash equivalents beginning of year	<u>4,489,604</u>	<u>690,800</u>	<u>563,499</u>
Cash and cash equivalents end of year	<u><u>4,063,427</u></u>	<u><u>868,845</u></u>	<u><u>570,228</u></u>

See notes to financial statements.

<u>Community Center</u>	<u>Total</u>
220,311	3,638,106
1,388	111,502
(123,309)	(647,054)
<u>(96,506)</u>	<u>(2,620,738)</u>
<u>1,884</u>	<u>481,816</u>
<u>0</u>	<u>106,555</u>
0	(813,027)
0	20,000
0	(135,000)
0	113,676
0	<u>(98,854)</u>
<u>0</u>	<u>(913,205)</u>
<u>1,540</u>	<u>86,855</u>
<u>1,540</u>	<u>86,855</u>
3,424	(237,979)
<u>68,576</u>	<u>5,812,479</u>
<u><u>72,000</u></u>	<u><u>5,574,500</u></u>

City of Eldridge
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2004

	Enterprise Funds		
	Electric	Water	Sewer
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	(351,570)	(22,605)	(448,663)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation expense	316,903	233,625	557,083
(Increase) decrease in customer accounts receivable	130,073	1,126	(1,105)
(Increase) decrease in inventories, at cost	70,982	(344)	0
(Increase) decrease in prepaid expenses	511	224	180
Increase (decrease) in accounts payable	(17,616)	(2,188)	0
Increase (decrease) in accrued wages	5,443	1,179	1,564
Increase (decrease) in compensated absences	5,130	0	0
Net cash provided by operating activities	<u>159,856</u>	<u>211,017</u>	<u>109,059</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:			
Current assets:			
Cash and pooled investments	3,909,514	591,416	184,439
Restricted assets:			
Cash and pooled investments:			
Revenue note retirement	0	180,750	172,640
Equipment replacement	6,457	34,620	113,106
Capital projects	147,456	62,059	100,043
Total cash and cash equivalents at year end	<u>4,063,427</u>	<u>868,845</u>	<u>570,228</u>

See notes to financial statements.

Community Center	Total
(28,533)	(851,371)
25,000	1,132,611
0	130,094
875	71,513
(562)	353
4,494	(15,310)
610	8,796
0	5,130
1,884	481,816

72,000	4,757,369
0	353,390
0	154,183
0	309,558
72,000	5,574,500

City of Eldridge
Notes to Financial Statements
June 30, 2004

1. Summary of significant accounting policies

The City of Eldridge, Iowa, is a political subdivision of the State of Iowa located in Scott County. It was first incorporated in 1871 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. It also provides electric, water, sewer and sanitation utilities.

The financial statements of the City have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

A. Reporting entity

For financial reporting purposes, the City of Eldridge has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it might be 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 the organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. Under these criteria, it has been determined that the City has no component units for which it is financially accountable.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the City. For the most part the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property 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 Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

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 not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues 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 and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

City of Eldridge
Notes to Financial Statements
June 30, 2004

1. Summary of significant accounting policies (continued)

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary 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 revenues and other revenues 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 expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

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

The Sales Tax Projects Fund is used to account for the revenues from the tax authorized by referendum and used for capital improvements, equipment and community programs and services.

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

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

The City reports the following major proprietary funds:

Enterprise:

The Electric Fund is used to account for the operation and maintenance of the City's electric system.

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

The Community Center Fund is used to account for the operation of the City's Community Center.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses

are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

City of Eldridge
Notes to Financial Statements
June 30, 2004

1. Summary of significant accounting policies (continued)

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Fund Equity

The Following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most City Funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments consist of money market accounts which are stated at cost.

For the purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable, Including Tax Increment Financing - Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable

represents taxes collected by the County but not remitted to the City at June 30, 2004 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

City of Eldridge
Notes to Financial Statements
June 30, 2004

1. Summary of significant accounting policies (continued)

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1 1/2 % per month penalty for delinquent payments, is based on January 1, 2002 assessed property valuations, is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2003.

