

CITY OF SERGEANT BLUFF, IOWA

Sergeant Bluff, Iowa

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND
SCHEDULE OF FINDINGS

For the Year Ended
June 30, 2005

CITY OF SERGEANT BLUFF, IOWA

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' report	1-2
Management's Discussion and Analysis	3-10
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
Statement of Net Assets	11
Statement of Activities	12
FUND FINANCIAL STATEMENTS:	
Governmental Funds Financial Statements:	
Balance Sheet	13
Reconciliation of the Balance Sheet to the Statement of Net Assets	14
Statement of Revenues, Expenditures and Changes in Fund Balances	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	16
Proprietary Funds Financial Statements:	
Combining Statement of Net Assets	17
Combining Statement of Revenues, Expenses and Changes in Net Assets	18
Combining Statement of Cash Flows	19
Fiduciary Funds Financial Statements:	
Statement of Fiduciary Net Assets	20
Notes to Financial Statements	21-35
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual - Cash Basis	36
Notes to Required Supplementary Information	37-38
OTHER SUPPLEMENTARY INFORMATION:	
Governmental Non-Major Funds Combining Financial Statements:	
Balance Sheet	39
Statement of Revenues, Expenditures and Changes in Fund Balances	40
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	41-42
Schedule of Findings and Responses	43-45



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Sergeant Bluff
Sergeant Bluff, Iowa

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 Sergeant Bluff, 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 of Sergeant Bluff's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 Sergeant Bluff, Iowa, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2005 on our consideration of the City of Sergeant Bluff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



KING, REINSCH, PROSSER & CO., L.L.P.
Certified Public Accountants

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 36 through 38 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sergeant Bluff's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

King, Reinsch, Prosser & Co., L.L.P.

Sioux City, Iowa
December 22, 2005

Management's Discussion and Analysis

The discussion and analysis of the City of Sergeant Bluff's financial performance for the year ended June 30, 2005 provides a narrative overview of its financial activities. Readers are encouraged to consider the information presented here in conjunction with the City's financial statements, which follow.

Financial Highlights

- The City's assets of approximately \$22 million are divided between Governmental Activities (\$12 million) and Business-Type Activities (\$10 million). Combined assets exceeded liabilities by approximately \$16.5 million. Of this amount, approximately \$3.7 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- At June 30, 2005, the City of Sergeant Bluff's governmental funds reported combined ending fund balances of approximately \$1.3 million.
- The unreserved fund balance for the general fund, at the end of the current fiscal year was approximately \$529,000. This represents 33 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Sergeant Bluff's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Sergeant Bluff's finances, in a manner similar to a private-sector business. The Statement of Net Assets is essentially a balance sheet that combines all funds on a government-wide basis. Changes in net assets over time may be an indicator of whether the City's financial position is improving or worsening.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in the net assets are reported as soon as the underlying event occurs, giving rise to the change regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Sergeant Bluff that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Sergeant Bluff include general government, public safety, public works, economic

development, and culture and recreation. The Business-Type Activities of the City include an electric, water, sewer, solid waste and storm water utility.

The government-wide financial statements can be found on pages 11-12, of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Sergeant Bluff, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Sergeant Bluff maintains 6 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements as supplementary information.

The basic governmental fund financial statements can be found on pages 13-16 of this report.

Proprietary Funds. The City of Sergeant Bluff maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Electric, Water, Sewer, Solid Waste and Storm Water Utilities

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric, Water, Sewer, Solid Waste and Storm Water Utilities as all are considered, or have been designated to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 17-19 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties external to the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Sergeant Bluff's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements are reported in a separate statement of fiduciary net assets.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-35 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City's net assets reflects its investment in capital assets (land, buildings and improvements, and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following comparative chart shows the changes in net assets for the years ended June 30, 2005 and 2004:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total City</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 2,523,122	\$ 3,009,292	\$ 3,250,254	\$ 2,757,110	\$ 5,773,376	\$ 5,766,402
Capital assets	<u>9,469,263</u>	<u>8,246,260</u>	<u>6,971,636</u>	<u>6,225,246</u>	<u>16,440,899</u>	<u>14,471,506</u>
Total assets	\$ 11,992,385	\$ 11,255,552	\$ 10,221,890	\$ 8,982,356	\$ 22,214,275	\$ 20,237,908
Long-term debt						
outstanding	\$ 3,900,857	\$ 4,210,000	\$ 220,000	\$ -	\$ 4,120,857	\$ 4,210,000
Other liabilities	<u>1,207,789</u>	<u>1,239,225</u>	<u>361,250</u>	<u>161,865</u>	<u>1,569,039</u>	<u>1,401,090</u>
Total liabilities	\$ 5,108,646	\$ 5,449,225	\$ 581,250	\$ 161,865	\$ 5,689,896	\$ 5,611,090
Net assets:						
Invested in capital assets, net of related debt	\$ 5,574,263	\$ 4,036,260	\$ 6,751,636	\$ 6,225,246	\$ 12,325,899	\$ 10,261,506
Restricted	526,579	20,826	-	-	526,579	20,826
Unrestricted	<u>782,897</u>	<u>1,749,241</u>	<u>2,889,004</u>	<u>2,595,245</u>	<u>3,671,901</u>	<u>4,344,486</u>
Total net assets	\$ <u>6,883,739</u>	\$ <u>5,806,327</u>	\$ <u>9,640,640</u>	\$ <u>8,820,491</u>	\$ <u>16,524,379</u>	\$ <u>14,626,818</u>

This summary reflects an increase of 18.6 percent for the governmental activities net assets and an increase of 9.3 percent in the business-type activities net assets.

Total revenue reported in Fiscal Year 2005 was \$7,059,445. The following table breaks down revenues collected for governmental activities and business-type activities for fiscal year 2005 and 2004.

