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CITY OF PARKERSBURG
PARKERSBURG, IOWA

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2004

 **CARNEY,
ALEXANDER,
MAROLD & Co., L.L.P.**
Certified Public Accountants

CITY OF PARKERSBURG
PARKERSBURG, IOWA

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CITY OF PARKERSBURG
PARKERSBURG, IOWA

City Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2004)		
Robert L. Haylock	Mayor	January, 2006
Harlan J. Johnson	Mayor Pro tem	January, 2004
Harlan Schuck	Council Member	January, 2006
Roger Timmer	Council Member	January, 2004
Nicole Maitland	Council Member	January, 2006
Leon Thorne	Council Member	January, 2004
Gary Hinders	City Clerk	Indefinite
Dale Hansmann	Attorney	Indefinite
(After January 2004)		
Robert L. Haylock	Mayor	January, 2006
Leon Thorne	Mayor Pro tem	January, 2008
Klint C. Knock - serving overseas	Council Member	January, 2008
Harlan Schuck	Council Member	January, 2006
Roger Timmer	Council Member	January, 2008
Nicole Maitland	Council Member	January, 2006
Harlan J. Johnson - temporary	Council Member	Indefinite
Gary Hinders	City Clerk	Indefinite
Dale Hansmann	Attorney	Indefinite

Independent Auditors' 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 Parkersburg, 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 Parkersburg's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 opinions.

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

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 Parkersburg 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 12 to the financial statements, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board 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 dated March 15, 2005 on our consideration of the City of Parkersburg's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. These reports are an integral part of an audit performed in conformance 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 9 and 21 through 22 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the City of Parkersburg'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 three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included on pages 23 through 26, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits 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.

Carney, Alexander, Marold & Co., L.L.P.

March 15, 2005

Management Discussion and Analysis

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

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

2004 Financial Highlights

- Revenues of the City's governmental activities increased 4.91%, or approximately \$55,988, from fiscal 2003 to fiscal 2004. Property tax decreased approximately \$17,958 and bond proceeds increased \$350,000.
- Disbursements increased 43.24%, or approximately \$596,465, in fiscal 2004 from fiscal 2003. Public safety and community and economic development disbursements increased approximately \$73,066 and \$521,934, respectively.
- The City's total cash basis net assets decreased 32.84%, or approximately \$174,957, from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities decreased approximately \$339,613 and the assets of the business type activities increased by approximately \$164,656.

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 accounting principles generally accepted in the United States of America. 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.

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 that helps answer this question.

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

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

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks 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 Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City’s general governmental 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 City's cash balance for governmental activities decreased sharply from a year ago, decreasing from \$702,986 million to \$363,373 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)

	Year ended June 30,	
	2004	2003
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 195	\$ 169
Operating grants, contributions and restricted interest	157	161
Capital grants, contributions and restricted interest	96	11
General receipts:		
Property tax	606	628
Local option sales tax	76	73
Unrestricted interest on investments	10	16
Bond proceeds	350	-
Miscellaneous	56	82
Transfers, net	(174)	-
Total receipts and transfers	<u>1,372</u>	<u>1,140</u>
Disbursements:		
Public safety	237	164
Public works	286	317
Health and social services	7	6
Culture and recreation	173	149
Community and economic development	686	165
General government	191	149
Debt service	132	136
Capital projects	-	-
Total disbursements	<u>1,712</u>	<u>1,086</u>
Increase in cash basis net assets	(340)	54
Cash basis net assets beginning of year	<u>703</u>	<u>649</u>
Cash basis net assets end of year	<u>\$ 363</u>	<u>\$ 703</u>

The City's total receipts for governmental activities increased by 20.36%, or \$232,194. The total cost of all programs and services increased by approximately \$626,275, or 57.68%, with no new programs added this year. The increase in receipts was due to bond proceeds received of \$350,000 and decreases due to the City receiving less tax monies due to decreased roll back percentage and loss of personal property replacement taxes and not receiving Rise grant money of approximately \$90,000 which should be received in 2005.

The City decreased property tax rates for 2004 by an average of 4.11 percent. This lowered the City's property tax receipts by approximately \$17,958 in 2004. Based on decreases in the total assessed valuation, property tax receipts are budgeted to decrease by an additional \$37,482 next year.

The cost of all governmental activities this year was \$1,712,018 compared to \$1,085,743 last year. However, as shown in the Statement of Activities and Net Assets on page 10, the amount taxpayers ultimately financed for these activities was only \$1,263,621 because some of the cost was paid by those directly benefited from the programs (\$195,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$253,000).

