

CITY OF COLFAX, IOWA

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

June 30, 2005

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City of Colfax, Iowa  
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Keith Warrick	Mayor	January, 2008
Kent Deal	Council Member	January, 2008
Bob Brown	Council Member	January, 2008
Bryan Poulter	Council Member	January, 2008
Elizabeth Wheeler	Council Member	January, 2006
David Annis	Council Member	January, 2006
Kathy Mathews	Clerk	Indefinite
Larry Opfer	Treasurer	Indefinite
Ken Walker	City Attorney	Indefinite

# POLLARD AND COMPANY P.C.

## CERTIFIED PUBLIC ACCOUNTANTS

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IOWA SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

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

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 Colfax, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City'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 and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Colfax as of June 30, 2005, 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.

In accordance with Government Auditing Standards, we have also issued our reports as dated below on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Colfax's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (none of which is presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

October 12, 2005

*Pollard and Company P.C.*

CITY OF COLFAX  
MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Colfax 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 ending June 30, 2005. We encourage readers to consider this information in conjunction with the City's financial statements and the accompanying notes, which follow.

**FINANCIAL HIGHLIGHTS**

- The City's receipts totaled \$2,150,915 for the year ended June 30, 2005, a 7% increase from 2004.
- Disbursements for the year totaled \$2,052,482 which is a 12% decrease from 2004.

**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.

Notes to financial statements provide additional information essential to 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.

**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 New Assets reports information which helps answer this question.

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

The Statement of Activities and Net Assets are divided into two finds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system, and garbage/landfill. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

- 1) Government 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 major governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Road Use Tax, Local Option Sales Tax, Hotel/Motel Tax Fund, and Employee Benefits Fund; and 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Transfers In and Out are an accounting device used to accumulate and allocate costs internally among the City's various functions.

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

- 2) Proprietary funds are used to report business type activities. The City maintains three funds to provide separate information for the water, sewer, and garbage/landfill funds considering these to be major funds.

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 \$90,022 from a year ago. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	<u>Year ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Receipts and transfers:		
Program receipts:		
Charges for service	241,501	179,847
Operating grants, contributions and restricted interest	196,590	194,087
Capital grants, contributions and restricted interest	3,000	215,407
General receipts:		
Property tax	574,578	526,036
Local Option and Hotel/Motel taxes	181,448	12,807
Unrestricted investment earnings	5,579	8,087
Other general receipts	87,747	120,340
Total receipts	1,290,443	1,253,804
Disbursements:		
Public safety	512,601	349,459
Public works	284,064	266,345
Health & Social Services	6,182	0
Culture and recreation	167,381	215,444
Community and economic development	3,001	246,697
General government	284,583	300,788
Debt service	122,653	181,621
Total disbursements	1,380,465	1,560,354
Increase (decrease) in cash basis net assets	< 90,022>	<303,748>
Cash basis net assets (deficit) beginning of year	<83,063>	220,685
Cash basis net assets (deficit) end of year	<173,085>	<83,063>

The City's total receipts for governmental activities increased. The total cost of all programs and services decreased with no new programs added this year.

The City increased property tax rates for 2005. Based on increases in the total assessed valuation, property tax receipts are budgeted to remain very similar next year.

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Changes in Cash Basis Net Assets of Business Type Activities

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	<u>Year ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	295,014	283,754
Sewer	333,303	336,916
Landfill	132,155	132,462
General receipts:		
Restricted interest on investments	0	5,551
Bond Proceeds	100,000	0
Total receipts	860,472	758,683
Disbursements and transfers:		
Water	173,107	227,293
Sewer	385,172	432,544
Landfill	113,738	112,958
Total disbursements and transfers	672,017	772,795
Increase (decrease) in cash balance	188,455	<14,112>
Cash basis net assets beginning of year	1,222,072	1,236,184
Cash basis net assets end of year	1,410,527	1,222,072

**INDIVIDUAL MAJOR GOVERNMENT FUND ANALYSIS**

The following are the major reasons for the changes in fund balances of certain major funds from the prior year.