Customer Accounts and Unbilled Usage - Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due from and Due to Other Funds - During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Inventories - Inventories are valued at cost using the first-in/first-out method. Inventory in the Enterprise Funds consist primarily of parts and equipment for maintenance of utility plants. Inventories are recorded as expenses when consumed rather than when purchased.

Restricted Assets - Funds set aside for payment of Enterprise Fund revenue notes are classified as restricted assets since their use is restricted by applicable note indentures. Other restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

Capital Assets - Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Reportable capital assets are defined by The City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land, buildings and improvements	25,000
Equipment and vehicles	5,000
Infrastructure	50,000

Capital assets of the City are depreciated using the straight line method over the following useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (in Years)</u>
Buildings	40 years
Improvements other than buildings	12-25 years
Vehicles	7-10 years
Equipment	4-15 years
Infrastructure	12-40 years

City of Eldridge
Notes to Financial Statements
June 30, 2004

1. Summary of significant accounting policies (continued)

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied

Compensated Absences - City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. The governmental financial statements report a liability for accrued vacation only. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

2. Cash and Pooled Investments

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

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

The City had no investments meeting the disclosure requirement of Governmental Accounting Standards Board Statement No. 3.

City of Eldridge
Notes to Financial Statements
June 30, 2004

3. Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year (as restated, note 10)	Increases	Decreases	Balance End of Year
Government activities:				
Capital assets not being depreciated:				
Land	1,220,500	0	0	1,220,500
Capital assets being depreciated:				
Building	1,478,800		0	1,478,800
Equipment and vehicles	554,367	29,490	0	583,857
Infrastructure, road network	23,135,736		0	23,135,736
Total capital assets being depreciated	<u>25,168,903</u>	<u>29,490</u>	<u>0</u>	<u>25,198,393</u>
Less accumulated depreciation for:				
Building	36,970	36,970	0	73,940
Equipment and vehicles	304,875	3,020	0	307,895
Infrastructure, road network	1,921,661	1,921,661	0	3,843,322
Total accumulated depreciation	<u>2,263,506</u>	<u>1,961,651</u>	<u>0</u>	<u>4,225,157</u>
Total capital assets being depreciated, net	<u>22,905,397</u>	<u>(1,932,161)</u>	<u>0</u>	<u>20,973,236</u>
Governmental activities capital assets, net	<u>24,125,897</u>	<u>1,961,651</u>	<u>0</u>	<u>22,193,736</u>
Business type activities:				
Capital assets being depreciated:				
Building	21,960,100	705,000	0	22,665,100
Equipment and vehicles	587,690	108,027	0	695,717
Infrastructure, water and sewer network	15,720,000	0	0	15,720,000
Total capital assets being depreciated	<u>38,267,790</u>	<u>813,027</u>	<u>0</u>	<u>39,080,817</u>
Less accumulated depreciation for:				
Building	545,128	545,128	0	1,090,256
Equipment and vehicles	213,551	5,400	0	218,951
Infrastructure, water and sewer network	582,083	582,083	0	1,164,166
Total accumulated depreciation	<u>1,340,762</u>	<u>1,132,611</u>	<u>0</u>	<u>2,473,373</u>
Business type activities capital assets, net	<u>36,927,028</u>	<u>(319,584)</u>	<u>0</u>	<u>36,607,444</u>

Depreciation expense was charged to functions of the City as follows:

Governmental activities:

Public safety	\$ 2,686
Public works	1,921,995
General government	36,970
Total depreciation expense - governmental activities	<u>\$ 1,961,651</u>

Business type activities:

Electric	\$ 316,903
Water	233,625
Sewer	557,083
Culture and recreation	25,000
Total depreciation expense - business type activities	<u>\$ 1,132,611</u>

City of Eldridge
Notes to Financial Statements
June 30, 2004

4. Economic Development loan receivable

During the year ended June 30, 1998, the City, Scott County and IES Utilities, Inc. entered into a loan participation agreement with the Eldridge Development Corporation (EDC), an unrelated entity, to loan a total of \$400,000 to EDC for the acquisition and/or construction of a speculative building for sale or lease on real estate located in the City's industrial park. The City's participation was \$200,000, consisting of a \$100,000 loan from the City of Eldridge and a \$100,000 loan from the Eldridge Utility Board. As of June 30, 2004, both loans had been repaid.