Changes in Cash Basis Net Assets of Business Type Activities
(Expressed in Thousands)

	Year ended June 30,	
	2004	2003
Receipts and transfers:		
Program receipts:		
Charges for service:		
Water	\$ 108	\$ 112
Sewer	57	56
Transfers, net	174	-
Total receipts and transfers	339	168
Disbursements:		
Water	72	132
Sewer	26	22
Debt Service	76	77
Total disbursements	174	231
Increase in cash basis net assets	165	(63)
Cash basis net assets beginning of year	5	68
Cash basis net assets end of year	\$ 170	\$ 5

Total business type activities receipts for the fiscal year were \$165,289 compared to \$167,696 last year. The cash balance increased, due to transfers, by approximately \$165,000 from the prior year. Total disbursements for the fiscal year decreased by 24.56% to a total of \$174,427.

Individual Major Governmental Fund Analysis

As the City of Parkersburg completed the year, its governmental funds reported a combined fund balance of \$363,373, a decrease of more than \$339,613 from last year's total of \$702,986. 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 decreased \$89,343 from the prior year to \$215,844. Approximately \$15,000 of this decrease was due to additional legal and auditing expenses due to improprieties in the Economic Department. Approximately \$5,000 was due to lower interest rates, and the remainder due to increases in operating costs such as gas, etc.
- The Road Use Tax Fund cash balance decreased by \$2,098 to \$19,568 during the fiscal year.
- The Urban Renewal Tax Increment Fund - at the end of the fiscal year, the cash balance was \$74,620, a decrease of \$189,542 from the previous year. The decrease was the result of infrastructure costs in the Industrial Park and payment to contractors who participated in the rehabilitation project.

- The Debt Service Fund cash balance increased by \$1,165 to \$16,111 during the fiscal year. This increase was due to overestimation of bond interest due. The balance will be reduced to zero with the new budget.

Individual Major Business Type Fund Analysis

- The Water Fund cash balance increased by \$35,927 to \$34,609, due primarily to an increase in the sale of water.
- The Sewer Fund cash balance increased by \$128,729 to \$134,838 due primarily to the receipt of local option sales tax to be used as future payment of bonds.

Budgetary Highlights

Over the course of the year, the City amended its budget once. The amendment was approved on September 1, 2004 and resulted in an increase in operating disbursements related to a cost overrun of approximately \$350,000 for infrastructure costs in the Industrial Park.

Debt Administration

At June 30, 2004, the City had approximately \$1,632,000 in bonds and other long-term debt, compared to approximately \$1,437,623 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	Year ended June 30,	
	2004	2003
General obligation bonds - sanitary sewer notes	\$ 270	\$ 320
General obligation bonds - corporate purpose notes	350	-
Sewer revenue bonds	1,012	1,055
Urban renewal tax increment financing revenue bonds	-	63
Total	\$ 1,632	\$ 1,438

Debt increased as a result of corporate purpose loan notes for the purpose of infrastructure improvements in the Industrial Park.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue of 5% of the assessed value of all taxable property with the City's corporate limits. The City's outstanding general obligation debt of \$620,000 is significantly below its constitutional debt limit of \$1.68 million.

Economic Factors and Next Year's Budgets and Rates

City of Parkersburg's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. The City's employment growth has mirrored its population growth during 1999-2004, averaging 5 new houses being built each year.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2 percent for fiscal year 2004 compared with the national rate of 3.4 percent. Inflation has been about the same here as the state rate due in part to the modest increases in energy prices, until this past year when natural gas costs increased, and the steady housing market.

These indicators were taken into account when adopting the budget for fiscal year 2005. Amounts available for appropriation in the operating budget are \$1,523,649, a decrease of 9.43% over the final 2004 budget. Budgeted disbursements are expected to stay approximately the same. The City Council and Mayor have made every effort to keep the City financially sound, however the City's budgeted cash balance is expected to decrease by approximately \$75,000 by the close of 2005. Without reducing vital services such as police, fire and ambulance, reducing recreation costs and library expenses, the City will be financially insecure in 5 years. With further state cutbacks and threatened freezes it could be sooner.

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 Gary Hinders, City Clerk, 608 Hwy 57, Parkersburg, Iowa.

