

CITY OF TABOR

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2004

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City of Tabor

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2004)		
Don Baggs	Mayor	Jan 2004
Dave Roberts	Council Member	Jan 2004
Denise Hammer	Council Member	Jan 2004
Warren Aistrop	Council Member	Jan 2006
Ross Silcock	Council Member	Jan 2004
Dolores Moles	Council Member	Jan 2004
(After January 2004)		
Dave Roberts	Mayor	Jan 2006
Don Baggs	Council Member	Jan 2006
Denise Hammer	Council Member	Jan 2008
Warren Aistrop	Council Member	Jan 2006
Ross Silcock	Council Member	Jan 2008
Dolores Moles	Council Member	Jan 2008
Pat Weldon	City Clerk	Indefinite
Matt Woods	Attorney	Indefinite

July 12, 2004

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, and each major fund of the City of Tabor, 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 Tabor'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.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2003.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2003, 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, and each major fund of the City of Tabor 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.

Continued...

As described in Note 11, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Statement No. 41, *Budgetary Comparison Schedule – Perspective Differences*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2004 on our consideration of the City of Tabor's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 10 and 26 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Tabor's basic financial statements. The supplementary information included in Schedules 1 and 2, 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 audit of the aforementioned financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2003, as discussed in the fifth preceding paragraph, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Tabor 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 21.2%, or approximately \$78,800, fiscal year 2003 to fiscal year 2004. Property tax increased approximately \$2600 and bond proceeds increased *\$100,000*
- Disbursements increased approximately \$196,700.
- The City's total cash basis net assets decreased 8%, in fiscal year 2004, or approximately \$44,000. Of this amount the assets of the governmental activities decreased approximately \$6000 and assets of the business type decreased approximately \$38,000.

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 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 Supplemental Information further explains and supports the financial statements with a companion of the City's budget for the year.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-Wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, culture and recreation, general government, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system and landfill. 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:
 - a) the General Fund
 - b) the Special Revenue Funds such as Road Use Tax and Local Option Tax
 - c) Capital Projects Fund.

The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Government fund information helps determine whether there are more or fewer financial resources that can be spent in the near to finance the City's programs. The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

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

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

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 slightly from a year ago. The analysis that follows focuses on cash balances for governmental activities.

City of Tabor		
Statement of Cash Receipts and Disbursements – Government Funds		
	Year Ending 06/30/04	Year Ending 06/30/03
Receipts:		
Property tax	\$ 92,795	\$ 90,206
Other city tax	67,683	56,516
Licenses and permits	461	913
Use of money and property	10,583	12,430
Intergovernmental	91,939	111,737
Charges for services	76,740	68,064
Special assessments	100	0
Miscellaneous	9,225	21,908
Total receipts	349,526	361,774
Disbursements:		
Public safety	99,966	95,585
Public works	100,728	92,030
Culture and recreation	33,610	50,349
General government	79,129	57,977
Capital projects	187,428	0
Total disbursements	500,861	295,941
Excess (deficiency) of receipts over (under) disbursements	(151,335)	65,833
Other financing sources (uses):		
Note proceeds	100,000	0
Operating transfers in	248,827	78,476
Operating transfers out	(203,827)	(72,366)
Total other financing sources (uses)	145,000	6,110
Net change in cash	(6,335)	71,943
Cash balances beginning of year	268,926	196,983
Cash balances end of year	\$ 262,591	\$ 268,926

City of Tabor
Changes in Cash Basis Net Assets of Business Type Activities

	Year Ending 06/30/04	Year Ending 06/30/03
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 75,408	\$ 74,051
Sewer	107,251	108,909
Landfill	8,599	8,920
General receipts:		
Unrestricted interest on investments	256	321
Special assessments	312	0
Other general receipts	5,861	0
Total receipts	197,687	192,201
Disbursements and transfers:		
Water	91,123	86,113
Sewer	22,861	32,145
Landfill	8,230	8,154
Debt service	68,483	69,113
Transfers	45,000	6,110
Total disbursements and transfers	235,697	201,635
Decrease in cash balance	(38,010)	(9,434)
Cash basis net assets beginning of year	277,607	287,041
Cash basis net assets end of year	\$ 239,597	\$ 277,607

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The General Fund cash balance decreased \$99,308 from the prior year to \$151,475. This decrease was due to transfers to the Capital Project fund.

The Road Use Tax Fund Cash balance decreased \$3779 to \$14,364 during the fiscal year. The city intends to use this money to upgrade the condition of all City roads.