5. Long-term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year (as restated, noteX)	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	1,535,000	0	165,000	1,370,000	170,000
Compensated absences	111,935	23,455	21,571	113,819	42,113
Total	1,646,935	23,455	186,571	1,483,819	212,113
Business type activities:					
Revenue notes	2,120,000	0	135,000	1,985,000	150,000
Compensated absences	18,178	9,691	4,561	23,308	8,624
Total	2,138,178	9,691	139,561	2,008,308	158,624

General obligation bonds

Two issues of unmatured general obligation bonds, totaling \$1,370,000, are outstanding at June 30, 2004. The bonds bear interest at rates ranging from 2.7% to 4.4% and mature in varying annual amounts from \$70,000 to \$100,000, with the final maturities due in the year ending June 30, 2013.

Details of the general obligation bonds payable at June 30, 2004 are as follows:

	GO Sewer Refunding	GO Urban Renewal Refunding	Total Government Activites
Date of issue	Nov. 15, 2001	Nov. 15, 2001	
Interest rates	2.7-4.4%	2.75-3.9%	
Final due date	June 1, 2013	June 1, 2011	
Annual payments	90,000-100,000	70,000-80,000	
Amount originally issued	1,010,000	735,000	
Outstanding June 30, 2004	845,000	525,000	1,370,000

A summary of the annual general obligation bond principal and interest requirements to maturity by year is as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	170,000	50,967	220,967
2006	170,000	45,777	215,777
2007	165,000	40,292	205,292
2008	170,000	34,592	204,592
2009	165,000	28,330	193,330
2010-2013	530,000	49,595	579,595
	<u>1,370,000</u>	<u>249,553</u>	<u>1,619,553</u>

City of Eldridge
Notes to Financial Statements
June 30, 2004

5. Long-term Liabilities (continued)

Revenue Bonds

Two issues of unmatured revenue bonds, totaling \$1,985,000, are outstanding at June 30, 2004. These bonds bear interest at rates ranging from 1.75% to 4.6% and mature in varying annual amounts from \$75,000 to \$125,000, with the final maturities due in the year ending June 30, 2017.

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

- a. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders have a lien on the future earnings of the fund.
- b. Sufficient monthly cash transfers shall be made to separate sewer and water revenue bond sinking accounts for the purpose of making the principal and interest payments when due.
- c. Additional monthly transfers shall be made to sewer and water reserve accounts until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the systems.

During the year ended June 30, 2004, the City was in compliance with the revenue bond provisions.

Details of the revenue bond payable at June 30, 2004 are as follows:

	Water <u>Revenue Bonds</u>	Sewer <u>Revenue Bonds</u>	<u>Total</u>
Date of issue	Aug. 20, 2002	May 1, 2004	
Interest rates	2.0-4.6%	1.75-4.0%	
Final due date	June 1, 2017	June 1, 2013	
Annual payments	75,000-125,000	75,000-100,000	
Amount originally issued	1,380,000	765,000	
Outstanding June 30, 2004	1,230,000	755,000	<u>1,985,000</u>

A summary of the annual revenue bond principal requirements to maturity is as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	150,000	72,283	222,283
2006	150,000	68,832	218,832
2007	160,000	64,970	224,970
2008	160,000	60,290	220,290
2009	165,000	55,170	220,170
2010-2014	850,000	177,330	1,027,330
2015-2017	350,000	32,440	382,440
	<u>1,985,000</u>	<u>531,315</u>	<u>2,516,315</u>

6. Interfund transfers

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

<u>Transfer to:</u>	<u>Transfer from:</u>	<u>Amount</u>
Debt Service	Special Revenue:	
	Sales Tax Projects	66,000
	Tax Increment Financing Revenues	100,575
General	Enterprise - Sewer	14,300
General	Special Revenue-Sales Tax Projects	16,595
Special Revenue-Sales Tax	Capital Projects	20,221
Capital Projects	Special Revenue:	
	Road Use Tax	25,000
	Sales Tax Projects	25,000
		<u>267,691</u>

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

City of Eldridge
Notes to Financial Statements
June 30, 2004

7. Due from and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2004 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise:	
	Water	120,855
	Electric	3,852
Enterprise - Electric	Enterprise - Water	472,112
		596,819
		596,819

These balances result from interfund loans to finance projects. Repayments will be made from future revenues.