Basic Financial Statements

CITY OF PARKERSBURG
PARKERSBURG, IOWA

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2004

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
Primary government:				
Functions/Programs:				
Governmental activities:				
Public safety	\$ 236,808	\$ 60,897	\$ -	\$ -
Public works	285,723	106,977	157,330	-
Health and social services	7,664	-	-	-
Culture and recreation	172,847	27,196	-	-
Community and economic development	686,526	-	-	95,997
General government	190,728	-	-	-
Debt service	131,722	-	-	-
Capital projects	-	-	-	-
	1,712,018	195,070	157,330	95,997
Business type activities:				
Water	72,283	108,210	-	-
Sewer	25,662	57,079	-	-
Debt service	76,482	-	-	-
	174,427	165,289	-	-
Total	\$ 1,886,445	\$ 360,359	\$ 157,330	\$ 95,997
Component Unit:				
Parkersburg Economic Development	\$ 50,540	\$ -	\$ 13,381	\$ -
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt Service				
Local option sales tax				
Payment from City of Parkersburg				
Unrestricted interest on investments				
Bond proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Urban renewal purposes				
Debt Service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

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

Primary Government			
Governmental Activities	Business Type Activities	Total	Component Unit
\$ (175,911)	\$ -	\$ (175,911)	\$ -
(21,416)	-	(21,416)	-
(7,664)	-	(7,664)	-
(145,651)	-	(145,651)	-
(590,529)	-	(590,529)	-
(190,728)	-	(190,728)	-
(131,722)	-	(131,722)	-
-	-	-	-
<u>(1,263,621)</u>	<u>-</u>	<u>(1,263,621)</u>	<u>-</u>
-	35,927	35,927	-
-	31,417	31,417	-
-	<u>(76,482)</u>	<u>(76,482)</u>	-
-	<u>(9,138)</u>	<u>(9,138)</u>	-
<u>(1,263,621)</u>	<u>(9,138)</u>	<u>(1,272,759)</u>	<u>-</u>
-	-	-	(37,159)
369,658	-	369,658	-
171,733	-	171,733	-
65,019	-	65,019	-
75,494	-	75,494	-
-	-	-	65,010
9,649	-	9,649	43
350,000	-	350,000	-
56,249	-	56,249	-
<u>(173,794)</u>	<u>173,794</u>	<u>-</u>	<u>-</u>
<u>924,008</u>	<u>173,794</u>	<u>1,097,802</u>	<u>65,053</u>
<u>(339,613)</u>	<u>164,656</u>	<u>(174,957)</u>	<u>27,894</u>
<u>702,986</u>	<u>4,791</u>	<u>707,777</u>	<u>7,494</u>
<u>\$ 363,373</u>	<u>\$ 169,447</u>	<u>\$ 532,820</u>	<u>\$ 35,388</u>
\$ 19,568	\$ -	\$ 19,568	\$ -
74,620	-	74,620	-
16,111	-	16,111	-
37,230	-	37,230	35,388
<u>215,844</u>	<u>169,447</u>	<u>385,291</u>	<u>-</u>
<u>\$ 363,373</u>	<u>\$ 169,447</u>	<u>\$ 532,820</u>	<u>\$ 35,388</u>

CITY OF PARKERSBURG
PARKERSBURG, IOWA

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2004

	General	Special Revenue	
		Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 353,936	\$ -	\$ -
Tax increment financing collections	-	-	171,733
Other city tax	15,541	-	-
Licenses and permits	3,682	-	-
Use of money and property	11,709	-	-
Intergovernmental	18,308	157,330	-
Charges for service	195,070	-	-
Miscellaneous	32,199	-	-
Total receipts	630,445	157,330	171,733
Disbursements:			
Operating:			
Public safety	236,808	-	-
Public works	126,295	159,428	-
Health and social services	7,664	-	-
Culture and recreation	172,847	-	-
Community and economic development	545	-	574,738
General government	190,728	-	-
Debt service	-	-	67,687
Total disbursements	734,887	159,428	642,425
Excess (deficiency) of receipts over (under) disbursements	(104,442)	(2,098)	(470,692)
Other financing sources (uses):			
Bond proceeds	-	-	350,000
Operating transfers in	15,099	-	-
Operating transfers out	-	-	-
Operating transfers out - prior year	-	-	(68,850)
Total other financing sources (uses)	15,099	-	281,150
Net change in cash balances	(89,343)	(2,098)	(189,542)
Cash balances beginning of year	305,187	21,666	264,162
Cash balances end of year	\$ 215,844	\$ 19,568	\$ 74,620
Cash Basis Fund Balances			
Reserved:			
Debt Service	\$ -	\$ -	\$ -
Unreserved:			
General fund	215,844	-	-
Special revenue funds	-	19,568	74,620
Capital projects funds	-	-	-
Permanent funds	-	-	-
Total cash basis fund balances	\$ 215,844	\$ 19,568	\$ 74,620

See notes to financial statements.

