CITY OF ELDRIDGE, IOWA

Independent Auditor's Reports
Basic Financial Statement
Supplementary Information
Schedule of Findings

June 30, 2005

CITY OF ELDRIDGE, IOWA
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CITY OF ELDRIDGE, IOWA

Officials

Name	Title	Term Expires
John W. Strazewski	Mayor	Jan 2006
Marty O'Boyle	Council Member	Nov 2005
Bradley J. Noel	Council Member	Nov 2005
Hany Khory	Council Member	Jan 2006
Steve Mohr	Council Member	Jan 2006
Steve Puls	Council Member	Jan 2008
Lawrence B. Rauch	Utility Board Trustee	Feb 2006
Brian M. Roesler	Utility Board Trustee	Feb 2008
Michael E. Ripperger	Utility Board Trustee	Feb 2009
Kevin A. Kroeger	Utility Board Trustee	Feb 2010
Donald M. Stoltenberg	Utility Board Trustee	Feb 2011
John R. Dowd	City Administrator	N/A
Denise M. Benson	City Clerk	N/A
Thomas R. Schirman, Jr.	City Attorney	N/A
Brian Wessel	Street Superintendent	N/A
Martin J. Stolmeier	Police Chief	N/A
Dave Ploessl	Fire Chief	N/A
Myron K. Scheibe	City Engineer	N/A
James Lewandowski	Building Inspector	N/A
Dan Glunz	Utility Manager	N/A
Pat Bredow	Community Center Manager	N/A

GABELMANN & ASSOCIATES, P.C.
Certified Public Accountants

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Eldridge, Iowa:

We have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldridge, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City of Eldridge, Iowa's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Eldridge, Iowa'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 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldridge, Iowa at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 28, 2005 on our consideration of the City of Eldridge, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. 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 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 4 through 9 and 38 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

630 River Drive, Suite 100, Bettendorf, IA 52722
Ph 563.441.0000 F 563.441.0009

GABELMANN & ASSOCIATES, P.C.
Certified Public Accountants

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Eldridge, Iowa's basic financial statements. The financial statements for the three years ended June 30, 2004 (which are not presented herein) were audited by other auditors who expressed an unqualified opinion for the years ended June 30, 2004 and June 30, 2003 and a qualified opinion for the year ended June 30, 2002 on those statements. Other supplementary information included in Schedules 1 through 3 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 the 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.

Bettendorf, Iowa
October 28, 2005

Gabelmann & Associates, P.C.

City of Eldridge
Hometown with a Vision

CITY OF ELDRIDGE, IOWA

305 N. Third Street, P. O. Box 375
Eldridge, Iowa 52748-0375
(563) 285-4841
(563) 285-7376 fax

Management's Discussion and Analysis

Our discussion and analysis of the financial performance of the City of Eldridge provides an overview of the city's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the city's financial statement.

Financial Highlights

- The city maintained the tax levy rate at $6.65 per $1,000 for the 2004-05 fiscal year.
- The taxable valuation for Eldridge continued to grow. Taxable values increased by nearly $24.5 million as of January 1, 2003. This is an increase of 16.5% over the 2002 values. Debt service valuations increased by $20.7 or 12% over 2002 levels.
- The electric utility continued to invest into the new power plant located in Council Bluffs, Iowa.

Using This Annual Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB No. 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the city's annual report.

Report Components

1. *Government-wide financial statements*: the Statement of Net Assets and the Statement of Activities (pages 10-12) provide information about the activities of the city government-wide (or "as a whole") and present a longer-term view of the city's finances.
2. *Government Fund Financial Statements*: Fund financial statements (beginning on page 13) focus on the individual parts of the city government. Fund financial statements also report the city's most significant ("major") funds. For governmental activities these statements tell how these services were financed in the short-term as well as what remains for future spending. For proprietary activities these statements offer short-term and long-term financial information about the activities the city operates as businesses such as water, sanitary sewer, electric and the community center.

Report Components, continued

3. *Notes to the financial statements*: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.
4. *Required supplementary information*: This part of the annual report (beginning on page 38) represents financial information required to be presented by the GASB. Such information provides users of this report with additional data that supplements the government-wide financial statements, fund financial statements and notes (referred to as the basic financial statements).
5. *Basis of accounting*: The basis of accounting for the presentation of these financial statements is explained in the Notes to the Financial Statement. The basis for the presentation varies based on whether the fund is from the Governmental or Proprietary group.

Reporting Entities

The report as presented shows the activities of the following:

1. The City of Eldridge. This group encompasses traditional activities such as police and fire protection, streets and parks. In addition, special revenue groups such as TIF funds, Road Use Taxes and Options Sales Taxes are shown here. These activities are under the governance of the mayor and city council.
2. Eldridge Electric and Water Utilities. This group includes the activities of the water and electric utilities. These funds are operated on a proprietary basis under the direction of the Utility Board of Trustees.
3. Eldridge Community Center. The community center is operated on a proprietary basis under the direction of the Community Center Board.

Financial Position

The financial position of the City of Eldridge, the Eldridge Electric and Water Utilities and the Eldridge Community Center remain strong. The continued growth in taxable valuations provides a strong foundation for property tax revenues. Other revenues such as the road use tax, option sales tax, the hotel/motel tax and TIF funds also remain strong.

Sanitary sewer rates were increased by 12% effective July 1st 2004. The rate increase was necessary to provide sufficient funds for current operations and to set aside money for future maintenance.

The Electric fund continued stable operations throughout the year. The utility board took steps to stabilize rates for the foreseeable future by negotiating a new contract for bulk power purchases. This new contract will take effect in the 2005-06 fiscal year, and will remain in effect until the new power plant in Council Bluffs is opened in 2007.

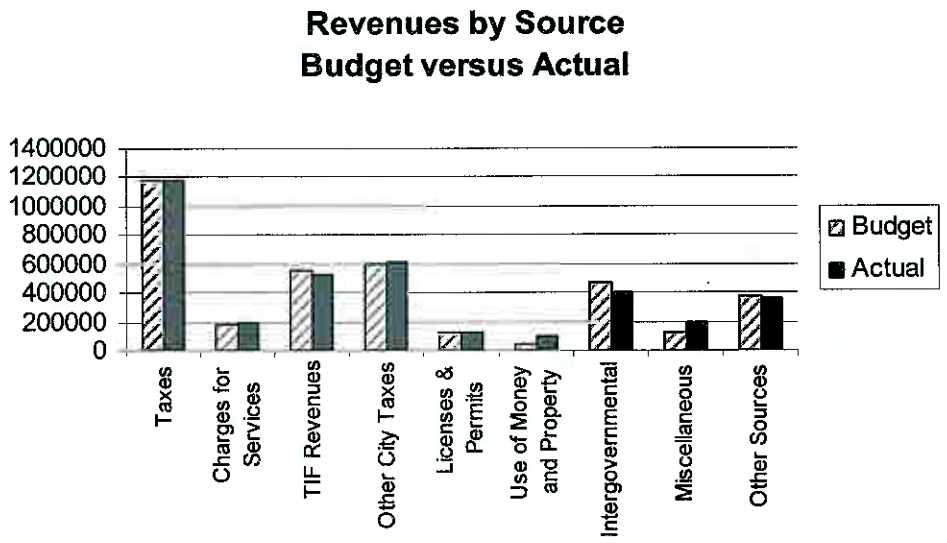
Financial Position, continued

The water fund has experienced some stress due to the growth in Eldridge. In the past five years the utility board has constructed a new source well, a second water tower and an expansion of the water treatment plant. These expansions have left the water fund with debt obligations as well as increased costs of operations. In response the utility board increased rates by 16% effective April 1, 2004.