8. 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 3.7% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.26%, 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 \$62,708, \$59,793 and \$58,191, respectively, equal to the required contribution for each year.

9. Risk Management

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

10. Accounting Change and Restatements

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments; Statements no. 34, Basic Financial Statements - and

Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting 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 statements report the City's governmental and business type activities. Beginning net assets for governmental activities has been restated to include capital assets and the changes in assets and liabilities at July 1, 2003 resulting from the conversion to the accrual basis of accounting.

City of Eldridge
Notes to Financial Statements
June 30, 2004

10. Accounting Change and Restatements (continued)

Beginning capital assets for governmental activities were restated to \$24,155,386, net of accumulated depreciation of \$2,264,047. The restatement resulted from adding infrastructure, buildings, equipment and vehicles to the financial statements.

Beginning capital assets for enterprise funds were restated to \$36,927,028, net of accumulated depreciation of \$1,130,762. The restatement resulted from adding infrastructure, buildings, equipment and vehicles to the financial statements.

The effects of the accounting change and other restatements are summarized as follows:

Governmental activities:

Net assets June 1, 2003, as previously reported	1,838,102
GASB 34 adjustments:	
Capital assets, net of accumulated depreciation of \$2,264,047	24,155,386
Long-term liabilities	<u>(1,672,307)</u>
Net assets, July 1, 2003, as restated	<u><u>24,321,181</u></u>

Enterprise funds:

Net assets June 1, 2003, as previously reported	6,723,505
GASB 34 adjustments:	
Capital assets, net of accumulated depreciation of \$2,264,047	36,927,028
Long-term liabilities	<u>(2,142,236)</u>
Net assets, July 1, 2003, as restated	<u><u>41,508,297</u></u>

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

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Original
Receipts:				
Property tax	1,016,714	0	1,016,714	1,004,710
Tax increment financing	651,924	0	651,924	650,300
Other City tax	564,144	0	564,144	547,107
Licenses and permits	127,864	0	127,864	147,185
Use of money and property	56,934	86,855	143,789	40,081
Intergovernmental	468,177	0	468,177	494,920
Charges for service	155,213	3,555,523	3,710,736	3,642,080
Special assessments	21,266	0	21,266	0
Miscellaneous	68,239	131,502	199,741	102,855
Total receipts	3,130,475	3,773,880	6,904,355	6,629,238
Disbursements:				
Public safety	589,775	0	589,775	679,266
Public works	574,077	0	574,077	547,355
Culture and recreation	196,719	0	196,719	195,556
Community and economic development	54,946	0	54,946	85,925
General government	787,544	0	787,544	856,358
Debt service	220,633	0	220,633	220,635
Capital projects	539,307	0	539,307	825,995
Business type activities	0	4,232,090	4,232,090	3,874,523
Total disbursements	2,963,001	4,232,090	7,195,091	7,285,613
Excess (deficiency) of receipts over (under) disbursements	167,474	(458,210)	(290,736)	(656,375)
Other financing sources, net	(106,555)	220,231	113,676	(10)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	60,919	(237,979)	(177,060)	(656,385)
Balances beginning of year	1,914,454	5,812,479	7,726,933	7,316,996
Balances end of year	1,975,373	5,574,500	7,549,873	6,660,611

See accompanying independent auditor's report.