Debt Service	Other Nonmajor Governmental Funds	Total
\$ 65,019	\$ -	\$ 418,955
-	-	171,733
181	75,494	91,216
-	-	3,682
-	-	11,709
-	95,997	271,635
-	-	195,070
-	-	32,199
<u>65,200</u>	<u>171,491</u>	<u>1,196,199</u>
-	-	236,808
-	-	285,723
-	-	7,664
-	-	172,847
-	111,243	686,526
-	-	190,728
<u>64,035</u>	<u>-</u>	<u>131,722</u>
<u>64,035</u>	<u>111,243</u>	<u>1,712,018</u>
<u>1,165</u>	<u>60,248</u>	<u>(515,819)</u>
-	-	350,000
-	-	15,099
-	(75,494)	(75,494)
-	(44,549)	(113,399)
<u>-</u>	<u>(120,043)</u>	<u>176,206</u>
1,165	(59,795)	(339,613)
<u>14,946</u>	<u>97,025</u>	<u>702,986</u>
<u>\$ 16,111</u>	<u>\$ 37,230</u>	<u>\$ 363,373</u>
\$ 16,111	\$ -	\$ 16,111
-	-	215,844
-	(59,795)	34,393
-	38,552	38,552
-	58,473	58,473
<u>\$ 16,111</u>	<u>\$ 37,230</u>	<u>\$ 363,373</u>

CITY OF PARKERSBURG
PARKERSBURG, IOWA

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2004

	Enterprise Funds		
	Sewer Rental	Water	Total
Operating receipts:			
Charges for service			
Sale of water	\$ -	\$ 108,210	\$ 108,210
Sewer rental fees	57,079	-	57,079
Total operating receipts	<u>57,079</u>	<u>108,210</u>	<u>165,289</u>
Operating disbursements:			
Business type Activities:			
Water	-	72,283	72,283
Sewer	25,662	-	25,662
Debt Service	76,482	-	76,482
Total operating disbursements	<u>102,144</u>	<u>72,283</u>	<u>174,427</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(45,065)</u>	<u>35,927</u>	<u>(9,138)</u>
Other financing sources:			
Operating transfers in	60,395	-	60,395
Operating transfers in - prior year	113,399	-	113,399
Total other financing sources	<u>173,794</u>	<u>-</u>	<u>173,794</u>
Net change in cash balances	128,729	35,927	164,656
Cash balances beginning year	<u>6,109</u>	<u>(1,318)</u>	<u>4,791</u>
Cash balances end of year	<u>\$ 134,838</u>	<u>\$ 34,609</u>	<u>\$ 169,447</u>
Cash Basis Fund Balances			
Unreserved	<u>\$ 134,838</u>	<u>\$ 34,609</u>	<u>\$ 169,447</u>
Total cash basis fund balances	<u>\$ 134,838</u>	<u>\$ 34,609</u>	<u>\$ 169,447</u>

See accompanying independent auditors' report.

CITY OF PARKERSBURG
PARKERSBURG, IOWA

Notes to Financial Statements
June 30, 2004

(1) Summary of Significant Accounting Policies

The City of Parkersburg is a political subdivision of the State of Iowa located in Butler County. It was first incorporated in 1874 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Parkersburg has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an Organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the Organization to provide specific benefits to or impose specific financial burdens on the City.

The government-wide financial statements present the City of Parkersburg (the primary government) and its component unit. The component unit discussed in Note 8 is included in the City's reporting entity because of the significance of its operational and financial relationship with the City. The component unit's cash receipts and disbursements are discretely presented on the City's financial statements and condensed information is presented in Note 8.

Jointly Governed Organization

The City participates in a jointly governed organization that provides goods or services to the citizenry of the City but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating government. An official is a member of the Butler County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets - Cash Basis 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.

CITY OF PARKERSBURG
PARKERSBURG, IOWA

Notes to Financial Statements
June 30, 2004

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The Statement of Activities and Net Assets - Cash Basis 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 of 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 - Cash Basis demonstrates the degree to which the direct disbursements of a given function or segment are offset by program receipts. Direct disbursements are those that are 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 the 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 other 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 that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, and the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

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

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

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

CITY OF PARKERSBURG
PARKERSBURG, IOWA

Notes to Financial Statements
June 30, 2004

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Fund Financial Statements (continued)

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

The City of Parkersburg 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 accounting principles general accepted in the United States of America.

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the general government and debt service functions.

(2) Cash and Pooled Investments

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

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

CITY OF PARKERSBURG
PARKERSBURG, IOWA

Notes to Financial Statements
June 30, 2004

(2) Cash and Pooled Investments (continued)

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all category 1 which means that the investments are insured or registered or the securities are held by the City or its agent in the City's name.

The City's investments at June 30, 2004 were certificates of deposit only.