- The General Fund decreased \$97,342 due to disbursements exceeding receipts.
- Employee Benefit Fund cash balance is <28,553> since benefit payments exceeded property tax receipts.
- The Debt Service Fund cash balance increased to \$2946 after disbursements for the year and the increase in property tax receipts was used to fund the prior year's deficit.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance increased \$121,907.
- The Sewer Fund cash balance increased \$48,131.
- The Garbage/Landfill cash balance increased \$18,417.
- No transfers were made to fund other city funds.

## BUDGETARY HIGHLIGHTS

During the course of the year, the City amended its budget.

## DEBT ADMINISTRATION

At June 30, 2005, the City had approximately \$2,667,262 in bonds and other long-term debt, compared to approximately \$2,755,794 last year, as shown below.

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Outstanding Debt at Year-End		
	<u>2005</u>	<u>June 30,</u> <u>2004</u>
General obligation bonds	741,445	732,294
Revenue notes	1,925,817	2,023,500
Total	2,667,262	2,755,794

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The City's outstanding general obligation debt of \$741,445 is below its constitutional debt limit of \$3.1 million.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City of Colfax's elected and appointed officials considered many factors when setting the fiscal year 2006 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 percent for fiscal year 2005 compared with the national rate of 3.4 percent. Inflation has been modest here due in part to the slow residential housing market and modest increases in energy prices in 2004-2005.

These indicators were taken into account when adopting the budget for fiscal year 2005. Amounts available for appropriation in the operating budget are \$2.5 million, a slight increase over the final 2005 budget. Budgeted disbursements are expected to remain fairly similar. The City has added no major new programs or initiatives to the 2006 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase by the close of 2006.

## 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 Kathy L. Mathews, City Clerk, 15 E. Howard, Colfax, Iowa.

City of Colfax, Iowa  
Statement of Activities and Net Assets – Cash Basis  
As of and for the year ended June 30, 2005

Functions/Programs	Program Receipts			
	Disbursements	Charges for Services	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Governmental Activities</b>				
Public safety	\$ 512,601	\$ 196,515	\$ -	\$ -
Public works	284,064	-	185,062	-
Health and social services	6,182	-	-	-
Culture and recreation	167,381	29,664	-	3,000
Community and economic development	3,001	-	-	-
General government	284,583	14,872	11,528	-
Debt service	122,653	-	-	-
Total governmental activities	1,380,465	241,051	196,590	3,000
<b>Business Type Activities</b>				
Water	173,107	295,014	-	-
Sewer	385,172	333,303	-	-
Landfill	113,738	132,155	-	-
Total business type activities	672,017	760,472	-	-
Total	\$ 2,052,482	\$ 1,001,523	\$ 196,590	\$ 3,000

General Receipts

- Property tax levied for
  - General purposes
  - Tax increment financing
  - Debt service
- Local option sales tax
- Hotel/motel tax
- Unrestricted interest on investments
- Bond Proceeds
- Miscellaneous
- Total general receipts

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
  - Other purposes
- Unrestricted (deficit)
- Total cash basis net assets

*There were no reconciling items between the Governmental and Fiduciary Fund Statements of Cash Receipts, Disbursements and Changes in Cash Balances and the above Statement. See notes to financial statements.*

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

	Governmental Activities	Business Type Activities	Total
\$	(316,086)	\$ -	\$ (316,086)
	(99,002)	-	(99,002)
	(6,182)		(6,182)
	(134,717)	-	(134,717)
	(3,001)	-	(3,001)
	(258,183)	-	(258,183)
	(122,653)	-	(122,653)
	(939,824)	-	(939,824)
	-	121,907	121,907
	-	(51,869)	(51,869)
	-	18,417	18,417
	-	88,455	88,455
\$	(939,824)	\$ 88,455	\$ (851,369)
	423,940	-	423,940
	17,510	-	17,510
	133,128	-	133,128
	136,670		136,670
	44,778	-	44,778
	5,579	-	5,579
	-	100,000	100,000
	88,197	-	88,197
	849,802	100,000	949,802
	(90,022)	188,455	98,433
	(83,063)	1,222,072	1,139,009
\$	(173,085)	\$ 1,410,527	\$ 1,237,442
\$	(51,662)	\$ -	\$ (51,662)
	2,946	-	2,946
	114,836	-	114,836
	(239,205)	1,410,527	1,171,322
\$	(173,085)	\$ 1,410,527	\$ 1,237,442

City of Colfax, Iowa  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Governmental Funds  
As of and for the year ended June 30, 2005