The Capital Project fund shows a balance of \$96,572 which will be used to complete the project this fiscal year.

The total cash basis fund balance is \$262,591.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance was \$19671. Sewer Fund cash balance of \$217,930 includes Reserve and Replacement SRF loan accounts totaling \$146,001 as well as a sewer sinking account of \$94,901. The Landfill fund ended the year with a cash balance of \$2046.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment resulted in an increase in spending for the new fire and rescue station.

DEBT ADMINISTRATION

At June 30, 2004, the City had \$100,000 in debt due to a loan for the new fire and rescue station to be paid from the general fund. The City of Tabor owes \$589,587 SRF loan balance scheduled to be paid off over the next 11 years or in 2015 fiscal year by sewer revenue.

The constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5 % of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$100,000 is significantly below its constitutional debt limit of approximately \$775,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Tabor'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.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index Increase. The State's CPI increase was 3.2% for fiscal year 2004 compared with the national rate of 3.4%. Inflation has been modest here due to watchful spending by the City Council and modest increases in energy prices in 03-04.

These indicators were taken into account when adopting the budget for fiscal year 2005. Property tax increased assessed evaluations and the lowering of the City's tax base to 5.89 cents per thousand will help hold our inflation in check.

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 Pat Weldon, City Clerk, 626 Main, Tabor, Iowa.

Basic Financial Statements

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

	Disbursements	Charges for Service	Program Receipts Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 99,966	69,740	0	0
Public works	100,728	3,698	82,704	0
Culture and recreation	33,610	2,100	12,866	0
General government	79,129	461	0	0
Capital projects	187,428	0	0	0
Total governmental activities	500,861	75,999	95,570	0
Business type activities:				
Water	91,123	81,581	0	0
Sewer	91,344	107,251	0	0
Landfill	8,230	8,599	0	0
Total business type activities	190,697	197,431	0	0
Total	\$ 691,558	273,430	95,570	0
General Receipts:				
Property tax levied for:				
General purposes				
Local option sales tax				
Grants and contributions not restricted to specific purpose				
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				
Debt service				
Capital projects				
Sewer replacement				
Meter deposits				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

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

Governmental Activities	Business Type Activities	Total
(30,226)	0	(30,226)
(14,326)	0	(14,326)
(18,644)	0	(18,644)
(78,668)	0	(78,668)
<u>(187,428)</u>	<u>0</u>	<u>(187,428)</u>
(329,292)	0	(329,292)
0	(9,542)	(9,542)
0	15,907	15,907
0	369	369
<u>0</u>	<u>6,734</u>	<u>6,734</u>
(329,292)	6,734	(322,558)
\$ 95,831	0	95,831
64,647	0	64,647
229	0	229
8,378	256	8,634
100,000	0	100,000
8,872	0	8,872
<u>45,000</u>	<u>(45,000)</u>	<u>0</u>
<u>322,957</u>	<u>(44,744)</u>	<u>278,213</u>
(6,335)	(38,010)	(44,345)
<u>268,926</u>	<u>277,607</u>	<u>546,533</u>
\$ <u>262,591</u>	<u>239,597</u>	<u>502,188</u>
\$ 14,364	0	14,364
0	93,470	93,470
96,752	0	96,752
0	73,000	73,000
0	6,341	6,341
<u>151,475</u>	<u>66,786</u>	<u>218,261</u>
\$ <u>262,591</u>	<u>239,597</u>	<u>502,188</u>