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Bonds:				Sewer Revenue Bonds		Total	
	Sanitary Sewer Notes		Corporate Purpose Loan Notes		Principal	Interest	Principal	Interest
2005	\$ 50,000	\$ 11,985	\$ 25,000	\$ 14,276	\$ 46,000	\$ 32,444	\$ 121,000	\$ 58,705
2006	50,000	9,985	35,000	9,118	48,000	30,964	133,000	50,067
2007	50,000	7,860	35,000	8,522	49,000	30,441	134,000	46,823
2008	60,000	5,610	35,000	7,840	51,000	27,876	146,000	41,326
2009	60,000	2,850	35,000	7,000	54,000	26,226	149,000	36,076
2010			35,000	6,055	56,000	24,490	91,000	30,545
2011			35,000	5,058	58,000	22,671	93,000	27,729
2012			35,000	3,955	60,000	20,812	95,000	24,767
2013			40,000	2,800	64,000	18,866	104,000	21,666
2014			40,000	1,420	66,000	16,835	106,000	18,255
2015					69,000	14,720	69,000	14,720
2016					72,000	12,521	72,000	12,521
2017					75,000	10,195	75,000	10,195
2018					79,000	7,826	79,000	7,826
2019					81,000	5,330	81,000	5,330
2020					84,000	2,707	84,000	2,707
Total	\$ 270,000	\$ 38,290	\$ 350,000	\$ 66,044	\$ 1,012,000	\$ 304,924	\$ 1,632,000	\$ 409,258

The general obligation corporate purpose loan notes, series 2003, were issued for the purpose of defraying a portion of the costs of constructing street and waterworks improvements within the City and to pay the cost of issuance of the notes. The notes will constitute valid and legally binding general obligations of the City, payable both as to principal and interest from unlimited ad valorem taxes levied against all property in the City.

CITY OF PARKERSBURG
PARKERSBURG, IOWA

Notes to Financial Statements
June 30, 2004

(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 covered 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 9.29%, respectively. Contributions requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$16,540, \$17,223, and \$18,365 respectively, equal to the required contributions for each year.

(5) Compensated Absences

Full time City employees accumulate vacation and sick leave hours for subsequent use. These accumulations are not recognized as disbursements by the City until used or paid.

Vacation hours not used as of June 30 each year are forfeited. The City has no liability for earned vacation payable to employees at June 30, 2004.

Sick leave is payable only when used and not upon retirement or death.

(6) Related Party Transactions

The City had business transactions between the City and a City official, totaling \$6,908 during the year ended June 30, 2004.

(7) Anticipatory Warrants

Anticipatory warrants are the warrants which are legally drawn on City funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented for redemption.

There was not any anticipatory warrant activity for the year ended June 30, 2004.

CITY OF PARKERSBURG
PARKERSBURG, IOWA

Notes to Financial Statements
June 30, 2004

(8) Component Unit

The Statement of Activities and Net Assets - Cash Basis includes the discretely presented financial information of the City's component unit, Parkersburg Economic Development, whose relationship to the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. Parkersburg Economic Development is governed by an eight-member board.

Included in the receipts of the component unit is \$65,010 which is from the City of Parkersburg. Likewise, in the financial statements of the City, disbursements of \$65,010 are included in the Special Revenue, Urban Renewal Tax Increment fund, under the community and economic development function.

Below, a condensed financial statement for the Parkersburg Economic Development is presented:

Receipts:	
Use of money and property	\$ 10,704
Intergovernmental	65,010
Miscellaneous	<u>2,720</u>
Total	<u>78,434</u>
Disbursements:	
Operating:	
Community and economic development	<u>50,540</u>
Total	<u>50,540</u>
Net change in cash balances	27,894
Cash balances beginning of year	<u>7,494</u>
Cash balances end of year	<u><u>\$ 35,388</u></u>

(9) Construction Commitments

During the year ended June 30, 2004, the City approved various construction projects totaling \$54,749. At June 30, 2004, \$54,749 of these projects had been completed, \$41,757 had been paid, and \$12,992 is owed. The remaining contract balances are to be completed and paid after June 30, 2004.

CITY OF PARKERSBURG
PARKERSBURG, IOWA

Notes to Financial Statements
June 30, 2004

(10) Risk Management

The City of Parkersburg 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.

The City is involved in litigation regarding a civil rights complaint filed by a former employee. The city does not believe there will be a monetary loss as a result of this case.

(11) Interfund Transfers

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

Transfer to:	Transfer from:	
General	Special Revenue: Local Option Sales Tax	\$ 15,099
Proprietary: Enterprise: Sewer Rental	Special Revenue: Local Option Sales Tax	<u>60,395</u>
Total		<u><u>\$ 75,494</u></u>

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

The detail of prior year transfers is as follows:

Transfer to:	Transfer from:	
Proprietary: Enterprise: Sewer Rental	Special Revenue: Urban Renewal Tax Increment	\$ 68,850
Proprietary: Enterprise: Sewer Rental	Special Revenue: CDBG Rehabilitation Grant	<u>44,549</u>
		<u><u>\$ 113,399</u></u>

This transfer was due to local option sales tax receipts having been transferred to the incorrect fund in a prior year.