	Special Revenue			
	General	Road Use Tax	Local Option SalesTax	Hotel/Motel Tax
<b>Receipts</b>				
Property Taxes	\$ 315,010	\$ -	\$ -	\$ -
Tax Increment Financing Collections	-	-	-	-
Other City Tax	-	-	136,670	44,778
Licenses and Permits	15,622	-	-	-
Use of Money and Property	5,492	81	-	-
Intergovernmental	11,528	185,062	-	-
Charges for Services	197,131	-	-	-
Miscellaneous	115,655	-	-	-
Total Receipts	660,438	185,143	136,670	44,778
<b>Disbursements</b>				
Operating				
Public Safety	452,869	-	-	-
Public Works	-	265,071	-	-
Health and Social Services	6,182	-	-	-
Culture and Recreation	137,728	-	11,745	-
Community and Economic Development	3,001	-	-	-
General Government	248,724	-	-	-
Debt Service	-	-	-	-
Total Disbursements	848,504	265,071	11,745	-
Excess (deficiency) of receipts over (under) disbursements	(188,066)	(79,928)	124,925	44,778
<b>Other financing sources (uses)</b>				
Operating transfers in	90,724	-	-	-
Operating transfers out	-	-	(68,335)	(22,389)
Total other financing sources (uses)	90,724	-	(68,335)	(22,389)
Net change in cash balances	(97,342)	(79,928)	56,590	22,389
Cash balance (deficit) - beginning of year	(141,863)	28,266	-	-
Cash balance (deficit) - end of year	\$ (239,205)	\$ (51,662)	\$ 56,590	\$ 22,389
<b>Cash basis fund balances (deficit)</b>				
Unreserved				
Debt service	\$ -	\$ -	\$ -	\$ -
General fund	(239,205)	-	-	-
Special revenue funds	-	(51,662)	56,590	22,389
Permanent fund	-	-	-	-
Total cash basis fund balances (deficit)	\$ (239,205)	\$ (51,662)	\$ 56,590	\$ 22,389

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

<u>Special Revenue</u>		Other Nonmajor Governmental		
Employee Benefits	Debt Service	Funds		Total
\$ 108,930	\$ 133,128	\$ -		\$ 557,068
-	-	17,510		17,510
-	-	-		181,448
-	-	-		15,622
-	6	-		5,579
-	-	-		196,590
-	-	-		197,131
-	-	3,840		119,495
<u>108,930</u>	<u>133,134</u>	<u>21,350</u>		<u>1,290,443</u>
59,732	-	-		512,601
18,993	-	-		284,064
				6,182
14,908	-	3,000		167,381
-	-	-		3,001
35,859	-	-		284,583
-	122,653	-		122,653
<u>129,492</u>	<u>122,653</u>	<u>3,000</u>		<u>1,380,465</u>
(20,562)	10,481	18,350		(90,022)
-	17,510	-		108,234
-	-	(17,510)		(108,234)
-	17,510	(17,510)		-
<u>(20,562)</u>	<u>27,991</u>	<u>840</u>		<u>(90,022)</u>
(7,991)	(25,045)	63,570		(83,063)
<u>\$ (28,553)</u>	<u>\$ 2,946</u>	<u>\$ 64,410</u>		<u>\$ (173,085)</u>
\$ -	\$ 2,946	\$ -		\$ 2,946
-	-	-		(239,205)
(28,553)	-	-		(1,236)
-	-	64,410		64,410
<u>\$ (28,553)</u>	<u>\$ 2,946</u>	<u>\$ 64,410</u>		<u>\$ (173,085)</u>

City of Colfax, Iowa  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds  
As of and for the year ended June 30, 2005