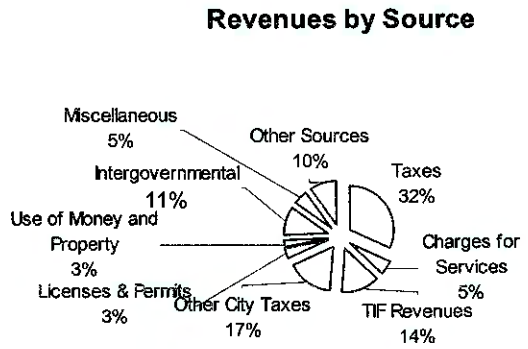
Budget Versus Actual

Governmental Activities

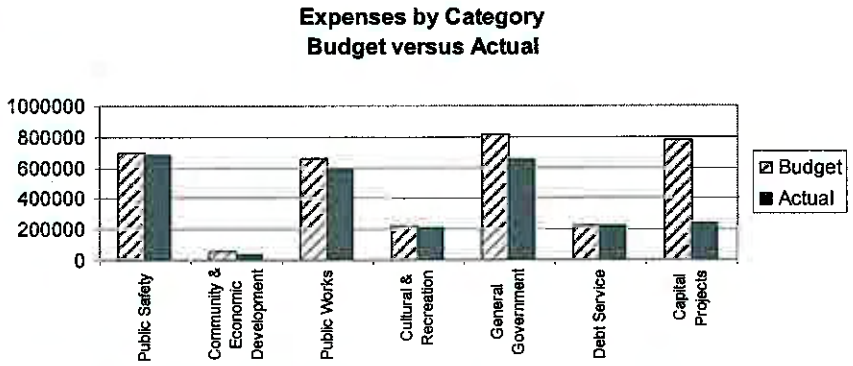
Total revenues for the fiscal year ended June 30, 2005 was $3,249,057. This figure exceeds the budgeted amount by approximately $56,000.



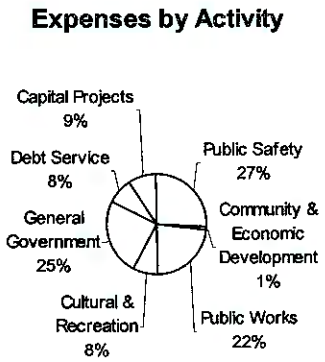
The largest single source of revenue for governmental accounts is property taxes, followed by option sales tax, TIF revenues and road use taxes.



Expenses for the fiscal year totaled $2,602,026. This level was significantly under the budgeted amount of $3,460,875. The reason for this discrepancy was that some capital projects did not happen as planned. The most significant example was the First Street Bike Path project that was delayed by difficulties in obtaining sufficient right-of-way.

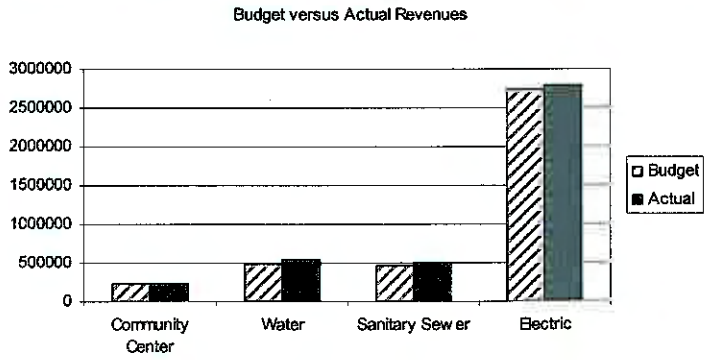


The largest expense category involves public safety activities. The next largest expense categories are general government and public works.



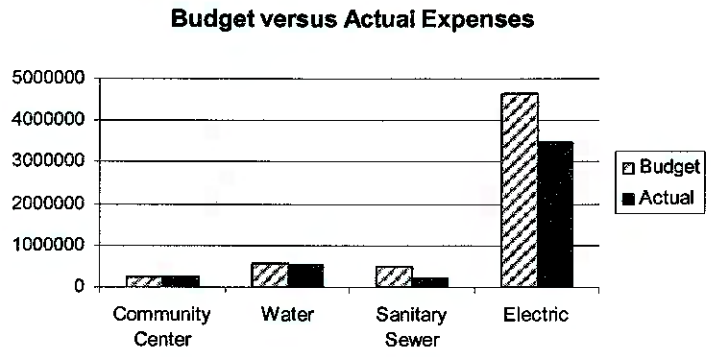
Business Type Activities

Actual revenues in the business type accounts fell short of budgeted levels by nearly $320,000. The City experienced higher than anticipated sales of water due to a dry summer season. Sewer revenues reflect the increased water sales to a degree, but also benefited from a rate increase that took effect on July 1, 2004.



Business Type Activities, continued

Actual expenses lagged behind budgeted amounts for the fiscal year. As with the governmental accounting group, capital expenses did not reach anticipated levels during the year. These project expenses will appear in the 2005-06 fiscal year.



Significant Capital Assets

There were no significant changes in the city's capital assets during the 2004-05 fiscal year. This will change in the coming year when the public facilities associated with new residential development will be turned over to the city.

Long-Term Debt

Long-term debt decreased by 9.5% during the last fiscal year. Long-term debt is comprised of a combination of general obligation, revenue and TIF bonds issued in previous years. The city contracts out the roles of bond registrar and paying agent to Banker's Trust in Des Moines, Iowa.

Bond Issue	Balance 7-1-04	Principal Paid	Interest Paid	Balance 6-30-05
2001 GO refunding	$ 845,000	90,000	32,360	$ 755,000
2001 TIF for library	525,000	80,000	18,175	445,000
2003 Sewer revenue	755,000	75,000	23,155	680,000
2002 Water revenue	1,230,000	75,000	48,374	1,155,000
Total outstanding debt	$3,355,000			$3,035,000

Economic Factors and Next Year's Budget and Rates

As stated earlier in this report, the City of Eldridge remains in a strong financial position to continue operations into the next fiscal year. Taxable values increased by nearly $135.5 million as of January 1, 2004. This is an increase of 7.8% over the 2003 values. Debt service valuations increased by $10.3 million or 5.3% over 2003 levels. These increases, while not as great as last year, will still provide property tax dollars for future operations.

Economic Factors and Next Year's Budget and Rates, continued

Utility operations continue to experience some stress due to growth in the community. The water and sanitary sewer utilities have both experienced increases in the cost of operations due to increases in the volume of water being treated. The water utility will be adding improvements to the treatment plant to boost output, and will drill a new well to provide additional raw water for treatment. The sanitary sewer utility will have to expand the south slope plant to accommodate new growth and to meet new treatment regulations.

Contacting the City's Financial Management

This report is designed to provide citizens, taxpayers, customers and creditors with a general overview of the finances of the City of Eldridge. Questions about this report, or about the finances of the city, should be directed either to the City Clerk or the City Administrator at City Hall, 305 N Third Street, Eldridge, Iowa or by telephone at 563-285-4841.