CITY OF PARKERSBURG
PARKERSBURG, IOWA

Notes to Financial Statements
June 30, 2004

(12) Accounting Change

The Governmental 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.

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

(13) Deficit Fund Balance

The Special Revenue, CDBG Grant fund had a deficit balance of \$59,795 at June 30, 2004. This is primarily due to funds being disbursed before requests for reimbursements are received.

Required Supplementary Information

CITY OF PARKERSBURG
PARKERSBURG, IOWA

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds not Required to be <u>Budgeted</u>
Receipts:			
Property tax	\$ 418,955	\$ -	\$ -
Tax increment financing collections	171,733	-	-
Other city tax	91,216	-	-
Licenses and permits	3,682	-	-
Use of money and property	11,709	-	-
Intergovernmental	271,635	-	-
Charges for service	195,070	165,289	-
Miscellaneous	32,199	-	-
	<u>1,196,199</u>	<u>165,289</u>	<u>-</u>
Total receipts			
Disbursements:			
Public safety	236,808	-	-
Public works	285,723	-	-
Health and social services	7,664	-	-
Culture and recreation	172,847	-	-
Community and economic development	686,526	-	-
General government	190,728	-	-
Debt service	131,722	-	-
Capital projects	-	-	-
Business type activities	-	174,427	-
	<u>1,712,018</u>	<u>174,427</u>	<u>-</u>
Total disbursements			
Deficiency of receipts under disbursements	(515,819)	(9,138)	-
Other financing sources, net	176,206	173,794	-
Deficiency of receipts and other financing sources over disbursements and other financing uses	(339,613)	164,656	-
Balances beginning of year	702,986	4,791	58,473
Balances end of year	<u>\$ 363,373</u>	<u>\$ 169,447</u>	<u>\$ 58,473</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$ 418,955	\$ 456,772	\$ 456,772	\$ (37,817)
171,733	185,000	185,000	(13,267)
91,216	78,364	78,364	12,852
3,682	2,400	2,400	1,282
11,709	17,400	17,400	(5,691)
271,635	738,954	738,954	(467,319)
360,359	325,000	325,000	35,359
32,199	25,900	25,900	6,299
<u>1,361,488</u>	<u>1,829,790</u>	<u>1,829,790</u>	<u>(468,302)</u>
236,808	246,152	246,152	(9,344)
285,723	559,194	559,194	(273,471)
7,664	9,590	9,590	(1,926)
172,847	198,514	198,514	(25,667)
686,526	624,000	974,000	(287,474)
190,728	165,600	165,600	25,128
131,722	64,035	64,035	67,687
-	-	-	-
174,427	213,190	213,190	(38,763)
<u>1,886,445</u>	<u>2,080,275</u>	<u>2,430,275</u>	<u>(543,830)</u>
(524,957)	(250,485)	(600,485)	75,528
350,000	-	350,000	-
(174,957)	(250,485)	(250,485)	75,528
649,304	649,304	649,304	-
<u>\$ 474,347</u>	<u>\$ 398,819</u>	<u>\$ 398,819</u>	<u>\$ 75,528</u>

CITY OF PARKERSBURG
PARKERSBURG, IOWA

Notes to required Supplementary Information - Budgetary Reporting

June 30, 2004

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

Formal and legal budgetary control for the certified budget is based upon ten major classes of disbursements known as functional areas, not by fund or fund type. These ten functional areas 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 at the fund. During the year, the City amended the budget for an increased \$350,000 in disbursements. The budget amendment is reflected in the final budget amounts.

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

Other Supplementary Information

CITY OF PARKERSBURG
PARKERSBURG, 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	
	CDBG Rehabilitation Grant	Local Option Sales Tax
Receipts:		
Property tax	\$ -	\$ -
Tax increment financing	-	-
Other city tax	-	75,494
Licenses and permits	-	-
Use of money and property	-	-
Intergovernmental	95,997	-
Charges for service	-	-
Miscellaneous	-	-
	95,997	75,494
Total receipts	95,997	75,494
Disbursements:		
Operating:		
Public safety	-	-
Public works	-	-
Health and social services	-	-
Culture and recreation	-	-
Community and economic development	111,243	-
General government	-	-
Debt service	-	-
	111,243	-
Total disbursements	111,243	-
Excess (deficiency) of receipts over (under) disbursements	(15,246)	75,494
Other financing sources (uses):		
Bond proceeds	-	-
Operating transfers in	-	-
Operating transfers out	-	(75,494)
Operating transfers out - prior year	(44,549)	-
	(44,549)	(75,494)
Total other financing sources (uses)	(44,549)	(75,494)
Net change in cash balances	(59,795)	-
Cash balances beginning of year	-	-
Cash balances end of year	\$ (59,795)	\$ -

See accompanying independent auditors' report.