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

	Special Revenue				Total
	General	Road Use Tax	Local Option Sales Tax	Capital Projects	
Receipts					
Property tax	\$ 92,795	0	0	0	92,795
Other city tax	3,036	0	64,647	0	67,683
Licenses and permits	461	0	0	0	461
Use of money and property	10,583	0	0	0	10,583
Intergovernmental	9,235	82,704	0	0	91,939
Charges for service	76,740	0	0	0	76,740
Special assessments	100	0	0	0	100
Miscellaneous	9,225	0	0	0	9,225
Total receipts	<u>202,175</u>	<u>82,704</u>	<u>64,647</u>	<u>0</u>	<u>349,526</u>
Disbursements					
Operating:					
Public safety	99,966	0	0	0	99,966
Public works	14,245	86,483	0	0	100,728
Culture and recreation	33,610	0	0	0	33,610
General government	79,129	0	0	0	79,129
Capital projects	0	0	0	187,428	187,428
Total disbursements	<u>226,950</u>	<u>86,483</u>	<u>0</u>	<u>187,428</u>	<u>500,861</u>
Excess (deficiency) of receipts over (under) disbursements	(24,775)	(3,779)	64,647	(187,428)	(151,335)
Other financing sources (uses):					
Note proceeds	0	0	0	100,000	100,000
Operating transfers in	64,647	0	0	184,180	248,827
Operating transfers out	(139,180)	0	(64,647)	0	(203,827)
Total other financing sources (uses)	<u>(74,533)</u>	<u>0</u>	<u>(64,647)</u>	<u>284,180</u>	<u>145,000</u>
Net change in cash balances	(99,308)	(3,779)	0	96,752	(6,335)
Cash balances beginning of year	<u>250,783</u>	<u>18,143</u>	<u>0</u>	<u>0</u>	<u>268,926</u>
Cash balances end of year	<u>\$ 151,475</u>	<u>14,364</u>	<u>0</u>	<u>96,752</u>	<u>262,591</u>
Cash Basis Fund Balances					
Unreserved:					
General fund	\$ 151,475	0	0	0	151,475
Special revenue funds	0	14,364	0	0	14,364
Capital projects fund	0	0	0	96,752	96,752
Total cash basis fund balances	<u>\$ 151,475</u>	<u>14,364</u>	<u>0</u>	<u>96,752</u>	<u>262,591</u>

See notes to financial statements.

City of Tabor
 Reconciliation of the Statement of Cash
 Receipts, Disbursements and Changes in Cash Balances
 to the Statement of Activities and Net Assets -
 Governmental Funds
 As of and for the year ended June 30, 2004

Total governmental funds cash balances (page 14)	\$	<u>262,591</u>
Cash basis net assets of governmental activities (page 13)	\$	<u><u>262,591</u></u>
Net change in cash balances (page 14)	\$	<u>(6,335)</u>
Change in cash balance of governmental activities (page 13)	\$	<u><u>(6,335)</u></u>

See notes to financial statements.

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

	Enterprise Funds			
	Water	Sewer	Landfill	Total
Operating receipts:				
Use of money and property	\$ 256	0	0	256
Charges for service	75,408	107,251	8,599	191,258
Special assessment	312	0	0	312
Miscellaneous	5,861	0	0	5,861
Total operating receipts	<u>81,837</u>	<u>107,251</u>	<u>8,599</u>	<u>197,687</u>
Operating disbursements:				
Business type activities	91,123	22,861	8,230	122,214
Total operating disbursements	<u>91,123</u>	<u>22,861</u>	<u>8,230</u>	<u>122,214</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	(9,286)	84,390	369	75,473
Non-operating receipts (disbursements):				
Debt service	0	(68,483)	0	(68,483)
Total non operating receipts (disbursements)	<u>0</u>	<u>(68,483)</u>	<u>0</u>	<u>(68,483)</u>
Excess (deficiency) of receipts over (under) disbursements	(9,286)	15,907	369	6,990
Operating transfers out	0	(40,000)	(5,000)	(45,000)
Net change in cash balances	(9,286)	(24,093)	(4,631)	(38,010)
Cash balances beginning of year	28,907	242,023	6,677	277,607
Cash balances end of year	<u>\$ 19,621</u>	<u>217,930</u>	<u>2,046</u>	<u>239,597</u>
 Cash Basis Fund Balances				
Reserved:				
Meter deposits	\$ 6,341	0	0	6,341
Sewer replacement	0	73,000	0	73,000
Debt service	0	93,470	0	93,470
Unreserved	<u>13,280</u>	<u>51,460</u>	<u>2,046</u>	<u>66,786</u>
Total cash basis fund balances	<u>\$ 19,621</u>	<u>217,930</u>	<u>2,046</u>	<u>239,597</u>

See notes to financial statements.

City of Tabor
Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
to the Statement of Activities and Net Assets –
Proprietary Funds
As of and for the year ended June 30, 2004

Total enterprise funds cash balances (page 16)	\$ <u>239,597</u>
Cash basis net assets of business type activities (page 13)	\$ <u>239,597</u>
Net change in cash balances (page 16)	\$ <u><u>(38,010)</u></u>
Change in cash balance of business type activities (page 13)	\$ <u><u>(38,010)</u></u>

See notes to financial statements.

City of Tabor
Notes to Financial Statements
June 30, 2004

(1) Summary of Significant Accounting Policies

The City of Tabor is a political subdivision of the State of Iowa located in Fremont and Mills Counties, 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, and general government services. The City also provides water, sewer and landfill utilities for its citizens.