	Water	Sewer	Landfill	Total
Operating receipts				
Use of money and property	\$ 7,268	\$ 451	\$ 147	\$ 7,866
Charges for service	287,746	332,852	132,008	752,606
Total operating receipts	<u>295,014</u>	<u>333,303</u>	<u>132,155</u>	<u>760,472</u>
Operating disbursements				
Business type activities	<u>173,107</u>	<u>215,727</u>	<u>113,738</u>	<u>502,572</u>
Excess of operating receipts over operating disbursements	<u>121,907</u>	<u>117,576</u>	<u>18,417</u>	<u>257,900</u>
Non-operating receipts (disbursements)				
General obligation bond proceeds	-	100,000	-	100,000
Debt service	-	(169,445)	-	(169,445)
Total non-operating receipts (disbursements)	<u>-</u>	<u>(69,445)</u>	<u>-</u>	<u>(69,445)</u>
Net change in cash balances	121,907	48,131	18,417	188,455
Cash balances - beginning of year	821,670	345,208	55,194	1,222,072
Cash balances - end of year	<u>\$ 943,577</u>	<u>\$ 393,339</u>	<u>\$ 73,611</u>	<u>\$ 1,410,527</u>
Cash basis fund balances				
Reserved for debt service	\$ 763,897	\$ 191,551	\$ -	\$ 955,448
Unreserved	179,680	201,788	73,611	455,079
Total cash basis fund balances	<u>\$ 943,577</u>	<u>\$ 393,339</u>	<u>\$ 73,611</u>	<u>\$ 1,410,527</u>

*See notes to financial statements.*

City of Colfax, Iowa  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Fiduciary Funds  
As of and for the Year Ended June 30, 2005

	<u>Library Memorials</u>	<u>Tenant Memorial</u>	<u>Stage Project</u>
Receipts			
Donations	\$ -	\$ -	\$ 74,784
Investment earnings - interest	-	3,743	-
Total receipts	<u>-</u>	<u>3,743</u>	<u>74,784</u>
Disbursements			
Operating			
Cultural and recreation	<u>286</u>	<u>5,000</u>	<u>66,800</u>
Total Disbursements	<u>286</u>	<u>5,000</u>	<u>66,800</u>
Excess of receipts over disbursements	<u>(286)</u>	<u>(1,257)</u>	<u>7,984</u>
Cash balance - beginning of year	13,393	52,702	-
Cash balance - end of year	<u>\$ 13,107</u>	<u>\$ 51,445</u>	<u>\$ 7,984</u>

CITY OF COLFAX, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

1/ Summary of Significant Accounting Policies

The City of Colfax is a political subdivision of the State of Iowa located in Jasper County. It was first incorporated in 1866 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements, and general administrative services.

A. Reporting Entity

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

Jointly Governed Organizations

The City also 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 and commissions: Jasper County Assessor's Conference Board, Selective Enforcement Response Team and Safety Coalition of Central Iowa Cities, Jasper County Animal Rescue League and Humane Society and Central Iowa Committee.

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.

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.

B. Basis of Presentation (continued)

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Local Option Sales Tax is used to account for the City's sales tax receipts and the disbursements financed by such.

The Hotel/Motel Tax Fund is used to account for the City's hotel/motel tax receipts and the disbursements financed by such.

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

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

The City reports the following major proprietary funds:

The 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 accounts for the operation of the City's solid waste disposal system.

C. Measurement Focus and Basis of Accounting

The City of Colfax 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.

C. Measurement Focus and Basis of Accounting (continued)

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, 2005, disbursements exceeded the amounts budgeted in the Public Safety, Public Works, Health and Social Services, and Culture and Recreation functions.

2/ Cash and Pooled Investments

The City's deposits at June 30, 2005 were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City has no investments that are subject to risk categorization.

3/ Contract Payable

In August 2001, the City purchased a shop building from the Iowa Department of Transportation for \$117,000. The final payment of \$23,000 was paid in the year ended June 30, 2005. The contract bears zero interest.

4/ Lease Commitment

In March, 2002, the City entered into a governmental lease purchase agreement for a tractor. The final payment of \$13,951 was paid in the year ended June 30, 2005.

5/ Notes Payable

The annual debt service requirement to maturity for general obligation notes, and the sewer revenue notes is as follows:

Year Ending June 30,	General Obligation Notes		Sewer Revenue Notes		Total Annual Debt Retirement	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	90,134	36,212	95,334	64,146	185,468	100,358
2007	95,524	29,266	98,244	60,820	193,768	90,086
2008	98,093	25,140	102,211	57,378	200,304	82,518
2009	100,809	20,867	105,240	53,785	206,049	74,652
2010	103,651	16,470	109,335	50,067	212,986	66,537
2011	106,635	11,933	112,498	46,191	219,133	58,124
2012	71,613	7,254	116,736	42,182	188,349	49,436
2013	51,554	2,846	121,052	38,006	172,606	40,852
2014	12,080	920	125,452	33,658	137,532	34,578
2015	11,352	371	108,715	29,132	120,067	29,503
2016			108,000	24,930	108,000	24,930
2017			112,000	21,690	112,000	21,690
2018			115,000	18,330	115,000	18,330
2019			118,000	14,880	118,000	14,880
2020			122,000	11,340	122,000	11,340
2021			126,000	7,680	126,000	7,680
2022			130,000	3,900	130,000	3,900
Totals	<u>\$ 741,445</u>	<u>\$ 151,279</u>	<u>\$ 1,925,817</u>	<u>\$ 578,115</u>	<u>\$ 2,667,262</u>	<u>\$ 729,394</u>

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

- a. The bonds will only be redeemed from the future earnings of the sewer activity and the note holders hold a lien on the future earnings of the sewer fund.
- b. Sufficient monthly transfers shall be made to a separate revenue bond sinking account for the purpose of making the next bond principal and interest payments.

The City has established the sinking and reserve funds required by the above resolutions.

6/ Tax Increment Financing

In 1988, 1991, and 1999, the City established three urban renewal districts and made agreements with the county and school, in accordance with Chapter 403.19 of the Code of Iowa, to divide the increase in taxes, as a result of the incremental property tax valuation in those districts.

The taxes so collected are paid into the City's Special Revenue Fund and are to be expended for project costs or debt service associated with the projects affecting the districts. In prior years, the taxes received were not sufficient to pay the debt service. Consequently, the water fund advanced \$77,269 toward debt service. In accordance with the Iowa Code, these advances may now be repaid from the tax increment revenues since the 1999 general obligation refunding note has been retired.

6/ Tax Increment Financing (continued)

In July 2001, the City and Jasper County entered into a 28E agreement to develop the Colfax I-80 Interchange Urban Renewal Project area. The City extended its water and sanitary sewer service to the area. By June 30, 2005, the County had loaned the City \$1,197,501 for the extension costs and \$80,175 to reimburse engineering costs. The County shall collect and retain all tax increment revenues collected from the taxable properties located in the area. If upon maturity of the loan, the revenue collected is not sufficient to fully reimburse the County for all the principal and interest paid by the County, on its loan for this specific purpose, the City will be obligated to repay the unpaid balance plus interest at the rate then being paid by the County on its loan. Since the repayment is contingent on future taxes paid in the Urban Renewal Project area, the amounts of the payments are not readily determinable.

7/ Pension and Retirement Benefits

IPERS

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 salary and the City is required to contribute 5.75% of annual covered payroll except for police and fire employees, in which case the percentages are 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 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. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$30,398, \$29,122, and \$25,796, respectively, which is equal to the required contributions for each year.

8/ Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The liability is computed based on the rate of pay as of June 30, 2005. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2005, primarily relating to the General Fund, was \$11,000.

9/ Related Party Transactions

The City had business transactions between the City and City officials totaling \$3,839 during the year ended June 30, 2005.

10/ 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.

#### 11/ Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that effect the reported amounts and disclosure of liabilities, contingent liabilities and commitments at the date of the financial statements, and the classification of receipts and disbursements during the reporting period. Actual results could differ from the estimates that were used.

#### 12/ Deficit Fund Balances

At June 30, 2005 the General, Road Use Tax and Employee Benefits Funds had deficit balances of \$239,205, \$51,662, and \$28,553, respectively. The deficit in the General Fund will be reduced by transfers from the Proprietary Fund operating accounts. The deficit in the Employee Benefit Fund will be reduced by increasing property tax levies in subsequent years. The deficit in the Road Use Tax Fund was created because project expenditures were made ahead of receipts. Future receipts will be used to offset the deficit.

#### 13/ Economic Development Loan

With funds from the Iowa Department of Economic Development, the City loaned \$150,000 to a local manufacturing company which employs 40 people. The loan is forgivable to the extent of \$75,000 and repayment is expected on the \$75,000 balance. Principal payment are to be received over 5 years and there is no interest due. Any repayment is to be used by the City for similar projects.