Revenue Source	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Program revenues:						
Charges for services	\$ 214,369	\$ 242,401	\$ 3,510,167	\$ 3,057,784	\$ 3,724,536	\$ 3,300,185
Operating grants and contributions	369,757	379,033	-	-	369,757	379,033
Capital grants and contributions	<u>1,081,996</u>	<u>-</u>	<u>383,267</u>	<u>-</u>	<u>1,465,263</u>	<u>-</u>
Total program revenues	<u>\$ 1,666,122</u>	<u>\$ 621,434</u>	<u>\$ 3,893,434</u>	<u>\$ 3,057,784</u>	<u>\$ 5,559,556</u>	<u>\$ 3,679,218</u>
General revenues and interfund transfers:						
Property taxes	\$ 984,726	\$ 1,067,388	\$ -	\$ -	\$ 984,726	\$ 1,067,388
Local option sales tax	303,119	308,175	-	-	303,119	308,175
Hotel/motel tax	24,480	23,670	-	-	24,480	23,670
Interest	43,373	47,802	34,071	980	77,444	48,782
Use of property	-	-	12,133	12,987	12,133	12,987
Gain on sale of assets	49,817	206,769	-	-	49,817	206,769
Miscellaneous	46,890	81,914	1,280	70,023	48,170	151,937
Interfund transfers	<u>323,109</u>	<u>648,207</u>	<u>(323,109)</u>	<u>(648,207)</u>	<u>-</u>	<u>-</u>
Total general revenues and interfund transfers	<u>\$ 1,775,514</u>	<u>\$ 2,383,925</u>	<u>\$ (275,625)</u>	<u>\$ (564,217)</u>	<u>\$ 1,499,889</u>	<u>\$ 1,819,708</u>
	<u>\$ 3,441,636</u>	<u>\$ 3,005,359</u>	<u>\$ 3,617,809</u>	<u>\$ 2,493,567</u>	<u>\$ 7,059,445</u>	<u>\$ 5,498,926</u>

Program revenues totaled \$5,559,556 for fiscal year 2005. Governmental activities provided \$1,666,122 and business-type activities provided \$3,893,434. Revenue collected for charges for services during the year was \$3,724,536, accounting for 67 percent of total program revenues.

General revenues for fiscal year 2005 totaled \$1,499,889, with governmental activities providing \$1,775,514, and business-type activities using \$275,625. Property tax revenues for fiscal year 2005 totaled \$984,726, accounting for 66 percent of general revenues.

Expenditures for fiscal year 2005 totaled \$5,161,884. Expenditures for governmental activities totaled \$2,364,224, accounting for 46 percent of total expenditures. Business-type activity expenditures totaled \$2,797,660, for 54 percent of the total. The following table shows total expenditures by Function/Program:

Program Level	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Public safety	\$ 889,010	\$ 884,619	\$ -	\$ -	\$ 889,010	\$ 884,619
Public works	728,978	649,387	-	-	728,978	649,387
Culture and recreation	210,543	236,341	-	-	210,543	236,341
Community and economic development	49,963	94,772	-	-	49,963	94,772
General government	271,462	336,952	-	-	271,462	336,952
Debt service	214,268	222,158	-	-	214,268	222,158
Electric utility	-	-	1,788,007	1,336,898	1,788,007	1,336,898
Water utility	-	-	418,780	353,596	418,780	353,596
Sewer utility	-	-	357,219	321,718	357,219	321,718
Solid waste utility	-	-	202,607	160,316	202,607	160,316
Storm water utility	<u>-</u>	<u>-</u>	<u>31,047</u>	<u>17,170</u>	<u>31,047</u>	<u>17,170</u>
Total expenditures	<u>\$ 2,364,224</u>	<u>\$ 2,424,229</u>	<u>\$ 2,797,660</u>	<u>\$ 2,189,698</u>	<u>\$ 5,161,884</u>	<u>\$ 4,613,927</u>

The following table shows the activities included within each program level:

Public Safety	Individual & Community Protection, Physical Health
Public Works	Roadway Construction, Airport Operations, General Streets, Transportation Services
Culture and Recreation	Education & Culture, Leisure Time Opportunities
Community and Economic Development	Economic Development and Community Beautification
General Government	Administration, Accounting, Support Services
Debt Service	Payment of Interest
Capital Projects	Construction of Capital Facilities
Electric Utility	Operation of Electric Distribution System
Water Utility	Operation of Water Supply Distribution System
Sewer Utility	Operation of Waste Water Treatment Plant/Collection System
Solid Waste Utility	Operation of Garbage and Recycling Collection and Disposal System
Storm Water Utility	Operation of Storm Water Drainage System

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional clarification is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, the City spent \$889,010 for Public Safety and received \$173,875 in revenue, leaving a cost to taxpayers of \$715,135 to be funded by various methods. The new format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Public Safety	Fines, Fees
Public Works	Road Use Tax, Rent
Culture and Recreation	Fees, State Aid
General Government	Licenses, Permits
Capital Projects	Donations, State Grants, Federal Grants

The total cost of governmental activities this year was \$2,364,224. Of these costs, \$214,369 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contributions were \$1,451,753, leaving a Net Expense of \$698,102 for Governmental Activities. These expenses were covered with tax revenues, interest, and other general revenues. The Statement of Activities in the financial statements provides further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

<u>Functions/Programs</u>	<u>Net (Expense) Revenue</u>	
	<u>2005</u>	<u>2004</u>
Governmental activities:		
Public safety	\$ (715,135)	\$ (649,912)
Public works	(199,828)	(348,332)
Culture and recreation	(151,270)	(183,564)
Community and economic development	(9,597)	(91,199)
General government	(240,000)	(307,630)
Capital projects	831,996	-
Debt service	<u>(214,268)</u>	<u>(222,158)</u>
Total net (expense) revenue governmental activities	\$ (698,102)	\$(1,802,795)
General revenues and interfund transfers	<u>1,775,514</u>	<u>2,383,925</u>
Change in net assets	<u>\$ 1,077,412</u>	<u>\$ 581,130</u>

Total resources available during the year to finance governmental operations were \$9,247,963, consisting of net assets at July 1, 2004 of \$5,806,327, program revenues of \$1,666,122, and general revenues of \$1,775,514. Total governmental activities during the year expended \$2,364,224; thus, net assets were increased by \$1,077,412 to \$6,883,739.

Business-Type Activities

Business-type activities increased the City's net assets by \$820,149, accounting for 43 percent of the growth in the City's net assets.

The cost of all proprietary activities this year was \$2,797,660. As shown in the Statement of Activities, program revenue was \$3,893,434, resulting in a total Net Revenue of \$1,095,774.