John R. Dowd
City Administrator

CITY OF ELDRIDGE, IOWA

Statement of Net Assets

June 30, 2005

	Primary Government		
Assets	Governmental Activities	Business Type Activities	Total
Cash and investments	$ 2,606,630	$ 3,670,935	$ 6,277,565
Receivables:			
Property tax:			
Current year	1,545	-	1,545
Succeeding year	1,253,457	-	1,253,457
Customer accounts and unbilled usage	-	524,001	524,001
Accounts	20,612	-	20,612
Employee	527	401	928
Accrued interest	1,660	6,378	8,038
Due from other funds	360,707	478,912	839,619
Inventories	27,474	405,470	432,944
Prepaid insurance	22,926	35,452	58,378
Restricted assets:			
Cash and investments	-	1,317,806	1,317,806
Construction in progress	-	1,280,000	1,280,000
Capital assets, net of accumulated depreciation	20,515,592	35,507,836	56,023,428
Total assets	24,811,130	43,227,191	68,038,321
Liabilities			
Accounts payable	28,778	11,664	40,442
Accrued interest payable	3,815	5,736	9,551
Salaries and benefits payable	39,190	19,734	58,924
Accrued expenses	-	59,377	59,377
Due to other funds	6,800	832,819	839,619
Deferred revenue:			
Succeeding year property tax	1,253,457	-	1,253,457
Long-term liabilities:			
Portion due or payable within one year:			
Customer deposits	-	89,547	89,547
General obligation bonds	170,000	-	170,000
Revenue bonds payable	-	150,000	150,000
Compensated absences	39,658	27,247	66,905
Portion due or payable after one year:			
General obligation bonds	1,030,000	-	1,030,000
Revenue bonds payable	-	1,685,000	1,685,000
Compensated absences	53,764	32,724	86,488
Total liabilities	2,625,462	2,913,848	5,539,310
Net Assets			
Invested in capital assets, net of related debt	19,315,592	34,480,724	53,796,316
Restricted for:			
Road purposes	610,449	-	610,449
Revenue bond retirement	-	176,500	176,500
Equipment replacement	289,559	347,990	637,549
Capital projects	430,413	703,769	1,134,182
Other purposes	1,058,299	-	1,058,299
Unrestricted	481,356	4,604,360	5,085,716
Total net assets	$22,185,668	$40,313,343	$62,499,011

See accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA

Statement of Activities

Year Ended June 30, 2005

Functions/Programs:	Expenses	Program Revenues: Charges for Service	Program Revenues: Operating Grants and Contributions
Primary government:			
Governmental activities:			
Public safety	$ 670,756	$ 134,691	$ 9,562
Public works	2,483,641	187,126	-
Culture and recreation	217,575	33,166	25,262
Community and economic development	36,806	43,136	-
General government	600,643	45,083	-
Interest on long-term debt	50,535	-	-
Total governmental activities	4,059,956	443,202	34,824
Business type activities:			
Electric	2,502,068	2,437,310	277
Water	486,190	553,980	-
Sewer	900,182	495,353	-
Community center	255,259	224,464	-
Interest on long-term debt	71,529	-	-
Total business type activities	4,215,228	3,711,107	277
Total primary government	$ 8,275,184	$ 4,154,309	$ 35,101

General revenues:
Property and other city tax levied for:
General purposes
Debt service
Tax increment financing
Franchise tax
Road use tax
Local option sales tax
Grants and contributions not restricted to specific purpose
Interest on investments
Transfers
Sale of capital assets
Miscellaneous

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

See accompanying notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
$(526,503)	$ -	$(526,503)
(2,296,515)	-	(2,296,515)
(159,147)	-	(159,147)
6,330	-	6,330
(555,560)	-	(555,560)
(50,535)	-	(50,535)
(3,581,930)	-	(3,581,930)
-	(64,481)	(64,481)
-	67,790	67,790
-	(404,829)	(404,829)
-	(30,795)	(30,795)
-	(71,529)	(71,529)
-	(503,844)	(503,844)
(3,581,930)	(503,844)	(4,085,774)
1,124,548	-	1,124,548
57,803	-	57,803
561,576	-	561,576
34,109	-	34,109
373,191	-	373,191
578,887	-	578,887
250	-	250
23,441	107,804	131,245
38,745	(38,745)	-
12,236	-	12,236
105,741	52,314	158,055
2,910,527	121,373	3,031,900
(671,403)	(382,471)	(1,053,874)
22,857,071	40,695,814	63,552,885
$ 22,185,668	$ 40,313,343	$ 62,499,011

CITY OF ELDRIDGE, IOWA

Balance Sheet –
Governmental Funds

June 30, 2005

		Special Revenue		
Assets	General Fund	LeClaire Road Tax Increment Financing Fund	Road Use Tax Fund	Sales Tax Projects Fund
Cash and investments	$ 496,268	$ 330,165	$ 610,449	$ 595,536
Receivables:				
Property tax:				
Current year	1,190	308	-	-
Succeeding year	1,199,197	-	-	-
Accounts	20,612	-	-	-
Employee	527	-	-	-
Accrued interest	1,660	-	-	-
Due from other funds	360,707	-	-	-
Inventories	27,474	-	-	-
Prepaid insurance	22,926	-	-	-
Total assets	$2,130,561	$ 330,473	$ 610,449	$ 595,536
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 27,762	$ 1,016	$ -	$ -
Accrued interest payable	-	1,332	-	-
Salaries and benefits payable	39,190	-	-	-
Due to other funds	6,800	-	-	-
Deferred revenue:				
Succeeding year property tax	1,199,197	-	-	-
Compensated absences	39,658	-	-	-
Total liabilities	1,312,607	2,348	-	-
Fund balances:				
Unreserved, designated for:				
Road purposes	-	-	610,449	-
Equipment replacement	289,559	-	-	-
Capital projects	-	-	-	-
Other purposes	-	328,125	-	595,536
Unreserved	528,395	-	-	-
Total fund balances	817,954	328,125	610,449	595,536
Total liabilities and fund balances	$2,130,561	$ 330,473	$ 610,449	$ 595,536

See accompanying notes to financial statements.

Debt Service Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total All Funds
$ 8,853	$ 430,413	$ 134,946	$2,606,630
47	-	-	1,545
54,260	-	-	1,253,457
-	-	-	20,612
			527
-	-	-	1,660
-	-	-	360,707
-	-	-	27,474
-	-	-	22,926
$ 63,160	$ 430,413	$ 134,946	$4,295,538
$ -	$ -	$ -	$ 28,778
2,483	-	-	3,815
-	-	-	39,190
-	-	-	6,800
54,260	-	-	1,253,457
-	-	-	39,658
56,743	-	-	1,371,698
-	-	-	610,449
-	-	-	289,559
-	430,413	-	430,413
-	-	134,638	1,058,299
6,417	-	308	535,120
6,417	430,413	134,946	2,923,840
$ 63,160	$ 430,413	$ 134,946	$4,295,538

CITY OF ELDRIDGE, IOWA

Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Assets

June 30, 2005

Total governmental fund balance (page 14)	$ 2,923,840
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of the assets is $26,722,452 and the accumulated depreciation is $6,206,860.	20,515,592
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	(1,253,764)
Net assets of governmental activities (page 10)	$22,185,668

See accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA

Statement of Revenues, Expenditures
and Changes in Fund Balances –
Governmental Funds

June 30, 2005

		Special Revenue		
	General Fund	LeClaire Road Tax Increment Financing Fund	Road Use Tax Fund	Sales Tax Projects Fund
Revenues:				
Property tax	$1,124,548	$ -	$ -	$ -
Tax increment financing	-	432,157	-	-
Other taxes	35,259	-	-	527,793
Licenses and permits	127,892	-	-	-
Rent	28,956	-	-	-
Intergovernmental	14,825	-	373,191	-
Charges for service	184,126	-	-	-
Interest on investments	23,441	-	-	-
Miscellaneous	67,072	-	-	37,186
Total revenues	1,606,119	432,157	373,191	564,979
Expenditures:				
Operating:				
Public safety	682,881	-	-	-
Public works	551,985	-	45,335	-
Culture and recreation	213,124	-	-	-
Community and economic development	34,818	174,585	-	-
General government	237,888	-	-	63,221
Debt service	-	98,175	-	-
Capital projects	-	-	221,517	20,000
Total expenditures	1,720,696	272,760	266,852	83,221
Excess (deficiency) of revenues over (under) expenditures	(114,577)	159,397	106,339	481,758
Other financing sources (uses):				
Sale of capital assets	12,236	-	-	-
Operating transfers in	88,745	-	-	-
Operating transfers out	-	-	(25,000)	(215,000)
Other	112,677	-	-	-
Total other financing sources (uses)	213,658	-	(25,000)	(215,000)
Net change in fund balances	99,081	159,397	81,339	266,758
Fund balances (deficit) beginning of year	718,873	168,728	529,110	328,778
Fund balances (deficit) end of year	$ 817,954	$ 328,125	$ 610,449	$ 595,536

See accompanying notes to financial statements.