A. Reporting Entity

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards: Fremont County Landfill Association, Mills and Fremont Counties Assessor's Conference Boards, Mills and Fremont Counties Emergency Management Commissions, and Mills and Fremont Counties 911 Service Boards.

B. Basis of Presentation

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

City of Tabor
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 presents the City's nonfiduciary net assets. Net assets are reported in two categories:

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Local Option Sales Tax Fund is used to account for local option sales tax received by the City.

City of Tabor
Notes to Financial Statements
June 30, 2004

(1) Summary of Significant Accounting Policies – Continued

B. Basis of Presentation - 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.

The Landfill Fund accounts for the collection and payment of garbage collection services.

C. Measurement Focus and Basis of Accounting

The City of Tabor maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted.

E. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2002, to compute the amounts which became liens on property on July 1, 2003. These taxes were due and payable in two installments on September 30, 2003 and March 31, 2004, at the Fremont County and Mills County Treasurer's Offices. These taxes are recognized as income to the City when they are received from the county.

City of Tabor
Notes to Financial Statements
June 30, 2004

(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.

Cash, which consists of cash on hand, cash in bank and certificates of deposit, totaled \$502,188 at June 30, 2004.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 14,000	5,100	46,000	22,515	60,000	27,615
2006	16,000	3,655	47,000	20,794	63,000	24,449
2007	16,000	2,975	49,000	19,037	65,000	22,012
2008	17,000	2,295	51,000	17,205	68,000	19,500
2009	18,000	1,573	53,000	15,296	71,000	16,869
2010-2014	19,000	807	291,000	45,627	310,000	46,434
2015-2019	0	0	65,000	2,432	65,000	2,432
	\$ <u>100,000</u>	<u>16,405</u>	<u>602,000</u>	<u>142,906</u>	<u>702,000</u>	<u>159,311</u>

The Code of Iowa requires principal and interest on general obligation debt to be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$774,777 which was not exceeded during the year ended June 30, 2004.

The resolutions providing for the issuance of the revenue notes include the following provisions.

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.

City of Tabor
Notes to Financial Statements
June 30, 2004

(3) Bonds and Notes Payable - Continued

- (b) Sufficient monthly transfers shall be made to a sewer revenue note sinking account within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers to a sewer revenue reserve account within the Enterprise Funds shall be made until specific minimum balances have been accumulated.
- (d) Additional monthly transfers of \$1,500 a month to a sewer replacement account within the Enterprise Funds through the maturity of the notes. This account is restricted for the purpose of paying for improvements to the system.

The City is in compliance with the above listed provisions.

(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 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2004 were \$6,962, equal to the required contribution for the year.

In June 1988, the City adopted a non-qualified retirement plan through Presidential Life Insurance Company. The plan is a flexible premium annuity.

For any employee who works at least 1,000 hours during the year, the City will pay the employee's annual premium of \$700. Additional contributions by employees are voluntary. Each employee shall be vested for 20% of the City's contribution after the first year, with 100% vesting upon completion of the sixth year of continuous participation.

During the period ending June 30, 2004, the City had four employees participating in this plan. Total payroll for participating employees for the year ended June 30, 2004, was \$102,828. Total payroll for the City for the period was \$110,215. The City's total contribution for the year ended June 30, 2004, was \$2,800. This contribution represents approximately 2.72% of the City's covered payroll.

City of Tabor
Notes to Financial Statements
June 30, 2004

(5) Compensated Absences

City employees accumulate sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. No accumulation of vacation days is allowed. The City's approximate liability for earned compensated absences payable to employees at June 30, 2004, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Sick leave	\$ <u>15,266</u>

This liability has been computed based on rates of pay in effect at June 30, 2004.

(6) Medical Insurance

As described in the City's employee handbook, the City will pay the full monthly premium for health insurance. In addition, the City finances a medical reimbursement program to pay the employee's deductible and the 20% co-payment amount on insurance approved charges.

During the current period, the City paid out a total of \$16,788 in approved medical expenses.

(7) 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>
General:	Special Revenue:	
	Local Option Sales Tax	\$ 64,647
Capital Projects:	General	139,180
	Enterprise:	
	Sewer	40,000
	Landfill	5,000
		<u>184,180</u>
Total		\$ <u>248,827</u>

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$1,950 during the year ended June 30, 2004.