<u>Business-Type Activities</u>	<u>Net (Expense) Revenue</u>	
	<u>2005</u>	<u>2004</u>
Electric utility	\$ 508,543	\$ 560,396
Water utility	238,921	142,905
Sewer utility	299,592	143,447
Solid waste utility	203	19,735
Storm water utility	<u>48,515</u>	<u>1,603</u>
Total net (expense) revenue business-type activities	\$ 1,095,774	\$ 868,086
General revenues and interfund transfers	<u>(275,625)</u>	<u>(564,217)</u>
Change in net assets	<u>\$ 820,149</u>	<u>\$ 303,869</u>

Total resources available during the year to finance proprietary fund activities were \$12,438,300, consisting of net assets at July 1, 2004, of \$8,820,491, program revenues of \$3,893,434, and general revenues of \$(275,625). Total proprietary fund activities during the year expended \$2,797,660; thus, net assets were increased by \$820,149 to \$9,640,640.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances \$1,254,749. The combined Governmental Funds balance decreased \$458,144 from the prior year.

The General Fund is the primary operating fund of the City. During the year, revenues exceeded expenditures in the General Fund by \$17,856.

GENERAL FUND BUDGETARY HIGHLIGHTS

Comparing the fiscal year 2005 original (adopted) citywide amount of \$7,305,368 to the final budget amount of \$8,007,218 shows a net increase of \$701,850.

<u>Original Budget</u>	<u>Supplemental Changes</u>	<u>Amended Budget</u>
\$ 7,305,368	\$ 701,850	\$ 8,007,218

The following table shows the budget variances by program structure:

<u>Program</u>	<u>Final Budget</u>	<u>Actual (Cash Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Public Safety	\$ 1,032,600	\$ 1,164,372	\$ (131,772)
Public Works	356,844	217,369	139,475
Culture and Recreation	328,827	270,635	58,192
Community and Economic Development	86,718	89,020	(2,302)
General Government	370,000	323,594	46,406
Debt Service	1,030,000	1,037,791	(7,791)
Capital Projects	600,000	538,393	61,607
Business-Type/Enterprise	<u>4,202,229</u>	<u>2,970,044</u>	<u>1,232,185</u>
	<u>\$ 8,007,218</u>	<u>\$ 6,611,218</u>	<u>\$ 1,396,000</u>

See pages 36-38 for more detail information regarding the City's budget.

CAPITAL ASSETS

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, electric systems, sewer systems, water systems, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2005, was \$12,325,899, (net of accumulated depreciation and outstanding financings). This is an increase of \$2,064,393 from fiscal year 2004. The gross additions to capital assets for fiscal years 2005 and 2004 are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Infrastructure	\$ 953,316	\$ 253,351	\$ -	\$ -	\$ 953,316	\$ 253,351
Buildings	-	925,962	-	-	-	925,962
Land improvements	502,286	-	-	-	502,286	-
Distribution system	-	-	828,211	214,079	828,211	214,079
Equipment	507,303	188,230	52,780	5,700	560,083	193,930
Construction in progress	<u>1,267,184</u>	<u>76,997</u>	<u>450,698</u>	<u>20,781</u>	<u>1,717,882</u>	<u>97,778</u>
Total	<u>\$ 3,230,089</u>	<u>\$ 1,444,540</u>	<u>\$ 1,331,689</u>	<u>\$ 240,560</u>	<u>\$ 4,561,778</u>	<u>\$ 1,685,100</u>

Construction in progress consisted of costs associated with settler's point subdivision improvements and an upgrade to #3 lift station.

See Note 5 to the financial statements for more information on the City's capital assets.

DEBT ADMINISTRATION

On June 30, 2005 the City had \$4,115,000 of debt outstanding. This is a decrease of \$95,000 from the prior year. \$720,000 of new debt was issued and \$815,000 of existing debt was retired.

ECONOMIC FACTORS

The City of Sergeant Bluff continues to report strong residential and commercial building projects. Property tax is a major source of revenue and Sergeant Bluff is fortunate that it has seen minor, but consistent increases in assessed and taxable valuation.

This steady growth has allowed the City to maintain its high level of service. The City has budgeted for use of General Fund balance during the past years, but has projected a balanced budget for the next three years. The General Fund balance continues to remain at a solid 33 percent of expenditures.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Sergeant Bluff's financial position for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Sergeant Bluff, Administration Office, Sergeant Bluff, Iowa.

FINANCIAL STATEMENTS

CITY OF SERGEANT BLUFF, IOWA

STATEMENT OF NET ASSETS

JUNE 30, 2005

<u>ASSETS</u>	Primary Government		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Current assets:			
Cash and cash equivalents	\$ 1,108,080	\$ 639,236	\$ 1,747,316
Investments	1,679,315	356,558	2,035,873
Receivables (net, where applicable, of allowance for uncollectibles):			
Accounts	6,605	432,245	438,850
Taxes	4,842	-	4,842
Subsequent year taxes	1,053,005	-	1,053,005
Accrued interest	4	1,093	1,097
Estimated unbilled usage	-	97,534	97,534
Due from other governmental agencies	68,776	-	68,776
Interfund balances	(1,481,681)	1,481,681	-
Inventories	6,650	152,339	158,989
Prepaid assets	<u>20,028</u>	<u>60,756</u>	<u>80,784</u>
Total current assets	<u>\$ 2,465,624</u>	<u>\$ 3,221,442</u>	<u>\$ 5,687,066</u>
Non-current assets:			
Restricted assets:			
Cash and cash equivalents	\$ -	\$ 25,344	\$ 25,344
Bond issue costs	57,498	3,468	60,966
Land	393,609	202,934	596,543
Construction in progress	22,794	124,559	147,353
Infrastructure, property and equipment, net of accumulated depreciation (Note 6)	<u>9,052,860</u>	<u>6,644,143</u>	<u>15,697,003</u>
Total non-current assets	<u>\$ 9,526,761</u>	<u>\$ 7,000,448</u>	<u>\$ 16,527,209</u>
Total assets	<u>\$ 11,992,385</u>	<u>\$ 10,221,890</u>	<u>\$ 22,214,275</u>
 <u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 95,089	\$ 313,326	\$ 408,415
Accrued wages and compensated absences	42,753	21,074	63,827
Accrued interest payable	16,942	1,506	18,448
Deferred revenue - subsequent year taxes	1,053,005	-	1,053,005
Bonds payable due within one year	<u>355,000</u>	<u>20,000</u>	<u>375,000</u>
Total current liabilities	<u>\$ 1,562,789</u>	<u>\$ 355,906</u>	<u>\$ 1,918,695</u>
Liabilities payable from restricted assets:			
Customer deposits	<u>\$ -</u>	<u>\$ 25,344</u>	<u>\$ 25,344</u>
Total liabilities payable from restricted assets	<u>\$ -</u>	<u>\$ 25,344</u>	<u>\$ 25,344</u>
Non-current liabilities:			
Bonds payable due in more than one year	3,540,000	200,000	3,740,000
Compensated absences due in more than one year	<u>5,857</u>	<u>-</u>	<u>5,857</u>
Total non-current liabilities	<u>\$ 3,545,857</u>	<u>\$ 200,000</u>	<u>\$ 3,745,857</u>
Total liabilities	<u>\$ 5,108,646</u>	<u>\$ 581,250</u>	<u>\$ 5,689,896</u>
 <u>NET ASSETS</u>			
Invested in capital assets, net of related debt	\$ 5,574,263	\$ 6,751,636	\$ 12,325,899
Restricted:			
Local option sales tax purposes	302,911	-	302,911
Road purposes	223,668	-	223,668
Unrestricted	<u>782,897</u>	<u>2,889,004</u>	<u>3,671,901</u>
Total net assets	<u>\$ 6,883,739</u>	<u>\$ 9,640,640</u>	<u>\$ 16,524,379</u>