Debt Service Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total All Funds
$ 57,803	$ -	$ -	$1,182,351
-	-	129,419	561,576
-	28,920	51,095	643,067
-	-	-	127,892
-	5,124	-	34,080
-	-	-	388,016
-	-	-	184,126
-	-	-	23,441
-	250	-	104,508
57,803	34,294	180,514	3,249,057
-	-	16,000	698,881
-	-	-	597,320
-	-	-	213,124
-	-	112,649	322,052
3,116	-	1,338	305,563
122,360	-	-	220,535
-	3,034	-	244,551
125,476	3,034	129,987	2,602,026
(67,673)	31,260	50,527	647,031
-	-	-	12,236
65,000	125,000	-	278,745
-	-	-	(240,000)
-	-	-	112,677
65,000	125,000	-	163,658
(2,673)	156,260	50,527	810,689
9,090	274,153	84,419	2,113,151
$ 6,417	$ 430,413	$ 134,946	$2,923,840

CITY OF ELDRIDGE, IOWA

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities

Year Ended June 30, 2005

Net change in fund balances – governmental funds (page 17)	$ 810,689
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year as follows:	
Depreciation expense	(1,981,703)
Expenditures for capital assets	303,560
	(1,678,143)
Repayment of long term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Current year repayments were as follows:	
Bond principal	170,000
Compensated absences	26,051
	196,051
Change in net assets of governmental activities (page 12)	$(671,403)

See accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA

Statement of Net Assets –
Proprietary Funds

June 30, 2005

Assets	Electric Fund	Water Fund	Sewer Fund	Community Center Fund	Total All Funds
Cash and investments	$ 2,184,271	$ 957,167	$ 466,054	$ 63,443	$ 3,670,935
Receivables:					
Customer accounts and unbilled usage	348,085	113,226	62,690	-	524,001
Employee	374	-	27	-	401
Accrued interest	4,744	-	1,307	327	6,378
Due from other funds	478,912	-	-	-	478,912
Inventories	348,716	38,784	8,896	9,074	405,470
Prepaid insurance	14,078	4,790	10,988	5,596	35,452
Restricted assets:					
Cash and investments	849,520	157,459	310,827	-	1,317,806
Construction in progress	1,280,000	-	-	-	1,280,000
Capital assets (net of accumulated depreciation)	12,564,655	8,704,044	13,314,137	925,000	35,507,836
Total assets	18,073,355	9,975,470	14,174,926	1,003,440	43,227,191
Liabilities					
Accounts payable	403	10,768	493	-	11,664
Accrued interest payable	-	3,889	1,847	-	5,736
Salaries and benefits payable	6,290	2,428	5,348	5,668	19,734
Accrued expenses	59,377	-	-	-	59,377
Due to other funds	3,852	720,155	108,812	-	832,819
Payable from restricted assets:					
Customer deposits	89,547	-	-	-	89,547
Revenue bonds payable	-	75,000	75,000	-	150,000
Compensated absences	27,247	-	-	-	27,247
Long-term liabilities:					
Revenue bonds payable	-	1,080,000	605,000	-	1,685,000
Compensated absences	32,724	-	-	-	32,724
Total liabilities	219,440	1,892,240	796,500	5,668	2,913,848
Net assets					
Invested in capital assets	13,844,655	7,076,932	12,634,137	925,000	34,480,724
Restricted for:					
Revenue bond retirement	-	50,000	126,500	-	176,500
Equipment replacement	184,034	40,400	123,556	-	347,990
Capital projects	575,939	67,059	60,771	-	703,769
Unrestricted	3,249,287	848,839	433,462	72,772	4,604,360
Total net assets	$17,853,915	$ 8,083,230	$13,378,426	$ 997,772	$40,313,343

See accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA

Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds

Year Ended June 30, 2005

	Electric Fund	Water Fund	Sewer Fund	Community Center Fund	Total All Funds
Operating revenues:					
Charges for service	$ 2,437,310	$ 553,980	$ 495,353	$ 224,464	$ 3,711,107
Miscellaneous	22,580	25,060	365	1,679	49,684
Total operating revenues	2,459,890	579,040	495,718	226,143	3,760,791
Operating expenses:					
Business type activities:					
Cost of sales and services	2,158,250	250,988	343,097	230,259	2,982,594
Depreciation	343,818	235,202	557,085	25,000	1,161,105
Total operating expenses	2,502,068	486,190	900,182	255,259	4,143,699
Operating income (loss)	(42,178)	92,850	(404,464)	(29,116)	(382,908)
Non-operating revenues (expenses):					
Interest on investments	72,794	9,060	21,624	4,326	107,804
Interest expense	(472)	(48,374)	(26,266)	-	(75,112)
Miscellaneous	-	4,320	2,170	-	6,490
Total non-operating revenues (expenses)	72,322	(34,994)	(2,472)	4,326	39,182
Other financing sources (uses):					
Operating transfers in	9,900	-	50,000	-	59,900
Operating transfers out	(75,000)	(9,300)	(14,345)	-	(98,645)
Total other financing sources (uses)	(65,100)	(9,300)	35,655	-	(38,745)
Change in net assets	(34,956)	48,556	(371,281)	(24,790)	(382,471)
Net assets beginning of year	17,888,871	8,034,674	13,749,707	1,022,562	40,695,814
Net assets end of year	$17,853,915	$ 8,083,230	$13,378,426	$ 997,772	$40,313,343

See accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA

Statement of Cash Flows –
Proprietary Funds

Year Ended June 30, 2005

	Electric Fund	Water Fund	Sewer Fund	Community Center Fund	Total All Funds
Cash flows from operating activities:					
Cash received from customers and users	$ 2,435,626	$ 511,474	$ 487,906	$ 224,464	$ 3,659,470
Cash received from other revenues	22,580	25,060	365	1,679	49,684
Cash paid for personal services	(109,973)	(105,039)	(168,808)	(108,993)	(492,813)
Cash paid to suppliers	(2,093,547)	(131,681)	(178,176)	(129,707)	(2,533,111)
Miscellaneous adjustment	-	4,320	2,170	-	6,490
Net cash provided (used) by operating activities	254,686	304,134	143,457	(12,557)	689,720
Cash flows used by noncapital financing activities:					
Advances to other funds, net of advance repayments	(65,100)	(9,300)	35,655	-	(38,745)
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(1,280,000)	(61,496)	-	-	(1,341,496)
Principal paid on revenue bonds	-	(75,000)	(75,000)	-	(150,000)
Amounts (paid) loaned to other funds	(6,800)	127,188	108,812	-	229,200
Interest paid on revenue bonds	-	(48,805)	(23,477)	-	(72,282)
Other interest	(472)	-	(3,111)	-	(3,583)
Net cash (used) provided by capital and related financing activities	(1,287,272)	(58,113)	7,224	-	(1,338,161)
Cash flows provided by investing activities:					
Interest on investments	68,050	9,060	20,317	4,000	101,427
Net increase (decrease) in cash and investments	(1,029,636)	245,781	206,653	(8,557)	(585,759)
Cash and investments beginning of year	4,063,427	868,845	570,228	72,000	5,574,500
Cash and investments end of year	$ 3,033,791	$ 1,114,626	$ 776,881	$ 63,443	$ 4,988,741