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<u>Amounts</u>	<u>Final to</u>
<u>Final</u>	<u>Actual</u>
	<u>Variance</u>
1,004,710	12,004
650,300	1,624
547,107	17,037
147,185	(19,321)
40,081	103,708
494,920	(26,743)
3,642,080	68,656
0	21,266
102,855	96,886
<u>6,629,238</u>	<u>275,117</u>
679,266	89,491
587,355	13,278
207,556	10,837
85,925	30,979
941,358	153,814
220,635	2
825,995	286,688
5,013,273	781,183
<u>8,561,363</u>	<u>1,366,272</u>
(1,932,125)	(1,091,155)
<u>(10)</u>	<u>113,686</u>
(1,932,135)	(977,469)
<u>7,727,438</u>	<u>(505)</u>
<u>5,795,303</u>	<u>(977,974)</u>

City of Eldridge
 Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2004

	Governmental Funds			Proprie
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis
Revenues	3,130,475	6,002	3,136,477	3,773,880
Expenditures/expenses	2,963,001	(87,272)	2,875,729	4,232,090
Net	167,474	93,274	260,748	(458,210)
Other financing sources, net	(106,555)	120,855	14,300	220,231
Beginning fund balances/net assets, as restated	1,914,454	(76,351)	1,838,103	5,812,479
Ending fund balances/net assets	<u>1,975,373</u>	<u>137,778</u>	<u>2,113,151</u>	<u>5,574,500</u>

See accompanying independent auditor's report.

<u>etary Funds - Enterprise</u>	
<u>Accrual</u>	<u>Accrual</u>
<u>Adjustments</u>	<u>Basis</u>
(19,356)	3,754,524
102,855	4,567,007
<u>(122,211)</u>	<u>(812,483)</u>
(220,231)	0
<u>35,695,818</u>	<u>41,508,297</u>
<u>35,353,376</u>	<u>40,695,814</u>

City of Eldridge
Notes to Required Supplementary - Budgetary Reporting
Year Ended 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. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 9 major classes of disbursements known as functions, not by fund or fund type. These 9 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. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregate function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$1,395,971. These budget amendments are reflected in the final budgeted amounts.

City of Eldridge
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 Other Supplementary Information
 Year Ended June 30, 2004

	Hotel Tax	LeClaire Rd Tax Increment	Blackhawk Trail Tax Increment	Total
<u>Assets</u>				
Cash	10,820	167,762	73,142	251,724
Receivables:				
Tax increment financing	0	967	456	1,423
Total assets	<u>10,820</u>	<u>168,729</u>	<u>73,598</u>	<u>253,147</u>
<u>Liabilities and fund balances</u>				
Liabilities:				
Accounts payable	0	0	0	0
Due to other funds	0	0	0	0
Total liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balances:				
Reserved for debt service	0	0	0	0
Unreserved:				
Special revenue funds	10,820	168,729	73,598	253,147
Total fund balances	<u>10,820</u>	<u>168,729</u>	<u>73,598</u>	<u>253,147</u>
Total liabilities and fund balances	<u>10,820</u>	<u>168,729</u>	<u>73,598</u>	<u>253,147</u>

See accompanying independent auditor's report.

City of Eldridge
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 Other Supplementary Information
 Year Ended June 30, 2004

	Hotel Tax	LeClaire Rd Tax Increment	Blackhawk Trail Tax Increment	Total
Revenues:				
Tax increment financing	0	390,006	263,341	653,347
Other tax revenues	28,252	0	0	28,252
Total revenues	<u>28,252</u>	<u>390,006</u>	<u>263,341</u>	<u>681,599</u>
Expenditures:				
Operating:				
Public safety	16,000	0	0	16,000
Community and economic development	9,548	0	0	9,548
General government	0	159,174	132,002	291,176
Debt service	0	0	0	0
Total expenditures	<u>25,548</u>	<u>159,174</u>	<u>132,002</u>	<u>316,724</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,704</u>	<u>230,832</u>	<u>131,339</u>	<u>364,875</u>
Other financing sources (uses):				
Operating transfers in	0	0	0	0
Operating transfers out	0	(100,575)	0	(100,575)
Total other financing sources (uses)	<u>0</u>	<u>(100,575)</u>	<u>0</u>	<u>(100,575)</u>
Net change in fund balances	2,704	130,257	131,339	264,300
Fund balances (deficit) beginning of year, as restated	<u>8,116</u>	<u>38,471</u>	<u>(57,740)</u>	<u>(11,153)</u>
Fund balances (deficit) end of year	<u><u>10,820</u></u>	<u><u>168,728</u></u>	<u><u>73,599</u></u>	<u><u>253,147</u></u>

See accompanying independent auditor's report.