See accompanying notes to financial statements.

CITY OF SERGEANT BLUFF, IOWA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
Public safety	\$ 889,010	\$ 121,080	\$ 52,795	\$ -
Public works	728,978	1,094	278,056	250,000
Culture and recreation	210,543	20,367	38,906	-
Community and economic development	49,963	40,366	-	-
General government	271,462	31,462	-	-
Capital projects	-	-	-	831,996
Debt service	214,268	-	-	-
Total governmental activities	<u>\$ 2,364,224</u>	<u>\$ 214,369</u>	<u>\$ 369,757</u>	<u>\$ 1,081,996</u>
Business-type activities:				
Electric utility	\$ 1,788,007	\$ 2,267,208	\$ -	\$ 29,342
Water utility	418,780	501,340	-	156,361
Sewer utility	357,219	459,896	-	196,915
Solid waste utility	202,607	202,810	-	-
Storm water utility	31,047	78,913	-	649
Total business-type activities	<u>\$ 2,797,660</u>	<u>\$ 3,510,167</u>	<u>\$ -</u>	<u>\$ 383,267</u>
Total primary government	<u>\$ 5,161,884</u>	<u>\$ 3,724,536</u>	<u>\$ 369,757</u>	<u>\$ 1,465,263</u>
General revenues:				
Property taxes				
Local option sales tax				
Hotel/motel taxes				
Interest				
Use of property				
Gain (loss) on sale of assets				
Miscellaneous				
Interfund transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See accompanying notes to financial statements.

Net (Expense) Revenue and
Changes in Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ (715,135)	\$ -	\$ (715,135)
(199,828)	-	(199,828)
(151,270)	-	(151,270)
(9,597)	-	(9,597)
(240,000)	-	(240,000)
831,996	-	831,996
<u>(214,268)</u>	<u>-</u>	<u>(214,268)</u>
<u>\$ (698,102)</u>	<u>\$ -</u>	<u>\$ (698,102)</u>
\$ -	\$ 508,543	\$ 508,543
-	238,921	238,921
-	299,592	299,592
-	203	203
-	<u>48,515</u>	<u>48,515</u>
<u>\$ -</u>	<u>\$ 1,095,774</u>	<u>\$ 1,095,774</u>
<u>\$ (698,102)</u>	<u>\$ 1,095,774</u>	<u>\$ 397,672</u>
\$ 984,726	\$ -	\$ 984,726
303,119	-	303,119
24,480	-	24,480
43,373	34,071	77,444
-	12,133	12,133
49,817	-	49,817
46,890	1,280	48,170
<u>323,109</u>	<u>(323,109)</u>	<u>-</u>
<u>\$ 1,775,514</u>	<u>\$ (275,625)</u>	<u>\$ 1,499,889</u>
\$ 1,077,412	\$ 820,149	\$ 1,897,561
<u>5,806,327</u>	<u>8,820,491</u>	<u>14,626,818</u>
<u>\$ 6,883,739</u>	<u>\$ 9,640,640</u>	<u>\$ 16,524,379</u>

CITY OF SERGEANT BLUFF, IOWA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and pooled investments	\$ 590,355	\$ -	\$ -	\$ 517,725	\$ 1,108,080
Investments	4,315	-	1,625,000	50,000	1,679,315
Receivables (net, where applicable, of allowance for uncollectibles):					
Accounts	6,605	-	-	-	6,605
Taxes	3,536	1,306	-	-	4,842
Subsequent year taxes	734,744	318,261	-	-	1,053,005
Accrued interest	4	-	-	-	4
Due from other governmental agencies	5,157	-	-	63,619	68,776
Inventories	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,650</u>	<u>6,650</u>
 Total assets	 <u>\$ 1,344,716</u>	 <u>\$ 319,567</u>	 <u>\$ 1,625,000</u>	 <u>\$ 637,994</u>	 <u>\$ 3,927,277</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 40,962	\$ 3,893	\$ 36,169	\$ 14,065	\$ 95,089
Accrued wages and compensated absences	39,941	-	-	2,812	42,753
Due to other funds	-	22,020	1,459,661	-	1,481,681
Deferred revenue - subsequent year taxes	<u>734,744</u>	<u>318,261</u>	<u>-</u>	<u>-</u>	<u>1,053,005</u>
Total liabilities	<u>\$ 815,647</u>	<u>\$ 344,174</u>	<u>\$ 1,495,830</u>	<u>\$ 16,877</u>	<u>\$ 2,672,528</u>
Fund balances:					
Reserved for:					
Inventories	\$ -	\$ -	\$ -	\$ 6,650	\$ 6,650
Unreserved	<u>529,069</u>	<u>(24,607)</u>	<u>129,170</u>	<u>614,467</u>	<u>1,248,099</u>
Total fund balances	<u>\$ 529,069</u>	<u>\$ (24,607)</u>	<u>\$ 129,170</u>	<u>\$ 621,117</u>	<u>\$ 1,254,749</u>
 Total liabilities and equity	 <u>\$ 1,344,716</u>	 <u>\$ 319,567</u>	 <u>\$ 1,625,000</u>	 <u>\$ 637,994</u>	 <u>\$ 3,927,277</u>