(continued)

CITY OF ELDRIDGE, IOWA

Statement of Cash Flows –
Proprietary Funds, continued

Year Ended June 30, 2005

	Electric Fund	Water Fund	Sewer Fund	Community Center Fund	Total All Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	$(42,178)	$ 92,850	$(404,464)	$(29,116)	$(382,908)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	343,818	235,202	557,085	25,000	1,161,105
Increase in customer accounts and unbilled usage receivable	(8,276)	(42,506)	(7,449)	-	(58,231)
Increase in employee receivables	(374)	-	(27)	-	(401)
(Increase) decrease in inventories	(81,232)	6,049	-	(4,895)	(80,078)
Decrease (increase) in prepaid insurance	547	62	(3,144)	1,339	(1,196)
(Decrease) increase in accounts payable	(59,620)	9,408	493	(4,494)	(54,213)
Decrease in accrued wages	(1,004)	(1,251)	(1,207)	(391)	(3,853)
Increase in accrued expenses	59,377	-	-	-	59,377
Increase in customer deposits	6,965	-	-	-	6,965
Increase in compensated absences	36,663	-	-	-	36,663
Miscellaneous	-	4,320	2,170	-	6,490
Net cash provided (used) by operating activities	$ 254,686	$ 304,134	$ 143,457	$(12,557)	$ 689,720
Reconciliation of cash and investments at year end to specific assets included on the statement of net assets:					
Current assets:					
Cash and investments	$ 2,184,271	$ 957,167	$ 466,054	$ 63,443	$ 3,670,935
Restricted assets:					
Cash and investments:					
Revenue bond retirement	-	50,000	126,500	-	176,500
Equipment replacement	184,034	40,400	123,556	-	347,990
Capital projects	575,939	67,059	60,771	-	703,769
Customer deposits	89,547	-	-	-	89,547
Cash and investments at year end	$ 3,033,791	$ 1,114,626	$ 776,881	$ 63,443	$ 4,988,741

See accompanying notes to auditor's report.

1. Organization and Summary of Significant Accounting Policies

Organization

The City of Eldridge, Iowa (the City) is a political subdivision of the State of Iowa located in Scott County and operates under the Home Rule provisions of the Constitution of Iowa. The City also 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, recreation, community and economic development and general governmental services. The City also provides electric, water, sewer and sanitation utilities.

(a) Reporting Entity

For financial reporting purposes, the City of Eldridge, Iowa 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. Under these criteria, it has been determined that the City has no component units for which it is financially accountable.

(b) Basis of Presentation

Government-wide Financial Statements

The statement of net assets and the statement of activities report information on all the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The statement of net assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

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

1. Organization and Summary of Significant Accounting Policies, continued

(b) Basis of Presentation, continued

Government-wide Financial Statements, continued

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

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

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

Fund Financial Statements

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

The City reports the following major governmental funds:

General Fund

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

Special Revenue Funds

The LeClaire Road Tax Increment Financing Fund is used to account for revenues from the tax authorized by ordinance in the urban renewal district.

1. Organization and Summary of Significant Accounting Policies, continued

(b) Basis of Presentation, continued

Fund Financial Statements, continued

Special Revenue Funds, continued

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

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

Debt Service Fund

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

Capital Projects Funds

The Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

Electric Fund

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

Water Fund

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

Sewer Fund

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

Community Center Fund

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

1. Organization and Summary of Significant Accounting Policies, continued

(c) Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

1. Organization and Summary of Significant Accounting Policies, continued

(d) Assets, Liabilities and Fund Equity

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

Cash and Investments

For purposes of financial reporting, the City considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Investments consist of certificates of deposit and are carried at cost, which approximates market.

Property Tax Receivable, Including Tax Increment Financing

Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property Tax Receivable, Including Tax Increment Financing, continued

Property tax receivable is recognized on these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2005 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1.50% per month penalty for delinquent payments, are based on January 1, 2003 assessed property valuations, are for the tax accrual period July 1, 2004 through June 30, 2005 and reflect tax asking contained in the budget certified to the County Board of Supervisors in March 2004.

Customer Accounts and Unbilled Usage

Customer accounts receivable are recorded in proprietary funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

1. Organization and Summary of Significant Accounting Policies, continued

(d) Assets, Liabilities and Fund Equity, continued

Due From and Due To Other Funds

During the course of its operations, the City has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market (net realizable value). Inventories in the proprietary funds consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Restricted Assets

Restricted assets in governmental funds include funds set aside for road purposes, equipment replacement and capital projects. Funds set aside in proprietary funds for payment of revenue bonds are classified as restricted assets since their use is restricted by applicable bond covenants. Other restricted assets in proprietary funds include customer deposits restricted for application to unpaid customer accounts or for refund to customers and funds set aside for equipment replacement.

Capital Assets

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

1. Organization and Summary of Significant Accounting Policies, continued

(d) Assets, Liabilities and Fund Equity, continued

Capital Assets, continued

Asset Class	Amount
Land, buildings and improvements	$25,000
Equipment and vehicles	5,000
Infrastructure	50,000

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

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

Deferred Revenue

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

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick leave and personal leave time befits. Vacation benefits must be used during employment. Sick leave benefits may be used during employment or accumulated up to the maximum hours limit established by the City for payment upon retirement or disability. Personal leave benefits may be used during employment or accumulated up to the maximum hours limit for payment upon leaving the City's employment unless terminated for cause.

1. Organization and Summary of Significant Accounting Policies, continued

(d) Assets, Liabilities and Fund Equity, continued

Compensated Absences, continued

A liability is recorded when incurred in the government-wide and proprietary fund financial statements. The governmental funds financial statements report a liability for accrued vacation only. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the general fund.

Long-term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the statement of net assets and the proprietary fund statement of net assets.

Fund Equity

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

(e) Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information.

2. Cash and Investments

The City's cash and investments at June 30, 2005 consist of the following:

Petty cash fund on hand	$ 830
Checking accounts	227,675
Money market accounts	6,514,735
Certificates of deposit	852,131
	$7,595,371

(a) Deposit Accounts

At June 30, 2005, the carrying amount of the City's deposits was $6,742,410 and the related bank balance was $6,822,928.

The City's deposits are categorized to give an indication of the level of risk assumed by the City at June 30, 2005. The City's deposits are all Category 1 and 2 which means that they are covered by depository insurance or collateral held by the City in the City's name or the financial institution's trust department in the City's name.

2. Cash and Investments, continued

(b) Investments

The City's investments at June 30, 2005 are as follows:

	Carrying Amount	Fair Value
Certificates of deposit	$852,131	$852,131

The City is authorized by state 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's investments are categorized to give an indication of the level of risk assumed by the City at June 30, 2005. The City's investments are all Category 1 and 2 which means that they are covered by depository insurance or collateral held by the City in the City's name or in the financial institution's trust department in the City's name.

3. Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Beginning of Year	Increases	Decreases	End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,220,500	$ -	$ -	$ 1,220,500
Capital assets being depreciated:				
Building	1,478,800	-	-	1,478,800
Equipment and vehicles	583,857	83,167	-	667,024
Infrastructure, road network	23,135,736	220,392	-	23,356,128
Total capital assets being depreciated	25,198,393	303,559	-	25,501,952
Less accumulated depreciation for:				
Building	73,940	36,970	-	110,910
Equipment and vehicles	307,895	13,277	-	321,172
Infrastructure, road network	3,843,322	1,931,456	-	5,774,778
Total accumulated depreciation	4,225,157	1,981,703	-	6,206,860

3. Capital Assets, continued

	Beginning of Year	Increases	Decreases	End of Year
Total capital assets being depreciated, net	20,973,236	(1,678,144)	-	19,295,092
Governmental activities capital assets, net	$ 22,193,736	$(1,678,144)	$ -	$ 20,515,592
Business type activities:				
Capital assets not being depreciated				
Construction in progress	$ -	$ 1,280,000	$ -	$ 1,280,000
Capital assets being depreciated:				
Building	22,665,100	61,496	-	22,726,596
Equipment and vehicles	695,718	-	-	695,718
Infrastructure	15,720,000	-	-	15,720,000
Total capital assets being depreciated	39,080,818	61,496	-	39,142,314
Less accumulative depreciation for:				
Building	1,090,256	575,953	-	1,666,209
Equipment and vehicles	218,951	14,692	-	233,643
Infrastructure, water and sewer network	1,164,166	570,460	-	1,734,626
Total accumulated depreciation	2,473,373	1,161,105	-	3,634,478
Business type activities capital assets, net	$ 36,607,445	$ 180,391	$ -	$ 36,787,836

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

Governmental activities:	
Public safety	$ 8,860
Public works	1,935,873
General government	36,970
Total depreciation expense – governmental activities	$ 1,981,703
Business type activities:	
Electric	$ 343,818
Water	235,202
Sewer	557,085
Culture and recreation	25,000
Total depreciation expense – business type activities	$ 1,161,105

4. Bonds Payable

A summary of transactions that occurred regarding bond obligations for the year ended June 30, 2005 is as follows:

	Beginning of Year	Increases	Decreases	End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	$1,370,000	$ -	$ 170,000	$1,200,000	$ 170,000
Business type activities:					
Revenue bonds	$1,985,000	$ -	$ 150,000	$1,835,000	$ 150,000

General Obligation Bonds

Two issues of unmatured general obligation bonds, totaling $1,200,000 are outstanding at June 30, 2005. These bonds bear interest at rates ranging from 2.70% to 4.40% and mature in varying annual amounts from $70,000 to $100,000, with the final maturities due in the year ending June 30, 2013.

Details of the general obligation bonds payable at June 30, 2005 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2005
General obligation bonds:						
GO Refunding, Series 2001	November 15, 2001	2.70-4.40%	June 1, 2013	$90,000-100,000	$1,010,000	$ 755,000
GO Refunding Urban Renewal, Series 2001A	November 15, 2001	2.75-3.90%	June 1, 2011	$70,000-80,000	$ 735,000	445,000
						$1,200,000

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

Year Ending June 30,	Principal	Interest	Total
2006	$ 170,000	$ 45,778	$ 215,778
2007	165,000	40,293	205,293
2008	170,000	34,593	204,593
2009	165,000	28,330	193,330
2010	170,000	21,955	191,955
2011-2013	360,000	27,640	387,640
Total:	$1,200,000	$ 198,589	$1,398,589

Revenue Bonds

Two issues of unmatured revenue bonds, totaling $1,835,000 are outstanding at June 30, 2005. These bonds bear interest at rates ranging from 1.75% to 4.60% and mature in varying annual amounts from $75,000 to $125,000, with the final maturities due in the year ending June 30, 2017.

4. Bonds Payable, continued

Revenue Bonds, continued

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

a) The bonds will only be redeemed from the future earnings of the water and sewer enterprise activity and the bond holders have a lien on the future earnings of the funds.

b) Sufficient water and sewer rates will be imposed to maintain a net revenue balance equal to at least 125.00% of the annual payments of principal and interest coming due in the same year.

c) Monthly transfers shall be made to water and sewer improvement funds until specific minimum balances have been accumulated. These balances are restricted solely for the purpose of paying principal and interest on the bonds.

d) A sewer debt reserve fund will be maintained in an amount equal to the lesser of the maximum amount of principal and interest coming due on the bonds or 10.00% of the original principal amount of the bonds.

During the year ended June 30, 2005, the City was in compliance with the revenue bond provisions.

Details of the revenue bonds payable at June 30, 2005 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2005
Revenue bonds:						
Water Revenue, Series 2002	August 20, 2002	2.00-4.60%	June 1, 2017	$75,000-125,000	$1,380,000	$1,155,000
Sewer Revenue Refunding, Series 2003	May 1, 2004	1.75-4.00%	June 1, 2013	$75,000-100,000	$ 765,000	680,000
						$1,835,000

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

Year Ending June 30,	Principal	Interest	Total
2006	$ 150,000	$ 68,833	$ 218,833
2007	160,000	64,970	224,970
2008	160,000	60,290	220,290
2009	165,000	55,170	220,170
2010	175,000	49,465	224,465
2011-2015	785,000	143,630	928,630
2016-2017	240,000	16,675	256,675
Total:	$1,835,000	$ 459,033	$2,294,033

5. Interfund Loans/Advances/Transfers

The City had no interfund loan transactions during the fiscal year ended June 30, 2005.

The City's cash management procedures occasionally result in short-term advances between funds that are repaid from future revenues.

The detail of interfund advances at June 30, 2005 is as follows:

Due To	Due From	Amount
General fund	Water fund	$248,043
General fund	Sewer fund	9,410
General fund	Sewer sinking fund	99,402
Insurance self funding fund	Utility insurance self funding fund	3,852
Electric fund	Water fund	472,112
Utility insurance self funding fund	Accrued employee leave fund	6,800
		$839,619

Such interfund advances are not reported as operating transfers.

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

The detail of interfund transfers at June 30, 2005 is as follows:

To	From	Amount
General fund	Electric fund	$ 75,000
	Water fund	6,200
	Sewer fund	7,545
Debt service fund	Sales tax projects fund	65,000
Capital projects fund	Road use tax fund	25,000
	Sales tax projects fund	100,000
Sewer fund	Sales tax projects fund	50,000
Electric fund	Water fund	3,100
	Sewer fund	6,200
		$338,045

6. 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.

6. Pension and Retirement Benefits, continued

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 6.16% and 9.23%, respectively. The contribution rates for police employees and the City were 5.93% and 8.90%, respectively, for the year ended June 30, 2004 and 6.04% and 9.07%, respectively, for the year ended June 30, 2003. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were $70,959, $62,708 and $59,793, respectively, equal to the required contribution for each year.

7. Compensated Absences

The City's liability for compensated absences at June 30, 2005 is as follows:

Type of Benefit	Governmental Funds	Enterprise Funds	Total
Vacation	$ 39,658	$ 27,247	$ 66,905
Sick Leave	53,764	32,724	86,488
Total	$ 93,422	$ 59,971	$153,393

The City maintains accrued leave reserves to offset the approximate liability for compensated absences. Employees may earn up to 160 hours per year vacation, depending on years of service. Employees may carry a maximum of 80 hours to the subsequent anniversary year. Any unused vacation accumulated above these limits is forfeited. The City's sick leave policies allow its employees to accumulate up to 280 hours of sick leave which is payable when used or upon retirement or disability. No leave is paid when employment is terminated for any other reason. Employees earn 5 personal days per year and may accumulate up to 10 days personal leave.