City of Eldridge
 Schedule of Revenues by Source and Expenditures by Function-
 All Governmental Funds
 For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Property tax	1,014,645	965,052	819,648	790,400
Tax increment financing	653,347	514,775	548,458	385,485
Other city tax	593,202	551,209	550,962	476,243
Licenses and permits	127,864	113,920	86,727	108,854
Use of money and property	56,934	38,108	51,023	188,235
Intergovernmental	468,177	715,634	1,789,555	352,601
Charges for services	154,069	140,810	139,838	129,809
Miscellaneous	68,239	359,191	161,387	189,266
Total revenues	<u>3,136,477</u>	<u>3,398,699</u>	<u>4,147,598</u>	<u>2,620,893</u>
Expenditures:				
Operating:				
Public safety	589,775	607,054	517,678	472,569
Public works	574,077	559,056	484,294	659,502
Culture and recreation	196,599	177,953	149,681	138,354
Community and economic development	54,946	72,054	65,511	67,701
General government	700,392	619,053	658,609	360,992
Debt service	220,633	225,280	253,689	308,267
Capital projects	539,307	783,880	2,039,976	1,067,732
Total expenditures	<u>2,875,729</u>	<u>3,044,330</u>	<u>4,169,438</u>	<u>3,075,117</u>

See accompanying independent auditor's report.

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

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Eldridge, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 10, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the Standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Eldridge'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 non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part 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 our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Eldridge'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 II of the accompanying Schedule of Finding and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that 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

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are also considered to be material weaknesses. However, of the reportable conditions described in Part II of the accompanying Schedule of Findings and Questioned Costs, we believe item II-A is a material weakness.

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

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

REISER, JENNINGS & CO., PC
Certified Public Accountants

Davenport, Iowa
September 10, 2004

City of Eldridge
Schedule of Findings
June 30, 2004

Part I: Summary of the Independent Auditor's Results

- A. Unqualified opinions were issued on the financial statements.
- B. Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- C. The audit did not disclose any non-compliance which is material to the financial statements.
- D. The City of Eldridge did not qualify as a low risk auditee.

Part II: Findings Related to the Financial Statements

- A. Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling incompatible duties. The posting and maintenance of the general ledger is done by the City Clerk. The City Clerk is also responsible for the depositing of cash funds, the maintenance of bank and investment accounts and the reconciliation of cash to the general ledger.

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 - While optimal segregation of duties is not possible with the current staff available, the City Clerk continues to train other employees to perform some of the above-mentioned duties.

Conclusion - Response accepted.

- B. Reconciliation of General Ledger Accounts - The City Clerk reconciles the cash and investment accounts on a monthly basis to statements received from the banks holding those accounts. However, these amounts are not reconciled to the amounts in the general ledger. Also, beginning fund balances did not agree to prior year ending balances for all funds, some general ledger funds were not in balance, and some transactions were posted directly to the revenue and expenditure "control" accounts.

Recommendation - Procedures should be implemented to reconcile general ledger accounts each month to beginning balances and to reconciled cash balances.

Response - The City Clerk is in the process of implementing procedures to reconcile general ledger accounts on a monthly basis.

Conclusion - Response accepted.

Part III: Other Findings Related to Statutory Reporting

- A. Official Depositories - Resolutions naming official depositories have been approved by the City Council and the Utility Board. The maximum deposit amounts stated in the resolutions were not exceeded during the year ended June 30, 2004.
- B. Certified Budget - Disbursements during the year ended June 30, 2004 did not exceed the budgeted amounts.
- C. Questionable Disbursements - No disbursements were noted which we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

City of Eldridge
Schedule of Findings
June 30, 2004

Part III: Other Findings Related to Statutory Reporting (continued)

- D. Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- E. Business Transactions - No business transactions between the City and City officials were noted.
- F. Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- G. Council Minutes - No transactions were found that we believe should have been approved in the Council or Utility Board minutes but were not.
- H. Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- I. Revenue Notes - The City has established the sinking and reserve accounts required by revenue note provisions.