CITY OF SERGEANT BLUFF, IOWA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

Total governmental fund balances (page 13)	\$ 1,254,749
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	9,469,263
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.	20,028
Accrued interest payable on long-term debt does not require current financial resources; therefore, it is not reported as a liability in the governmental funds balance sheet.	(16,942)
Compensated absences are not due and payable in the current period and therefore, are not reported as liabilities in the funds.	(5,857)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	
Due within one year	\$ 355,000
Due in more than one year	3,540,000
Deferred charges	(57,498)
	(3,837,502)
Total net assets of governmental activities (page 11)	\$ 6,883,739

CITY OF SERGEANT BLUFF, IOWA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenue:					
Taxes	\$ 743,605	\$ 265,713	\$ -	\$ -	\$ 1,009,318
Special assessment	-	-	-	1,094	1,094
Licenses and permits	39,175	-	-	-	39,175
Intergovernmental revenue	38,790	-	-	581,175	619,965
Charges for services	78,671	-	-	63,216	141,887
Fines and forfeits	24,413	-	-	-	24,413
Contributions	40,556	-	250,000	12,355	302,911
Rental income	7,800	-	-	-	7,800
Interest	38,069	1,343	3,771	190	43,373
Miscellaneous	<u>24,287</u>	<u>-</u>	<u>-</u>	<u>22,603</u>	<u>46,890</u>
Total revenue	<u>\$ 1,035,366</u>	<u>\$ 267,056</u>	<u>\$ 253,771</u>	<u>\$ 680,633</u>	<u>\$ 2,236,826</u>
Expenditures:					
Operating:					
Public safety	\$ 1,002,048	\$ -	\$ -	\$ 129,348	\$ 1,131,396
Public works	-	-	-	225,671	225,671
Culture and recreation	260,106	-	-	-	260,106
Community and economic development	93,899	-	-	-	93,899
General government	266,095	-	-	-	266,095
Capital projects	-	-	559,441	-	559,441
Debt service	<u>-</u>	<u>1,037,788</u>	<u>-</u>	<u>-</u>	<u>1,037,788</u>
Total expenditures	<u>\$ 1,622,148</u>	<u>\$ 1,037,788</u>	<u>\$ 559,441</u>	<u>\$ 355,019</u>	<u>\$ 3,574,396</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (586,782)</u>	<u>\$ (770,732)</u>	<u>\$ (305,670)</u>	<u>\$ 325,614</u>	<u>\$ (1,337,570)</u>
Other financing sources (uses):					
Proceeds from debt financing	\$ 6,500	\$ 500,000	\$ -	\$ -	\$ 506,500
Proceeds from the sale of assets	49,817	-	-	-	49,817
Transfers in	590,982	225,329	42,661	-	858,972
Transfers out	<u>(42,661)</u>	<u>-</u>	<u>(278,000)</u>	<u>(215,202)</u>	<u>(535,863)</u>
Total other financing sources (uses)	<u>\$ 604,638</u>	<u>\$ 725,329</u>	<u>\$ (235,339)</u>	<u>\$ (215,202)</u>	<u>\$ 879,426</u>
Net change in fund balance	\$ 17,856	\$ (45,403)	\$ (541,009)	\$ 110,412	\$ (458,144)
Fund balances - beginning of year	<u>511,213</u>	<u>20,796</u>	<u>670,179</u>	<u>510,705</u>	<u>1,712,893</u>
Fund balances - end of year	<u>\$ 529,069</u>	<u>\$ (24,607)</u>	<u>\$ 129,170</u>	<u>\$ 621,117</u>	<u>\$ 1,254,749</u>

CITY OF SERGEANT BLUFF, IOWA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

Net changes in fund balances - total governmental funds (page 15) \$ (458,144)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays were exceeded by depreciation expense in the current year as follows:

Capital asset purchases capitalized	\$ 1,056,566	
Depreciation expense	<u>(665,559)</u>	391,007

Property tax revenue reported currently in the funds that was reported in prior periods in the statement of activities. (112)

Capital contributions reported in the statement of activities that do not provide current financial resources and are not reported as revenue in the governmental funds. 831,996

Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources. 1,502

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Accrued compensated absences	(5,857)
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Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. 372

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bond proceeds	\$ (500,000)	
Bond issuance costs	8,450	
Bond principal retirement	815,000	
Amortization of deferred charges	<u>(6,802)</u>	<u>316,648</u>

Change in net assets of governmental activities (page 12) \$ 1,077,412

See accompanying notes to financial statements.

CITY OF SERGEANT BLUFF, IOWA

COMBINING STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

JUNE 30, 2005

	<u>ASSETS</u>	<u>Business-Type Activities</u>	
		<u>Electric Utility</u>	<u>Water Utility</u>
Current assets:			
Cash and cash equivalents		\$ 104,988	\$ 100,613
Investments		328,488	18,487
Receivables (net, where applicable, of allowance for uncollectibles):			
Accounts		289,464	60,112
Accrued interest		959	102
Estimated unbilled funds		70,874	10,650
Due from other funds		1,403,047	-
Inventories		152,339	-
Prepaid assets		<u>19,506</u>	<u>20,625</u>
Total current assets		<u>\$ 2,369,665</u>	<u>\$ 210,589</u>
Non-current assets:			
Restricted assets:			
Cash and cash equivalents		\$ 25,344	\$ -
Unamortized bond issue costs		-	3,468
Land		-	151,344
Construction in progress		-	-
Infrastructure, property and equipment, net of accumulated depreciation		<u>986,639</u>	<u>3,448,677</u>
Total non-current assets		<u>\$ 1,011,983</u>	<u>\$ 3,603,489</u>
Total assets		<u>\$ 3,381,648</u>	<u>\$ 3,814,078</u>
	<u>LIABILITIES</u>		
Current liabilities:			
Accounts payable		\$ 241,747	\$ 53,506
Accrued wages and compensated absences		10,290	5,392
Accrued interest payable		-	1,506
Revenue bonds payable due within one year		-	<u>20,000</u>
Total current liabilities		<u>\$ 252,037</u>	<u>\$ 80,404</u>
Liabilities payable from restricted assets:			
Customer deposits		<u>\$ 25,344</u>	<u>\$ -</u>
Total liabilities payable from restricted assets		<u>\$ 25,344</u>	<u>\$ -</u>
Non-current liabilities:			
Revenue bonds payable due in more than one year		<u>\$ -</u>	<u>\$ 200,000</u>
Total non-current liabilities		<u>\$ -</u>	<u>\$ 200,000</u>
Total liabilities		<u>\$ 277,381</u>	<u>\$ 280,404</u>
	<u>NET ASSETS</u>		
Invested in capital assets, net of related debt		\$ 986,639	\$ 3,380,021
Unrestricted		<u>2,117,628</u>	<u>153,653</u>
Total net assets		<u>\$ 3,104,267</u>	<u>\$ 3,533,674</u>

See accompanying notes to financial statements.