8. 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.

9. Contract Commitments

On September 4, 2002, the City entered into an agreement with 13 other entities to jointly develop, design, construct, own and operate as tenants in common a new coal-fired steam electric generating unit to be built at the Council Bluffs Energy Site Center. The City of Eldridge, Iowa's ownership interest is 0.53%. The Council Bluffs Energy Site is expected to open during 2007. The electric generating unit project is being financed through charges for services and is recorded as construction in progress on the statement of net assets. As of June 30, 2005, $1,280,000 had been paid towards the construction of the new generating unit.

CITY OF ELDRIDGE, IOWA

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

Year Ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Receipts:			
Property tax	$1,182,425	$ -	$1,182,425
Tax increment financing	562,691	-	562,691
Other taxes	614,146	-	614,146
Licenses and permits	127,892	-	127,892
Use of money and property	68,097	101,427	169,524
Intergovernmental	408,016	-	408,016
Charges for service	183,048	3,652,879	3,835,927
Special assessments	40,310	-	40,310
Miscellaneous	84,508	49,684	134,192
Total receipts	3,271,133	3,803,990	7,075,123
Disbursements:			
Public safety	675,492	-	675,492
Public works	587,810	-	587,810
Culture and recreation	205,584	-	205,584
Community and economic development	36,713	-	36,713
General government	595,226	-	595,226
Debt service	216,720	-	216,720
Capital projects	244,551	-	244,551
Business type activities	-	4,587,169	4,587,169
Total disbursement	2,562,096	4,587,169	7,149,265
Excess (deficiency) of receipts over (under) disbursements	709,037	(783,179)	(74,142)
Other financing sources, net	(77,780)	197,420	119,640
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	631,257	(585,759)	45,498
Balances beginning of year	1,975,373	5,574,500	7,549,873
Balances end of year	$2,606,630	$4,988,741	$7,595,371

See accompanying independent auditor's report.

Budgeted Amounts		
Original	Final	Final to Actual Variance
$1,164,952	$1,178,725	$ 3,700
560,000	560,000	2,691
562,773	598,166	15,980
135,135	119,998	7,894
69,880	48,475	121,049
474,201	402,763	5,253
3,851,170	4,374,449	(538,522)
-	-	40,310
119,380	129,865	4,327
6,937,491	7,412,441	(337,318)
686,350	696,350	(20,858)
507,720	662,720	(74,910)
223,364	223,364	(17,780)
55,270	55,270	(18,557)
784,401	819,401	(224,175)
220,970	220,970	(4,250)
782,800	782,800	(538,249)
4,963,720	6,293,720	(1,706,551)
8,224,595	9,754,595	(2,605,330)
(1,287,104)	(2,342,154)	2,268,012
-	(93,350)	212,990
(1,287,104)	(2,435,504)	2,481,002
8,351,737	7,481,574	68,299
$7,064,633	$5,046,070	$2,549,301

CITY OF ELDRIDGE, IOWA

Budget to GAAP Reconciliation

Year Ended June 30, 2005

	Governmental Funds			Proprietary Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	$ 3,271,133	$(22,076)	$ 3,249,057	$ 3,803,990	$ 71,095	$ 3,875,085
Expenditures/ expenses	2,562,096	39,930	2,602,026	4,587,169	(368,358)	4,218,811
Net	709,037	(62,006)	647,031	(783,179)	439,453	(343,726)
Other financing sources, net	(77,780)	241,438	163,658	197,420	(236,165)	(38,745)
Beginning fund balances/net assets	1,975,373	137,778	2,113,151	5,574,500	35,121,314	40,695,814
Ending fund balances/net assets	$ 2,606,630	$ 317,210	$ 2,923,840	$ 4,988,741	$ 35,324,602	$ 40,313,343

See accompanying independent auditor's report.

CITY OF ELDRIDGE, IOWA

Notes to Required Supplementary Information –
Budgetary Reporting

Year Ended June 30, 2005

The budgetary comparison is presented as required supplementary information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized in the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based on the nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects fund and 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, a budget amendment increased budgeted revenues by $474,950, budgeted disbursements by $1,530,000 and decreased other financing sources by $93,350. This budget amendment is reflected in the final budgeted amounts.

CITY OF ELDRIDGE, IOWA

Schedule 1

Combining Balance Sheet -
Nonmajor Special Revenue Funds

June 30, 2005

Assets	Hotel Tax Fund	Blackhawk Trail Tax Increment Financing Fund	Total All Funds
Cash and investments	$ 44,577	$ 90,369	$134,946
Total assets	$ 44,577	$ 90,369	$134,946
Liabilities and Fund Equity			
Liabilities:			
Total liabilities	$ -	$ -	$ -
Fund balances:			
Unrestricted	44,577	90,369	134,946
Total liabilities and fund balances	$ 44,577	$ 90,369	$134,946

See accompanying independent auditor's report.

CITY OF ELDRIDGE, IOWA

Schedule 2

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds

Year Ended June 30, 2005

	Hotel Tax	Blackhawk Trail Tax Increment Funding	Total
Revenues:			
Tax increment financing	$ -	$129,419	$129,419
Other taxes	51,095	-	51,095
Total revenues	51,095	129,419	180,514
Expenditures:			
Operating:			
Public safety	16,000	-	16,000
Community and economic development	1,338	-	1,338
General government	-	112,649	112,649
Total expenditures	17,338	112,649	129,987
Excess (deficiency) of revenues over (under) expenditures	33,757	16,770	50,527
Other financing sources (uses)	-	-	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	33,757	16,770	50,527
Fund balances beginning of year	10,820	73,599	84,419
Fund balances end of year	$ 44,577	$ 90,369	$134,946

See accompanying independent auditor's report.

Schedule of Revenues by Source and Expenditures by Function –
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2005	2004	2003	2002
Revenues:				
Property tax	$1,182,351	$1,014,645	$ 965,052	$ 819,648
Tax increment financing	561,576	653,347	514,775	548,458
Other taxes	643,067	593,202	551,209	550,962
License and permits	127,892	127,864	113,920	86,727
Use of money and property	77,521	56,934	38,108	51,023
Intergovernmental	388,016	468,177	715,634	1,789,555
Charges for service	184,126	154,069	140,810	139,838
Miscellaneous	84,508	68,239	359,191	161,387
Total	$3,249,057	$3,136,477	$3,398,699	$4,147,598
Expenditures:				
Operating:				
Public safety	$ 698,881	$ 589,775	$ 607,054	$ 517,678
Public works	597,320	574,077	559,056	484,294
Culture and recreation	213,124	196,599	177,953	149,681
Community and economic development	36,156	54,946	72,054	65,511
General government	591,459	700,392	619,053	658,609
Debt service	220,535	220,633	225,280	253,689
Capital projects	244,551	539,307	783,880	2,039,976
Total	$2,602,026	$2,875,729	$3,044,330	$4,169,438

See accompanying independent auditor's report.

GABELMANN & ASSOCIATES, P.C.
Certified Public Accountants

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council
City of Eldridge, Iowa:

We have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldridge, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City of Eldridge, Iowa's basic financial statements listed in the table of contents and have issued our report thereon dated October 28, 2005. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Eldridge, Iowa'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 of Eldridge, Iowa's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of 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 in Part II of the accompanying Schedule of Findings, we believe items 05-II-A and 05-II-B are material weaknesses.

