MUTCHLER COMMUNITY CENTER

BLOOMFIELD, IOWA

INDEPENDENT AUDITORS' REPORT

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

FINDINGS AND QUESTIONED COSTS

DECEMBER 31, 2004

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MUTCHLER COMMUNITY CENTER

OFFICIALS

Name	Title	Representation
Ted Henderson	Commissioner Chairperson	City of Bloomfield
Cliff Martin	Commissioner Secretary-Treasurer	Public
Max Proctor	Commissioner Vice Chairperson	Davis County

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DAVIS AND LEWIS PLC
CERTIFIED PUBLIC ACCOUNTANTS
FIFTH FLOOR HARVESTER BUILDING
OTTUMWA, IOWA 52501

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mutchler Community Center
Bloomfield, Iowa 52537

We have audited the accompanying financial statements as listed in the table of contents of this report of the Mutchler Community Center as of and for the year ended December 31, 2004. These financial statements are the responsibility of the Mutchler Community Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Mutchler Community Center as of December 31, 2004, and the changes in its net assets and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2005 on our consideration of the Mutchler Community Center's internal control over financial reporting and our tests on its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2004 is presented for the purpose 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 the 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.

Certified Public Accountants

September 30, 2005

MUTCHLER COMMUNITY CENTER
STATEMENT OF FINANCIAL POSITION
December 31, 2004

ASSETS

CURRENT ASSETS	
Cash in Bank	$ 213,098
Interest receivable	32
Prepaid insurance	859
TOTAL CURRENT ASSETS	213,989
PROPERTY AND EQUIPMENT	
Land	10,000
Buildings and improvements	1,362,813
Furniture, fixtures and equipment	72,764
	1,445,577
Less accumulated depreciation	(247,944)
NET PROPERTY AND EQUIPMENT	1,197,633
TOTAL ASSETS	$1,411,622

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	$ 3,083
Accrued Payroll	798
IPERS Payable	277
Payroll Tax Payable	938
TOTAL CURRENT LIABILITIES	5,096
NET ASSETS	
Unrestricted net assets	1,406,526
TOTAL LIABILITIES & NET ASSETS	$1,411,622

See notes to financial statements

MUTCHLER COMMUNITY CENTER
STATEMENT OF ACTIVITIES
Year Ended December 31, 2004

UNRESTRICTED NET ASSETS	
Contributions	$ 9,761
Rental income	8,767
Membership dues	52,366
Other revenues	19,186
Interest income	3,077
TOTAL UNRESTRICTED SUPPORT	93,157
EXPENSES	
Payroll	43,966
Utilities and telephone	15,417
Concessions and T-shirts	2,325
Insurance	4,618
Supplies	2,954
Professional fees	2,740
Miscellaneous	1,469
Advertising	1,069
Payroll taxes	3,902
Sales tax paid	3,781
Repairs and maintenance	5,829
Referees, classes and camps	2,170
Pension expense (Note B)	2,282
Depreciation	48,693
TOTAL UNRESTRICTED EXPENSES	141,215
DECREASE IN UNRESTRICTED NET ASSETS	(48,058)
NET UNRESTRICTED ASSETS AT BEGINNING OF YEAR	1,454,584
NET UNRESTRICTED ASSETS AT END OF YEAR	$1,406,526

See notes to financial statements.

MUTCHLER COMMUNITY CENTER
STATEMENT OF CASH FLOWS
Year Ended December 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in net assets	$ (48,058)
Adjustments to reconcile decrease in net assets to net Cash provided by operating activities	
Depreciation	48,693
(Increase) decrease in:	
Prepaid insurance	217
Interest receivable	(7)
Increase (decrease) in:	
Accounts payable	(1,346)
Accrued expenses	(122)
NET CASH USED BY OPERATING ACTIVITIES	(623)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(3,145)
NET CASH USED IN INVESTING ACTIVITIES	(3,145)
CASH FLOWS FROM FINANCING ACTIVITIES	
NET CASH USED IN FINANCING ACTIVITIES	- 0 -
NET (DECREASE) IN CASH	(3,768)
CASH AT BEGINNING OF YEAR	216,866
CASH AT END OF YEAR	$ 213,098

SUPPLEMENTARY DISCLOSURES	
Interest paid	$ - 0 -

See notes to financial statements.

MUTCHLER COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

The Mutchler Community Center, a non-profit organization, built and operates a community recreation center providing recreation facilities to the community including reduced memberships for financially qualifying individuals. The Mutchler Community Center is a joint project following a 28E agreement with the City of Bloomfield, Iowa and the County of Davis County, Iowa.

Property and Equipment

Property and equipment are carried at cost. Depreciation of property and equipment is computed principally by the straight-line method at rates based on the following estimated useful lives:

Building and improvements	39 years
Improvements	20 years
Furniture, fixtures & equipment	7 years

The cost of assets sold, retired, or otherwise disposed of and the related allowance for depreciation are eliminated from the accounts and any resulting gain or loss is included in operations.

Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of an asset are capitalized.

Income Taxes

The Company is an Iowa non-profit corporation and is exempt from Federal and State income taxes under section 501c(3) of the Internal Revenue Code, and is not considered a private foundation. Contributions to the organization qualify for the charitable contribution deduction under the Internal Revenue code.

Cash and Cash Equivalents

For the purposes of the Statements of Cash Flows, cash and cash equivalents includes checking, savings and certificates of deposit.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - PENSION BENEFITS

The Mutchler Community Center 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 Mutchler Community Center is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Mutchler Community Center contribution to IPERS for the years ended December 31, 2004, 2003 and 2002 was $2,282, $2,277 and $2112 respectfully, equal to the required contribution for each year.

MUTCHLER COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN PROPERTY AND EQUIPMENT

	Cost			
	Balance January 1, 2004	Additions	Reduct.	Balance Dec. 31, 2004
Land	$ 10,000	$ - 0 -	- 0 -	$ 10,000
Buildings and improvements	1,362,813	- 0 -	- 0 -	1,362,813
Furniture, fixtures & equipment	69,619	3,145	- 0 -	72,764
Totals	$1,442,432	$ 3,145	$ - 0 -	$1,445,577

	Accumulated Depreciation				
	Balance January 1, 2004	Current Expense	Reduction	Balance December 31, 2004	Net Book Value December 31, 2004
Land	$ - 0 -	$ - 0 -	$ - 0 -	$ - 0 -	$ 10,000
Buildings and improvements	166,040	38,523	- 0 -	204,563	1,158,250
Furniture, fixtures & equipment	33,211	10,170	- 0 -	43,381	29,383
Totals	$199,251	$48,693	$ - 0 -	$247,944	$1,197,633

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INDEPENDENT AUDITORS REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors
Mutchler Community Center
Bloomfield, Iowa

We have audited the financial statements of Mutchler Community Center, as of and for the year ended December 31, 2004 and have issued our report thereon dated September 30, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Mutchler Community Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions, was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Mutchler Community Center's operations for the year ended December 31, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of Mutchler Community Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Mutchler Community Center'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 judgement, could adversely affect the Mutchler Community Center's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in part II of the accompanying schedule of findings and questioned costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described at Part II on the schedule of findings and questioned costs are not a material weakness. Prior year reportable conditions have been resolved except for item #1 in Part II.

This report, a public record by law, is intended solely for the information and use of the officials, employees and customers of the Mutchler Community Center and other parties to whom the Mutchler Community Center 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 courtesies and assistance extended to us by personnel of the Mutchler Community Center 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.

Certified Public Accountants

September 30, 2005

MUTCHLER COMMUNITY CENTER
SCHEDULE OF FINDINGS
Year Ended December 31, 2004

Part II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

INSTANCES OF NON COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

1. Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual from handling duties which are incompatible. The Mutchler Community Center is not large enough to permit an adequate segregation of duties.

   Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances.

   Response and Corrective Action Plan - We will continue to review the segregation of duties and make changes where possible and cost effective.

   Conclusion - Response Accepted

2. Income Verification System - Errors, irregularities and illegal acts have a direct and material effect on the financials and may cause material misstatements. The current documentation of income is not adequate to reduce the risk of errors, irregularities and illegal acts to an acceptable level.

   Recommendation - That all income received, especially that of membership income, be documented in MCC's accounting program as to who the payment was received from.

   Response and Corrective Action Plan - We will continue using the customer specific income modules of MCC's accounting program and record names of all members paying membership (other than daily memberships) and all rentals (other than equipment and locker rentals).

   Conclusion - Response accepted.

3. Chairperson and Vice Chair Terms - It is stated in the 28E Agreement that Chairpersons and Vice Chairs shall not serve more than two consecutive (2) two year terms in said positions. The current Chairperson and Vice Chair have served as such for more than four years.

   Recommendation - Either the 28E Agreement should be amended to allow for longer terms or new Chairpersons should be elected.

   Response and Corrective Action Plan - Both recommendations will be considered and one recommendation will be followed through within a timely manner.

   Conclusion - Response accepted.

Part III: FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS:

Not Applicable – No Federal Funding

Part IV: OTHER FINDINGS RELATED TO STATUTORY REPORTING:

1. Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in the Attorney General's opinions dated April 25, 1979 and July 3, 1990. However, continued review of all disbursements to determine and document the public purpose serviced should be performed by the Commission.

2. Business Transactions - Our examination disclosed no business transactions between the Mutchler Community Center and the Center's commissioners or employees.

3. Open Meetings - Our examination disclosed no instances of noncompliance with the Code of Iowa Chapter 21.4 requirements concerning public notice of open meetings.

4. Construction Bidding Contracts - Our examination showed no instances of noncompliance with the Code of Iowa Chapter 384.96 and 384.102 where the total cost of the project was $25,000 and bidding requirements were not followed as required for projects of $25,000 or more.