Business-Type Activities

Sewer Utility	Solid Waste Utility	Storm Water Utility	Total
\$ 370,117	\$ 29,411	\$ 34,107	\$ 639,236
9,583	-	-	356,558
53,791	24,941	3,937	432,245
32	-	-	1,093
10,578	4,429	1,003	97,534
78,634	-	-	1,481,681
-	-	-	152,339
<u>20,625</u>	<u>-</u>	<u>-</u>	<u>60,756</u>
<u>\$ 543,360</u>	<u>\$ 58,781</u>	<u>\$ 39,047</u>	<u>\$ 3,221,442</u>
\$ -	\$ -	\$ -	\$ 25,344
-	-	-	3,468
51,590	-	-	202,934
124,559	-	-	124,559
<u>2,144,523</u>	<u>-</u>	<u>64,304</u>	<u>6,644,143</u>
<u>\$ 2,320,672</u>	<u>\$ -</u>	<u>\$ 64,304</u>	<u>\$ 7,000,448</u>
<u>\$ 2,864,032</u>	<u>\$ 58,781</u>	<u>\$ 103,351</u>	<u>\$ 10,221,890</u>
\$ 5,239	\$ 12,834	\$ -	\$ 313,326
5,392	-	-	21,074
-	-	-	1,506
<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
<u>\$ 10,631</u>	<u>\$ 12,834</u>	<u>\$ -</u>	<u>\$ 355,906</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,344</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,344</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,000</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,000</u>
<u>\$ 10,631</u>	<u>\$ 12,834</u>	<u>\$ -</u>	<u>\$ 581,250</u>
\$ 2,320,672	\$ -	\$ 64,304	\$ 6,751,636
<u>532,729</u>	<u>45,947</u>	<u>39,047</u>	<u>2,889,004</u>
<u>\$ 2,853,401</u>	<u>\$ 45,947</u>	<u>\$ 103,351</u>	<u>\$ 9,640,640</u>

CITY OF SERGEANT BLUFF, IOWA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND

CHANGES IN NET ASSETS - PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Business-Type Activities</u>	
	<u>Electric Utility</u>	<u>Water Utility</u>
Operating revenues:		
Charges for services	\$ 2,267,208	\$ 501,340
Operating expenses:		
Cost of service	\$ 1,732,160	\$ 353,649
Depreciation	<u>55,847</u>	<u>63,243</u>
Total operating expenses	<u>\$ 1,788,007</u>	<u>\$ 416,892</u>
Operating income	\$ 479,201	\$ 84,448
Non-operating income (expense):		
Interest income	\$ 31,451	\$ 2,036
Revenue from use of property	-	12,133
Other non-operating revenues	1,280	-
Interest expense	<u>-</u>	<u>(1,888)</u>
Total non-operating income (expenses)	<u>\$ 32,731</u>	<u>\$ 12,281</u>
Income before contributions and transfers	\$ 511,932	\$ 96,729
Capital contributions	29,342	156,361
Transfers in	16,000	-
Transfers out	<u>(195,000)</u>	<u>(140,768)</u>
Change in net assets	\$ 362,274	\$ 112,322
Net assets - beginning	<u>2,741,993</u>	<u>3,421,352</u>
Net assets - ending	<u>\$ 3,104,267</u>	<u>\$ 3,533,674</u>

See accompanying notes to financial statements.

Business-Type Activities

<u>Sewer Utility</u>	<u>Solid Waste Utility</u>	<u>Storm Water Utility</u>	<u>Total</u>
\$ 459,896	\$ 202,810	\$ 78,913	\$ 3,510,167
\$ 304,747	\$ 202,607	\$ 28,570	\$ 2,621,733
<u>52,472</u>	<u>-</u>	<u>2,477</u>	<u>174,039</u>
<u>\$ 357,219</u>	<u>\$ 202,607</u>	<u>\$ 31,047</u>	<u>\$ 2,795,772</u>
\$ 102,677	\$ 203	\$ 47,866	\$ 714,395
\$ 584	\$ -	\$ -	\$ 34,071
-	-	-	12,133
-	-	-	1,280
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,888)</u>
<u>\$ 584</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,596</u>
\$ 103,261	\$ 203	\$ 47,866	\$ 759,991
196,915	-	649	383,267
-	-	50,000	66,000
<u>(53,341)</u>	<u>-</u>	<u>-</u>	<u>(389,109)</u>
\$ 246,835	\$ 203	\$ 98,515	\$ 820,149
<u>2,606,566</u>	<u>45,744</u>	<u>4,836</u>	<u>8,820,491</u>
<u>\$ 2,853,401</u>	<u>\$ 45,947</u>	<u>\$ 103,351</u>	<u>\$ 9,640,640</u>