City of Tabor
Notes to Financial Statements
June 30, 2004

(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) Construction Project

The City has entered into a contract for the construction of a fire station. As of June 30, 2004, the following amounts have been paid in connection with this project:

	<u>Contract Amount City Share</u>		<u>Current Year Costs</u>	<u>Balance to be Paid</u>
Construction	\$ <u>170,036</u>	\$	170,036	\$ <u>0</u>
Electrical			3,050	
Plumbing			8,000	
Engineering			2,631	
Miscellaneous			<u>3,711</u>	
		\$	<u>187,428</u>	

(11) Accounting Change and Restatements

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*, and Statement No. 41, *Budgetary Comparison Schedule – Perspective Differences*, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type.

The government-wide financial statement reports the City’s governmental and business type activities. The City does not have an Internal Service Fund; therefore, no restatement of beginning net assets is required.

Required Supplementary Information

City of Tabor
 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

	Government Funds Actual	Proprietary Funds Actual	Total
Receipts			
Property tax	\$ 92,795	0	92,795
Other city tax	67,683	0	67,683
Licenses and permits	461	0	461
Use of money and property	10,583	256	10,839
Intergovernmental	91,939	0	91,939
Charges for services	76,740	191,258	267,998
Special assessments	100	312	412
Miscellaneous	9,225	5,861	15,086
Total receipts	<u>349,526</u>	<u>197,687</u>	<u>547,213</u>
Disbursements			
Public safety	99,966	0	99,966
Public works	100,728	0	100,728
Culture and recreation	33,610	0	33,610
General government	79,129	0	79,129
Capital projects	187,428	0	187,428
Business type activities	0	190,697	190,697
Total disbursements	<u>500,861</u>	<u>190,697</u>	<u>691,558</u>
Excess (deficiency) of receipts over (under) disbursements	(151,335)	6,990	(144,345)
Other financing sources (uses), net	<u>145,000</u>	<u>(45,000)</u>	<u>100,000</u>
Deficiency of receipts and other financing sources under disbursements and other financing uses	(6,335)	(38,010)	(44,345)
Balances beginning of year	<u>268,926</u>	<u>277,607</u>	<u>546,533</u>
Balances end of year	<u>\$ 262,591</u>	<u>239,597</u>	<u>502,188</u>

See accompanying independent auditor's report.

	Budgeted Amounts		Final to Total Variance
	Original	Final	
\$	93,693	93,693	(898)
	53,120	53,120	14,563
	1,710	1,710	(1,249)
	6,000	6,000	4,839
	97,500	97,500	(5,561)
	217,200	217,200	50,798
	0	0	412
	1,600	1,600	13,486
	<u>470,823</u>	<u>470,823</u>	<u>76,390</u>
	148,658	148,658	48,692
	116,286	116,286	15,558
	42,700	42,700	9,090
	85,799	85,799	6,670
	0	228,000	40,572
	194,053	194,053	3,356
	<u>587,496</u>	<u>815,496</u>	<u>123,938</u>
	(116,673)	(344,673)	(200,328)
	<u>0</u>	<u>178,000</u>	<u>78,000</u>
	(116,673)	(166,673)	(122,328)
	<u>377,581</u>	<u>377,581</u>	<u>168,952</u>
\$	<u>260,908</u>	<u>210,908</u>	<u>291,280</u>

City of Tabor
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2004

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

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. The City of Tabor's functions are: public safety, public works, culture and recreation, general government, debt service, capital projects, business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$228,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted.

Other Supplementary Information

City of Tabor
 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>	<u>Balance Beginning of Year</u>
General obligation bonds: Fire station construction	03/19/04	4.25%	\$ 100,000	0
Revenue notes: Sewer	08/10/94	3.74%	\$ 1,000,000	646,000

See accompanying independent auditor's report.

Schedule 1

<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
100,000	0	100,000	0
0	44,000	602,000	24,160

City of Tabor
 Bond and Note Maturities
 June 30, 2004

	General Obligation Bonds		Revenue Notes	
	Interest Rates	Amount	Interest Rates	Amount
2005	4.25%	\$ 14,000	3.74%	\$ 46,000
2006	4.25%	16,000	3.74%	47,000
2007	4.25%	16,000	3.74%	49,000
2008	4.25%	17,000	3.74%	51,000
2009	4.25%	18,000	3.74%	53,000
2010	4.25%	19,000	3.74%	54,000
2011		0	3.74%	56,000
2012		0	3.74%	58,000
2013		0	3.74%	60,000
2014		0	3.74%	63,000
2015		0	3.74%	65,000
		<u>\$ 100,000</u>		<u>\$ 602,000</u>

See accompanying independent auditor's report.