<u>Capital Projects</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
\$ -	\$ -	\$ -
-	-	-
-	-	75,494
-	-	-
-	-	-
-	-	95,997
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>171,491</u>
-	-	-
-	-	-
-	-	-
-	-	111,243
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>111,243</u>
-	-	-
<u>-</u>	<u>-</u>	<u>60,248</u>
-	-	-
-	-	-
-	-	(75,494)
-	-	(44,549)
<u>-</u>	<u>-</u>	<u>(120,043)</u>
-	-	(59,795)
<u>38,552</u>	<u>58,473</u>	<u>97,025</u>
<u>\$ 38,552</u>	<u>\$ 58,473</u>	<u>\$ 37,230</u>

CITY OF PARKERSBURG
PARKERSBURG, IOWA

Schedule of Indebtedness

Year ended June 30, 2004

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds:			
Sanitary sewer notes	January 1, 2002	3.00% - 4.75%	\$ 340,000
Corporate purpose loan notes, Series 2003	December 1, 2003	1.60% - 3.55%	\$ 350,000
Sewer Revenue Bonds, State Revolving Loan Fund:			
Series 2000A	July 5, 2000	4.23%	\$ 1,032,000
Series 2000B	July 5, 2000	4.23%	\$ 144,000
Urban Renewal Tax Increment Financing (TIF) Revenue Bond, Series 1996:			
Economic Development	July 1, 1996	7.15% - 7.55%	\$ 280,000

See accompanying independent auditor's report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
<u>\$ 320,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 270,000</u>	<u>\$ 14,035</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 350,000</u>	<u>\$ -</u>	<u>\$ 350,000</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 926,000</u>	<u>\$ -</u>	<u>\$ 38,000</u>	<u>\$ 888,000</u>	<u>\$ 27,961</u>	<u>\$ -</u>
<u>\$ 129,000</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 124,000</u>	<u>\$ 5,521</u>	<u>\$ -</u>
<u>\$ 62,623</u>	<u>\$ -</u>	<u>\$ 62,623</u>	<u>\$ -</u>	<u>\$ 5,064</u>	<u>\$ -</u>

CITY OF PARKERSBURG
PARKERSBURG, IOWA

Bond and Note Maturities

Year ended June 30, 2004

General Obligation Bonds Sewer Issued January 1, 2002			General Obligation Bonds Corporate Purpose Loan Notes, Series 2003 Issued December 1, 2003		
Year Ending June 30,	Interest Rates	Amount	Year Ending June 30,	Interest Rates	Amount
2005	4.00%	\$ 50,000	2005	1.60%	\$ 25,000
2006	4.25%	50,000	2006	1.70%	35,000
2007	4.50%	50,000	2007	1.95%	35,000
2008	4.60%	60,000	2008	2.40%	35,000
2009	4.75%	60,000	2009	2.70%	35,000
		<u>\$ 270,000</u>	2010	2.85%	35,000
			2011	3.15%	35,000
			2012	3.30%	35,000
			2013	3.45%	40,000
			2014	3.55%	40,000
					<u>\$ 350,000</u>

Series 2000 A			Series 2000 B			Total
Year Ending June 30,	Interest Rates	Amount	Year Ending June 30,	Interest Rates	Amount	
2005	4.23%	\$ 40,000	2005	4.23%	\$ 6,000	\$ 46,000
2006	4.23%	42,000	2006	4.23%	6,000	48,000
2007	4.23%	43,000	2007	4.23%	6,000	49,000
2008	4.23%	45,000	2008	4.23%	6,000	51,000
2009	4.23%	47,000	2009	4.23%	7,000	54,000
2010	4.23%	49,000	2010	4.23%	7,000	56,000
2011	4.23%	51,000	2011	4.23%	7,000	58,000
2012	4.23%	53,000	2012	4.23%	7,000	60,000
2013	4.23%	56,000	2013	4.23%	8,000	64,000
2014	4.23%	58,000	2014	4.23%	8,000	66,000
2015	4.23%	61,000	2015	4.23%	8,000	69,000
2016	4.23%	63,000	2016	4.23%	9,000	72,000
2017	4.23%	66,000	2017	4.23%	9,000	75,000
2018	4.23%	69,000	2018	4.23%	10,000	79,000
2019	4.23%	71,000	2019	4.23%	10,000	81,000
2020	4.23%	74,000	2020	4.23%	10,000	84,000
		<u>\$ 888,000</u>			<u>\$ 124,000</u>	<u>\$1,012,000</u>

See accompanying independent auditors' report.