CITY OF SERGEANT BLUFF, IOWA

COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Business-Type Activities</u>	
	<u>Electric Utility</u>	<u>Water Utility</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 2,194,258	\$ 495,607
Cash paid to suppliers for goods and services	(1,354,171)	(185,336)
Cash paid to employees for services	(222,781)	(131,508)
Other receipts	<u>1,280</u>	<u>12,133</u>
Net cash provided by (used for) operating activities	<u>\$ 618,586</u>	<u>\$ 190,896</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	\$ (8,876)	\$ (436,989)
Proceeds from capital debt	-	220,000
Interest and bond costs paid	<u>-</u>	<u>(3,850)</u>
Net cash provided by (used for) capital and related financing activities	<u>\$ (8,876)</u>	<u>\$ (220,839)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating transfers to other funds	\$ (195,000)	\$ (140,768)
Operating transfers from other funds	16,000	-
Advances from (to) other funds, net of repayments	<u>(1,348,173)</u>	<u>-</u>
Net cash provided by (used for) non-capital financing activities	<u>\$ (1,527,173)</u>	<u>\$ (140,768)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	\$ -	\$ (1,487)
Proceeds from sale of investments	12,012	-
Interest earned on investments	<u>31,393</u>	<u>1,981</u>
Net cash provided by (used for) non-capital financing activities	<u>\$ 43,405</u>	<u>\$ 494</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (874,058)	\$ (170,217)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,004,390</u>	<u>270,830</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 130,332</u>	<u>\$ 100,613</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income	<u>\$ 479,201</u>	<u>\$ 84,448</u>
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:		
Depreciation	55,847	63,243
Miscellaneous receipts	1,280	12,133
(Increase) decrease in assets:		
Accounts receivable	(54,523)	(7,464)
Estimated unbilled usage	(18,427)	1,731
Prepays	(980)	(2,099)
Increase (decrease) in liabilities:		
Accounts payable	156,436	38,538
Accrued wages and compensated absences	530	366
Customer deposits	<u>(778)</u>	<u>-</u>
Total adjustments	<u>\$ 139,385</u>	<u>\$ 106,448</u>
Net cash provided by operating activities	<u>\$ 618,586</u>	<u>\$ 190,896</u>
NONCASH CAPITAL FINANCING ACTIVITIES:		
Capital assets acquired through contributions from developers	<u>\$ 29,342</u>	<u>\$ 156,361</u>

See accompanying notes to financial statements.

Business-Type Activities			
Sewer Utility	Solid Waste Utility	Storm Water Utility	Total
\$ 458,762	\$ 198,753	\$ 78,996	\$ 3,426,376
(183,904)	(189,956)	(28,698)	(1,942,065)
(132,678)	-	-	(486,967)
-	-	-	13,413
<u>\$ 142,180</u>	<u>\$ 8,797</u>	<u>\$ 50,298</u>	<u>\$ 1,010,757</u>
\$ (79,980)	\$ -	\$ (11,317)	\$ (537,162)
-	-	-	220,000
-	-	-	(3,850)
<u>\$ (79,980)</u>	<u>\$ -</u>	<u>\$ (11,317)</u>	<u>\$ (321,012)</u>
\$ (53,341)	\$ -	\$ -	\$ (389,109)
-	-	50,000	66,000
(78,634)	-	(54,874)	(1,481,681)
<u>\$ (131,975)</u>	<u>\$ -</u>	<u>\$ (4,874)</u>	<u>\$ (1,804,790)</u>
\$ (583)	\$ -	\$ -	\$ (2,070)
-	-	-	12,012
584	-	-	33,958
<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,900</u>
\$ (69,774)	\$ 8,797	\$ 34,107	\$ (1,071,145)
439,891	20,614	-	1,735,725
<u>\$ 370,117</u>	<u>\$ 29,411</u>	<u>\$ 34,107</u>	<u>\$ 664,580</u>
\$ 102,677	\$ 203	\$ 47,866	\$ 714,395
52,472	-	2,477	174,039
-	-	-	13,413
(1,135)	(3,879)	(614)	(67,615)
1	(178)	697	(16,176)
(2,099)	-	-	(5,178)
(10,102)	12,651	(128)	197,395
366	-	-	1,262
-	-	-	(778)
<u>\$ 39,503</u>	<u>\$ 8,594</u>	<u>\$ 2,432</u>	<u>\$ 296,362</u>
<u>\$ 142,180</u>	<u>\$ 8,797</u>	<u>\$ 50,298</u>	<u>\$ 1,010,757</u>
<u>\$ 196,915</u>	<u>\$ -</u>	<u>\$ 649</u>	<u>\$ 383,267</u>

CITY OF SERGEANT BLUFF, IOWA

STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUND

JUNE 30, 2005

ASSETS:

Cash and pooled investments \$ 7,721

LIABILITIES:

Accounts payable \$ 7,721

NET ASSETS:

Unrestricted \$ -

CITY OF SERGEANT BLUFF, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Sergeant Bluff, Iowa, is a political subdivision of the State of Iowa located in Woodbury County, and was incorporated in 1854, under the laws of the State of Iowa, later amended in 1974 under the Home Rule City Act. The City operates under a Mayor-Council form of government, with an appointed administrator, elected on a nonpartisan basis and administers the following programs as authorized by its charter: public safety, public works, culture and recreation, community and economic development, general government, capital projects and debt service. The City also has municipal electric, water, sewer, solid waste and storm water utility systems which are governed by the City Council.

The City's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The City applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The more significant accounting policies established in GAAP and used by the City are discussed below.

- A. Reporting Entity - For financial reporting purposes, the City of Sergeant Bluff, Iowa, has included all funds, organizations, account groups, 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.

These financial statements present the City of Sergeant Bluff, Iowa (the primary government) and its component units. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

CITY OF SERGEANT BLUFF, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Blended Component Unit - Sergeant Bluff Volunteer Fire and Rescue Department is legally separate from the City but is so intertwined with the City that it is, in substance, part of the City. The Sergeant Bluff Volunteer Fire and Rescue Department established pursuant to local ordinances and organized under their own by-laws collects donations which are used to purchase items which are not included in the City budget. The financial transactions have been included as a special revenue fund of the City.

Jointly Governed Organizations - The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards or Commissions: Woodbury County Solid Waste Agency Board, Woodbury County Joint E-911 Services Board and Woodbury County Conference Board.

B. Basic Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's general, special revenue, debt service, and capital projects funds are classified as governmental activities.

Government-Wide Statements

In the government-wide statement of net assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts-invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first uses restricted resources to finance qualifying activities.

CITY OF SERGEANT BLUFF, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The government-wide statement of activities reports both the gross and net cost of each of the City's functions (public safety, public works, health and social services, culture and recreation, community and economic development, general government, etc.) and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenue, operating grants, and capital grants. Program revenue must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The City does not allocate indirect costs.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year activities.

Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues or receipts, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria for the determination of major funds. The City electively added funds, as major funds, which had a specific community focus. The non-major funds are combined into a single column in the fund financial statements.