City of Colfax, 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, 2005

	Governmental Funds Actual	Proprietary Funds Actual
<b>Receipts</b>		
Property Taxes	\$ 557,068	\$ -
Tax increment financing collections	17,510	-
Other city tax	181,448	-
Licenses and permits	15,622	-
Use of money and property	5,579	7,866
Intergovernmental	196,590	-
Charges for Service	197,131	752,606
Special assessments	-	-
Miscellaneous	119,495	-
Total Receipts	<u>1,290,443</u>	<u>760,472</u>
<b>Disbursements</b>		
Public safety	512,601	-
Public works	284,064	-
Health and social services	6,182	-
Culture and recreation	167,381	-
Community and economic development	3,001	-
General government	284,583	-
Debt service	122,653	-
Business type activities	-	502,572
Total Disbursements	<u>1,380,465</u>	<u>502,572</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(90,022)</u>	<u>257,900</u>
Other financing (uses) net	<u>-</u>	<u>(69,445)</u>
Excess (deficiency) of receipts over disbursements and other financing uses	<u>(90,022)</u>	<u>188,455</u>
Balance (deficit) - beginning of year	<u>(83,063)</u>	<u>1,222,072</u>
Balance (deficit) - end of year	<u>\$ (173,085)</u>	<u>\$ 1,410,527</u>

*See accompanying independent auditors' report.*

Budgeted Amounts

Net	Original	Final	Final to Net Variance
\$ 557,068	\$ 558,070	\$ 558,070	\$ (1,002)
17,510	9,000	9,000	8,510
181,448	24,216	181,218	230
15,622	11,200	11,200	4,422
13,445	2,000	2,000	11,445
196,590	185,621	185,621	10,969
949,737	786,000	816,000	133,737
-	2,000	2,000	(2,000)
119,495	7,000	169,789	(50,294)
<u>2,050,915</u>	<u>1,585,107</u>	<u>1,934,898</u>	<u>116,017</u>
512,601	248,031	435,412	(77,189)
284,064	217,396	249,192	(34,872)
6,182	3,000	3,000	(3,182)
167,381	94,293	129,953	(37,428)
3,001	2,779	3,002	1
284,583	353,141	353,141	68,558
122,653	142,342	142,342	19,689
502,572	599,794	599,794	97,222
<u>1,883,037</u>	<u>1,660,776</u>	<u>1,915,836</u>	<u>32,799</u>
167,878	(75,669)	19,062	148,816
<u>(69,445)</u>	<u>-</u>	<u>-</u>	<u>(69,445)</u>
98,433	(75,669)	19,062	79,371
1,139,009	6,020,591	6,020,591	(4,881,582)
<u>\$ 1,237,442</u>	<u>\$ 5,944,922</u>	<u>\$ 6,039,653</u>	<u>\$ (4,802,211)</u>

City of Colfax, Iowa  
Notes to Required Supplementary Information – Budgetary Reporting  
June 30, 2005

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$254,970. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the Public Safety, Public Works, Health and Social Services, and Culture and Recreation functions.

City of Colfax, Iowa  
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances  
Nonmajor Governmental Funds  
As of and for the year ended June 30, 2005

	Special Revenue		Permanent	Total
	Urban Renewal Tax Increment	CDBG	Cemetery Perpetual Care	
Receipts				
Property tax - tax increment financing	\$ 17,510		\$ -	\$ 17,510
Miscellaneous	-	3,000	840	3,840
Total Receipts	<u>17,510</u>	<u>3,000</u>	<u>840</u>	<u>21,350</u>
Disbursements				
Operating				
Culture and recreation		3,000		3,000
Total Disbursements	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Excess of receipts over disbursements	17,510	-	840	18,350
Other financing uses				
Operating transfers out	<u>(17,510)</u>	<u>-</u>	<u>-</u>	<u>(17,510)</u>
Net change in cash balances	-	-	840	840
Cash balance - beginning of year	-	-	63,570	63,570
Cash balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,410</u>	<u>\$ 64,410</u>
Cash basis fund balances				
Unreserved				
Permanent fund			\$ 64,410	\$ 64,410
Total cash basis fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,410</u>	<u>\$ 64,410</u>

*See accompanying independent auditors' report.*

City of Colfax, Iowa  
Schedule of Indebtedness  
For the year ended June 30, 2005