630 River Drive, Suite 100, Bettendorf, IA 52722
Phone: 563.441.0000 Fax: 563.441.0002

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Eldridge, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 or other matters 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.

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

Bettendorf, Iowa
October 28, 2005

Gabelmann & Associates, P.C.

CITY OF ELDRIDGE, IOWA

Schedule of Findings

Year Ended June 30, 2005

Part I: Summary of the Independent Auditor's Results

Financial Statements

(a) Unqualified opinions were issued on the financial statements.

(b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.

(c) The audit did not disclose any noncompliance which is material to the financial statements.

(d) The City of Eldridge, Iowa did not qualify as a low risk auditee.

(e) The City of Eldridge, Iowa was not required to have an audit in accordance with Office of Management and Budget Circular A-133.

Part II: Findings Related to the Financial Statements

Reportable Conditions/Material Weaknesses

05-II-A Segregation of Duties/Limited Number of Personnel

Finding: The City of Eldridge, Iowa has one employee who is responsible for posting, updating and maintaining the general ledger and is also responsible for maintaining the subsidiary ledgers for bank accounts, investments and reconciling the same to the general ledger. From a control standpoint, this combination of responsibilities is not conducive to adequate segregation of duties. As the City continues to grow, the lapse of time between identifying reconciling items and posting such to the general ledger increases the risk that losses from errors or irregularities could occur and not be detected in a timely period (See also finding 05-II-B).

Recommendation: The City has a limited number of office personnel with which to attempt to implement controls to ensure that the financial data reported by management is processed in a timely and complete manner. The increased financial activity that the City is experiencing may require additional diversification of the Deputy City Clerk's responsibilities and an increased emphasis and focus to general ledger reconciliations and recording of financial data.

Response and Corrective Action Planned: The City has added personnel to facilitate the dispersion of duties among staff. True segregation of duties is not possible with the staff available; however, duties are occasionally performed by other personnel for purposes of cross-training.

Conclusion: Response accepted.

Part II: Findings Related to the General-Purpose Financial Statements, continued

Reportable Conditions/Material Weaknesses, continued

05-II-B Reconciliation of General Ledger Accounts

Finding: During the audit, several errors and discrepancies in the City's general ledger system were noted as follows:

1) The City Clerk prepares monthly bank account reconciliations for cash and investment accounts, however, these amounts were not reconciled to the general ledger accounts.

2) Wire transfers for bond payments were coming out of the wrong bank account but no adjustments were made to the general ledger accounts.

3) The City Clerk's report did not reconcile to the general ledger accounts.

4) Interest earned on investments is recorded in the general ledger but not reconciled in total to the total amount earned on a fiscal year basis.

5) There are no detailed listings maintained for inventory of the general fund and sewer funds and no physical inventory counts are taken so that general ledger accounts can be adjusted.

6) Revenue receipts were occasionally not recorded consistently in the same general ledger accounts. Therefore, the total revenue recorded for certain revenue types did not reconcile to amounts confirmed by the remitting sources.

7) Wages recorded on the general ledger did not agree to payroll reports for the fiscal year. As a result, the general ledger required a significant amount of reconciliation to attempt to adjust the year end balances.

Recommendation: Procedures should be implemented to ensure that responsibility is being assumed for the accuracy of amounts being recorded in the general ledger and that such amounts are being recorded on a timely basis. Reconciliation if general ledger accounts should be performed on a regular basis, typically monthly, with errors being investigated and corrected.

Response and Corrective Action Planned: The City will work with the audit firm to formulate procedures for reconciling ledgers.

Conclusion: Response accepted.

Part II: Findings Related to the General-Purpose Financial Statements, continued

Other Findings

05-II-C Authorized Signatories

Finding: The listing of authorized check signers on file with the City's financial institution had not been updated on a regular basis. As a result, several individuals whom are no longer employed or directors with the City are still listed as authorized signatories. This increases the risk of material misstatement due to misappropriation to a high level as these individuals would still be authorized to sign checks from these cash accounts.

Recommendation: As soon as an employee or director terminates their relationship with the City, the financial institution should be notified that the particular individual is no longer an authorized signatory. It should be confirmed that the financial institution no longer lists this individual as an authorized signatory.

Response and Corrective Action Planned: The City will be more diligent in keeping the account signatories current with the appropriate financial institutions.

Conclusion: Response accepted.

05-II-D Unbalanced Funds

Finding: The City's beginning fund balances did not agree to prior year ending balances for all funds as did certain individual accounts not agree. Most funds were not in balance at the end of the fiscal year. It was noted that transactions had been recorded directly in the revenue and expenditures control accounts rather than the proper individual revenue and expenses/expenditures accounts.

Recommendation: All entries provided as a function of the annual audit should be recorded correctly in the general ledger in the correct period. It should be determined that all funds balance on a monthly basis.

Response and Corrective Action Planned: The accounting entries that precipitated the "unbalancing" of certain funds were provided by the audit firm previously employed by the City. The minimal guidance given to the City staff was not successful in resolving the situation. City staff will be more assertive in questioning correcting entries provided as a result of the audit to prevent a reoccurrence of this problem.

Conclusion: Response accepted.

Part II: Findings Related to the General-Purpose Financial Statements, continued

Other Findings, continued

05-II-E Transfers

Finding: Actual transfers for the fiscal year did not agree to budgeted transfers. The difference was related to several independent items. First, transfers for Fund 821 were included in transfers of the general funds rather than in transfers of the proprietary fund in the budget. Second, annual transfers in the amounts $75,000 from Fund 630 and $6,200 from Fund 600 were made to Fund 001 but were not included in the budgeted transfers.

Recommendation: Transfers should be properly reflected in the annual budget due to the very nature of the transaction type. A schedule should be maintained for actual recorded transfers which should then be reconciled to budged transfers at the end of the fiscal year.

Response and Corrective Action Planned: Due to the imprecise nature of budgeting it is not always possible to anticipate the ebb and flow of events over the course of a fiscal year. The legal requirements of the budget process mandate that transfers out of the various funds balance with the transfers in to the various funds, and that transfer activity not exceed the limits set forth in the budget document. The City plans no change in its treatment of budgeting transfers.

Conclusion: Response accepted.

Part III: Other Findings Related to Required Statutory Reporting

05-III-A Certified Budget: Total actual disbursements for the year ended June 30, 2005 did not exceed the amended budgeted total disbursements.

05-III-B Questionable Expenditures: No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

05-III-C Travel Expense: No expenditures of City money for travel expenses of spouses of city officials or employees were noted.

05-III-D Business Transactions: No business transactions between the City and City officials or employees were noted.

05-III-E 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 ensure that coverage is adequate for current operations.

CITY OF ELDRIDGE, IOWA

Schedule of Findings

Year Ended June 30, 2005

Part III: Other Findings Related to Required Statutory Reporting, continued

05-III-F Council Minutes: No transactions were found that we believe should have been approved in the Council or Utility Boards minutes but were not.

05-III-G Deposits and Investments: No instances on non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

05-III-H Official Depositories: A resolution naming depositories has been approved by the City. The maximum deposit amounts stated in the resolutions were not exceeded during the year ended June 30, 2005.

05-III-I Revenue Notes: The City has established the sinking and reserve accounts required by revenue note provisions.

Part V: Summary of Prior Findings

Item 04-II-A Segregation of Duties (Reportable Condition/Material Weakness):

Comment still valid. Refer to current year findings 05-II-A.

Item 04-II-B Reconciliation of General Ledger Accounts:

Comment still valid. Refer to current year findings 05-II-B.