CITY OF PARKERSBURG
PARKERSBURG, IOWA

Schedule of Receipts by Source and Disbursements by Function
All Governmental Funds

For the Last Two Years

	<u>2004</u>	<u>2003</u>
Receipts:		
Property tax	\$ 418,955	\$ 436,913
Tax increment financing collections	171,733	176,951
Other city tax	91,216	86,632
Licenses and permits	3,682	2,747
Use of money and property	11,709	16,888
Intergovernmental	271,635	222,626
Charges for service	195,070	169,131
Miscellaneous	32,199	28,323
	<u>\$ 1,196,199</u>	<u>\$ 1,140,211</u>
Total	<u>\$ 1,196,199</u>	<u>\$ 1,140,211</u>
Disbursements:		
Operating:		
Public safety	\$ 236,808	\$ 163,742
Public works	285,723	317,277
Health and social services	7,664	6,336
Culture and recreation	172,847	149,170
Community and economic development	686,526	164,592
General government	190,728	148,766
Debt service	131,722	135,860
Capital projects	-	-
	<u>-</u>	<u>-</u>
Total	<u>\$ 1,712,018</u>	<u>\$ 1,085,743</u>

See accompanying independent auditor's report.

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 Parkersburg, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated March 15, 2005. Our report expressed an unqualified opinion on the primary government financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 Parkersburg'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 I and Part II 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 audit statutory comments have been resolved or are described in Part II of the accompanying Schedule of Findings.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Parkersburg'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 City of Parkersburg'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 the reportable condition listed to be a material weakness.

The report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Parkersburg and other parties to whom the City of Parkersburg 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 personnel of the City of Parkersburg during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Carney, Alexander, Marold & Co., L.L.P.

March 15, 2005

CITY OF PARKERSBURG
PARKERSBURG, IOWA

Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

None noted

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. We note that the recordkeeping is basically done by one employee.

Recommendation - We realize segregation of duties is difficult, if not impossible, in a small office and that certain previous recommendations for internal checks have been established; however, we feel that a reminder of this is justified so as to provide attention to these areas throughout the year and that operating procedures be reviewed so as to obtain the maximum internal control possible under the circumstances.

Response - The City has an independent accountant reconcile books each month. He checks all balances and gives the council a report on his work.

Conclusion - Response acknowledged - The City should continue to monitor operating procedures.

CITY OF PARKERSBURG
PARKERSBURG, IOWA

Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

- II-A-04 Official Depositories - A resolution naming official depositories has been approved by the City. We noted that the maximum deposit amounts stated in that resolution were not exceeded during the year ended June 30, 2004. An additional resolution was approved by the city for an additional bank. However, that resolution listed no maximum deposit amount, so it was not possible to determine if the City had exceeded the maximum amounts allowed.
- Recommendation - The maximum deposit amounts for the additional bank should have been approved by the City as required by Chapter 12C.2 of the Code of Iowa.
- Response - A resolution will be passed approving maximum deposit amounts.
- Conclusion - Response accepted.
- II-B-04 Certified Budget - Disbursements during the year ended June 30, 2004 exceeded the amounts budgeted in the General Government and Debt Service programs. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.
- Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.
- Response - The City will amend the budget in the future.
- Conclusion - Response accepted.
- II-C-04 Entertainment Expense - We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds 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 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

CITY OF PARKERSBURG
PARKERSBURG, IOWA

Schedule of Findings and Questioned Costs
Year ended June 30, 2004

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

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

<u>Name, Title and Business Connection</u>	<u>Transaction/ Description</u>	<u>Amount</u>
Harlan J. Johnson, temporary Council Member - Owner of Johnson Plumbing and Heating Co.	Repairs, parts & labor	\$6,908

The transaction with the Council Member does not appear to represent a conflict of interest since it was entered into through competitive bidding.

II-G-04 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

The minutes of Council proceedings were published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

II-H-04 Deposits and Investments - We noted 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.

II-I-04 Financial Condition - The Special Revenue, CDBG Grant fund had a deficit balance at June 30, 2004 of \$59,795.

Recommendation - The City should investigate alternatives to eliminate this deficit in order to return to sound financial position.

Response - The City is currently in the middle of a rehabilitation grant and is awaiting payments from the state for reimbursement. The rehabilitation project extends over two fiscal years creating a deficit as of June 30, 2004.

Conclusion - Response accepted.

CITY OF PARKERSBURG
PARKERSBURG, IOWA

Audit Staff

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