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Notes			
Fire Station and Park Project	March 2, 1998	5.00%	\$ 400,000
Sewer Equipment Note	January 12, 2001	5.00%	12,000
City Hall Note	April 1, 2002	5.00%	35,000
South Sewer	April 14, 2003	3.50%	400,000
Corporate Purpose Note	August 15, 2001	5.00%	150,000
Municipal Swimming Pool Repairs and Improvements to City Park, Ball Fields, and Tennis Courts			
Lake Street Sewer	October 1, 2004	4.50%	100,000
Totals			
Revenue Notes			
Sewer Revenue Bonds	March 15, 2003	3.00%	\$ 1,910,000
Sewer Revenue Note	May 8, 2001	6.25%	250,000
Totals			

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

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 215,692	\$ -	\$ 25,149	\$ 190,543	\$ 11,054	\$ -
5,400	-	5,400	-	276	-
28,000	-	3,500	24,500	1,415	-
360,000	-	40,000	320,000	12,915	-
123,202	-	16,800	106,402	6,144	-
-	100,000	-	100,000	-	-
<u>\$ 732,294</u>	<u>\$ 100,000</u>	<u>\$ 90,849</u>	<u>\$ 741,445</u>	<u>\$ 31,804</u>	<u>\$ -</u>
\$ 1,833,000	\$ -	\$ 78,000	\$ 1,755,000	\$ 59,573	\$ -
190,500	-	19,683	170,817	12,189	-
<u>\$ 2,023,500</u>	<u>\$ -</u>	<u>\$ 97,683</u>	<u>\$ 1,925,817</u>	<u>\$ 71,762</u>	<u>\$ -</u>

City of Colfax, Iowa  
 Note Maturities  
 For the year ended June 30, 2005

Year Ending June 30,	Fire Station and Park		City Hall		South Sewer	
	Issued March 2, 1998		Issued April 1, 2002		Issued April 14, 2003	
	Interest Rates (%)	Amount	Interest Rates (%)	Amount	Interest Rates (%)	Amount
2006	5.00	26,406	5.00	3,500	3.50	40,000
2007	5.00	27,727	5.00	3,500	3.50	40,000
2008	5.00	29,113	5.00	3,500	3.50	40,000
2009	5.00	30,569	5.00	3,500	3.50	40,000
2010	5.00	32,097	5.00	3,500	3.50	40,000
2011	5.00	33,702	5.00	3,500	3.50	40,000
2012	5.00	10,929	5.00	3,500	3.50	40,000
2013					3.50	40,000
2014						
2015						
Totals		<u>\$ 190,543</u>		<u>\$ 24,500</u>		<u>\$ 320,000</u>

Year Ending June 30,	Sewer Revenue Notes		Sewer Revenue Bonds		Total Sewer Notes & Bonds
	Issued May 8, 2000		Issued March 15, 2003		
	Interest Rates (%)	Amount	Interest Rates (%)	Amount	
2006	6.25	14,334	3.00	81,000	95,334
2007	6.25	15,244	3.00	83,000	98,244
2008	6.25	16,211	3.00	86,000	102,211
2009	6.25	17,240	3.00	88,000	105,240
2010	6.25	18,335	3.00	91,000	109,335
2011	6.25	19,498	3.00	93,000	112,498
2012	6.25	20,736	3.00	96,000	116,736
2013	6.25	22,052	3.00	99,000	121,052
2014	6.25	23,452	3.00	102,000	125,452
2015	6.25	3,715	3.00	105,000	108,715
2016	6.25	-	3.00	108,000	108,000
2017	6.25	-	3.00	112,000	112,000
2018	6.25	-	3.00	115,000	115,000
2019	6.25	-	3.00	118,000	118,000
2020	6.25	-	3.00	122,000	122,000
2021	6.25	-	3.00	126,000	126,000
2022	6.25	-	3.00	130,000	130,000
Totals		<u>\$ 170,817</u>		<u>\$ 1,755,000</u>	<u>\$ 1,925,817</u>

*See accompanying independent auditors' report.*

Pool and Park		Lake Street Sewer		Total General Obligations
Issued August 15, 2001		Issued October 1, 2004		
Interest Rates (%)	Amount	Interest Rates (%)	Amount	
5.00	14,697	4.50	5,531	90,134
5.00	15,450	4.50	8,847	95,524
5.00	16,240	4.50	9,240	98,093
5.00	17,070	4.50	9,670	100,809
5.00	17,944	4.50	10,110	103,651
5.00	18,863	4.50	10,570	106,635
5.00	6,138	4.50	11,046	71,613
		4.50	11,554	51,554
		4.50	12,080	12,080
		4.50	11,352	11,352
	<u>\$ 106,402</u>		<u>\$ 100,000</u>	<u>\$ 741,445</u>