City of Tabor

July 12, 2004

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

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Tabor, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated July 12, 2004. Our report expressed a qualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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.

Internal Control Over Financial Reporting

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

A material weakness is a reportable 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 caused by error or fraud 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, of the reportable conditions described above, we believe items I-A-04, I-B-04, I-C-04 and I-E-04, are material weaknesses. Prior year reportable conditions have been resolved except for items I-A-04, I-B-04 and I-D-04.

Continued...

Compliance

As part of obtaining reasonable assurance about whether the City of Tabor's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 II of the accompanying Schedule of Findings and Questioned Costs.

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 except for item II-E-04.

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

City of Tabor
Schedule of Findings
Year ended June 30, 2004

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

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

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-04 Record of Accounts – The Library maintains the accounting records pertaining to the operations of the library. These transactions and the resulting balances are not recorded in the Clerk's records. Chapter 384.20 of the Code of Iowa states in part that "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose."

Recommendation – For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be recorded in the Clerk's records.

Response – We will attempt to comply with these recommendations and will bring them to the attention of the Library Board.

Conclusion – Response accepted.

City of Tabor
Schedule of Findings
Year ended June 30, 2004

Part I: Findings Related to the Financial Statements - Continued:

- I-C-04 Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections to deposits.

Response – We will attempt to implement these procedures.

Conclusion – Response accepted.

- I-D-04 Statistical Information

Gallons of water pumped during the year ended June 30, 2004: 47,179,000

Gallons of water billed during the year ended June 30, 2004: 27,245,784

Comment – for the past five years the average water loss between gallons pumped and gallons billed has been between about 25% - 33%. This year it increased to 42%.

Recommendation – As this loss represents considerable lost revenues for the City, we suggest that the City monitor the situation to determine the causes for the loss.

Response – We believe that the gallons pumped figure we provided to you are too high. During our annual well inspection, it was discovered that the East meter was reading an average of 32% high, and the West meter an average of 30% high. We are planning to rebuild the meters which should provide a more accurate reading for gallons pumped.

Conclusion – Response accepted.

- I-E-04 Ambulance Billing – Ambulance billings, collection and delinquent accounts were not reconciled during the year. Current bills and monthly statements were not prepared on a regular basis.

Recommendation – Procedures should be established to reconcile billings and collections on a monthly basis. Procedures should be established to bill customers on a timely basis and to follow up with statements for those who are delinquent. Ambulance collections should be reconciled to deposits.

Response – We will attempt to implement these procedures.

Conclusion – Response accepted.

City of Tabor
 Schedule of Findings
 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. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- II-B-04 Certified Budget – Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted.
- II-C-04 Questionable Disbursements – We noted no disbursements for parties, banquets or other entertainment 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 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Don Baggs, Mayor through December 31, 2003, Owner of Baggs Construction	Maintenance, per bid	\$ 1,950

In accordance with the Code of Iowa, the transaction with the Mayor does not appear to represent a conflict of interest since it was entered into through competitive bidding.

- II-F-04 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-04 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-H-04 Deposits and Investments – We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa, and the City’s investment policy.
- II-I-04 Revenue Note – The City has complied with the revenue note resolutions.

NEWS RELEASE

Schroer & Associates, P.C. today released an audit report on the City of Tabor, Iowa.

The City has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provide information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$647,213 for the year ended June 30, 2004, a 16.8% increase from 2003. The receipts included \$95,831 in property tax, \$273,430 from charges for service, \$95,570 from operating grants, contributions and restricted interest, \$100,000 from loan proceeds, \$64,647 from local option sales tax, \$8,634 from unrestricted investment earnings and \$9,101 from other general receipts.

Disbursements for the year totaled \$623,075, a 5.8% increase from the prior year, and included \$187,428 for capital projects, \$100,728 for public works, and \$99,966 for public safety. Also, disbursements for business type activities totaled \$122,214.

The significant increase in receipts and disbursements is due primarily to the construction of the fire station as a capital project, and the loan proceeds to finance it.

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

October 5, 2004

City of Tabor
PO Box 309
Tabor, IA 51653

Dear Patti;

Enclosed is a "draft" copy of the audited financial statements for the City of Tabor for the year ended June 30, 2004. Please review and let me know if we need to make any changes.

Sincerely,

SCHROER & ASSOCIATES, P.C.

Barbara Mass
Shareholder

BM/jb