City of Colfax, Iowa  
 Schedule of Receipts by Source and Disbursements by Function  
 All Government Funds  
 As of and for the year ended June 30, 2005

	2005	2004
<b>Receipts</b>		
Property taxes	\$ 557,068	\$ 504,922
Tax increment financing collections	17,510	21,114
Other city tax	181,448	12,802
Licenses and permits	15,622	23,828
Use of money and property	5,579	8,087
Intergovernmental	196,590	409,494
Charges for service	197,131	179,847
Miscellaneous	119,495	96,512
Total	<u>\$ 1,290,443</u>	<u>\$ 1,256,606</u>
<b>Disbursements</b>		
Operating		
Public safety	\$ 512,601	\$ 349,459
Public works	284,064	266,345
Health and social services	6,182	-
Culture and recreation	167,381	215,444
Community and economic development	3,001	246,697
General government	284,583	300,788
Debt service	122,653	181,621
Total	<u>\$ 1,380,465</u>	<u>\$ 1,560,354</u>

*See accompanying independent auditors' report.*

# POLLARD AND COMPANY P.C.

## CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Mayor and  
Members of the City Council

We have audited the financial statements of the City of Colfax, Iowa as of and for the year ended June 30, 2005, and have issued our report thereon as dated below. Our report expressed an unqualified opinion on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting.

We conducted our audit in accordance with generally accepted auditing standards, 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's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 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-B-05.

#### Internal Control Over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described in the Schedule of Findings are material weaknesses. Prior year reportable conditions have been resolved except for items I-A-05.

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

October 12, 2005

*Pollard and Company P.C.*

CITY OF COLFAX, IOWA  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2005

Part I: Findings Related to the Financial Statements

REPORTABLE CONDITIONS:

I-A-05 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 noted that generally one person has control over each of the following areas:

- (1) Cash receipts, journalizing and posting.
- (2) Disbursements, check writing, signing mailing journalizing and posting.
- (3) Payroll preparation and distribution.

Recommendation

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

Response

We will continue to review the internal control procedures and segregate duties to the extent possible with existing personnel.

Conclusion

Response accepted.

Part II: Other Findings Related to Statutory Reporting

II-A-05 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, 2005.

II-B-05 Certified Budget

Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the Public Safety, Public Works, Health and Social Services, and Culture and Recreation functions. 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 budget will be amended in the future, if applicable.

Conclusion

Response accepted.

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

II-C-05 Questionable Disbursements  
We noted no disbursements for parties, banquets or other entertainment expenses that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-05 Travel Expense  
We noted no disbursements of City money for travel expenses of spouses of City officials or employees during the year.

II-E-05 Business Transactions  
Business transactions between the City and City officials or employees are as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Bryan Poulter, Council Member, Swimming Pool Manager	Swimming Pool Manager Wages	\$2,499
David Annis, Council Member	Computer Repairs	\$180
Kent Deal, Council Member	Computer Repairs	\$790
Elizabeth Wheeler, Council Member	Temporary Help	\$370

In accordance with Chapter 362.5(10) of the Code of Iowa, these transactions do not appear to be a conflict of interest, since the duties of the function are not incompatible with duties as Council Members.

II-F-05 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-05 Council Minutes  
No transactions were found that we believe should have been approved in the Council minutes but were not.

Although the minutes of the Council proceedings were published, they did not contain a summary of all receipts in accordance with Chapter 372.13(6) of the Code of Iowa.

Recommendation

The City should comply with Chapter 372.13(6) of the Code of Iowa and publish a summary of all receipts.

Response

We will publish a summary of all receipts as required.

Conclusion

Response accepted.

II-H-05 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.

II-I-05

Financial Condition

The General, Road Use Tax, and Employee Benefit Funds had deficit balances at June 30, 2005 of \$239,205, \$51,662, and \$28,553, respectively.

Recommendation

The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response

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

Conclusion

Response accepted.