The City reports the following major governmental funds:

Governmental Fund Types - The governmental fund financial statements are reported using the current financial resources measurement focus. This means that the focus of the governmental funds' measurement is upon the determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the City:

CITY OF SERGEANT BLUFF, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

- 1) General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general administration, police and fire protection, economic development, and culture and recreation.
- 2) Debt Service Fund - Debt Service Fund is used to account for property taxes received to be expended to retire principal and interest on General Obligation Bonds and other debt.
- 3) Capital Project Fund - The Capital Project Fund is used to account for the construction of major capital improvements and infrastructure financed by transfer from other funds and bond issues.

Proprietary Fund Types - The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services.

Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City maintains several business-type activities. The major enterprise funds are listed as follows:

CITY OF SERGEANT BLUFF, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

The Solid Waste Fund is used to account for the operation and maintenance of the City garbage disposal system.

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

The Storm Water Utility Fund is used to account for the operation and maintenance of the City's storm water utility.

Fiduciary Fund Types - Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements. The City's Agency Fund is used to account for a medical flexible spending account.

- C. Basis of Accounting - Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual basis of accounting is used for all activities in the government-wide financial statements and for the proprietary and fiduciary activities in the fund financial statements. Revenues are recognized when earned and expenses are recognized when incurred.

Modified accrual basis of accounting is used by all governmental funds in the fund financial statements. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

CITY OF SERGEANT BLUFF, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Expenditures are recorded when the related fund liability is incurred. An exception to this general rule is that principal and interest on general obligation debt, if any, is recognized when due.

Those revenues susceptible to accrual are property taxes, assessments, and intergovernmental revenues. Licenses, fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

- D. Budgets - The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the public safety, community and economic development, and debt service functions.
- E. Cash And Cash Equivalents And Investments - The City is authorized by statute to invest public funds not currently needed for operating expenses in notes, certificates, bonds, prime eligible bankers acceptances, certain high rated commercial paper, perfected repurchase agreements, or other evidences of indebtedness which are obligations of or guaranteed by the United States of America or any of its agencies, or in time deposits or savings accounts in depositories approved by the City Council.
- 1) Cash and Cash Equivalents - Includes investments with original maturities of three months or less.
 - 2) Investments - The City and its component unit use the following methods in determining the reported amounts.

<u>Type</u>	<u>Method</u>
Non-negotiable Certificates of Deposit	Cost

- F. Property Tax Receivable - Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City Council to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City Council 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 Council 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

CITY OF SERGEANT BLUFF, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1-1/2 percent per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004. Any county collections on the 2004-2005 tax levy remitted to the City within 60 days subsequent to June 30, 2005, are recorded as property tax revenue.

- G. Short-Term Interfund Receivables/Payables - During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2005, balances of interfund amounts payable or receivable have been recorded as "due to other funds" and "due from other funds", respectively. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.
- H. Inventories - Inventories of the proprietary fund types are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. The inventory amounts are not material and therefore not recorded on the balance sheet.
- I. Prepaid Items - Payments made to vendors for services that will benefit periods beyond June 30, 2005 are recorded as prepaid items.
- J. Property and Equipment - Assets with an initial individual cost of \$1,000 or more are considered capital assets. Property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at their fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure has been capitalized using historical or estimated historical cost beginning in 1980 as required by GASB 34. Depreciation on all assets is provided on the straight-line basis over the following estimated lives:

CITY OF SERGEANT BLUFF, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Buildings	20 - 50 Years
Utility Plant	30 - 33 Years
Land Improvements	20 - 50 Years
Machinery & Equipment	5 - 20 Years
Infrastructure	20 - 100 Years

- K. Compensated Absences - Vested or accumulated vacation leave including related employee benefits that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave including related employee benefits that are not expected to be liquidated with expendable available financial resources are reported in the government-wide financial statements. The general fund has been used in prior years to liquidate the liability for compensated absences. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.
- L. Long-Term Obligations - Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the government-wide financial statements. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.
- M. Fund Equity - Reserves represent those portions of fund equity legally segregated for a specific future use.
- N. Interfund Transactions - Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services provided and used, transactions and reimbursements are reported as transfers.

CITY OF SERGEANT BLUFF, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS:

The City's deposits at June 30, 2005, were entirely covered by Federal Depository Insurance or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. Chapter 12C 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 obligation 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; and certain joint investment trusts.

At June 30, 2005, the City had investments as follows:

Certificate of deposits	\$ 410,873
Perfected repurchase agreement	<u>1,625,000</u>
	<u>\$ 2,035,873</u>

The investments are valued at an amortized cost pursuant to Rule 2a - 7 under the Investment Company Act of 1940. The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but maturities shall be consistent with the needs and use of the City.

NOTE 3 - DUE FROM OTHER GOVERNMENTS:

At June 30, 2005, amounts due from other governments were as follows:

Due from the Iowa Department of Transportation for road use tax collections	\$ 21,610
Due from the State of Iowa for local option sales taxes	42,009
Due from other governments for miscellaneous grants	<u>5,157</u>
Total due from other governments	<u>\$ 68,776</u>

CITY OF SERGEANT BLUFF, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES:

As of June 30, 2005, short-term interfund borrowings were as follows:

<u>Fund Due to</u>	<u>Fund Due From</u>	<u>Amount</u>
Proprietary - sewer	Debt service	\$ 22,020
Proprietary - sewer	Capital projects	56,614
Proprietary - electric	Capital projects	<u>1,403,047</u>
		<u>\$ 1,481,681</u>

NOTE 5 - CAPITAL ASSETS:

A summary of changes in capital assets is as follows:

<u>Governmental activities</u>	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
Capital assets not being depreciated:				
Land	\$ 393,609	\$ -	\$ -	\$ 393,609
Construction in progress	<u>97,137</u>	<u>1,267,184</u>	<u>1,341,527</u>	<u>22,794</u>
Total capital assets not being depreciated	<u>\$ 490,746</u>	<u>\$ 1,267,184</u>	<u>\$ 1,341,527</u>	<u>\$ 416,403</u>
Capital assets being depreciated:				
Buildings	\$ 1,967,139	\$ -	\$ -	\$ 1,967,139
Equipment	1,694,331	507,303	-	2,201,634
Land improvements	-	502,286	-	502,286
Infrastructure	<u>9,542,689</u>	<u>953,316</u>	<u>-</u>	<u>10,496,005</u>
	<u>\$13,204,159</u>	<u>\$ 1,962,905</u>	<u>\$ -</u>	<u>\$15,167,064</u>
Less: accumulated depreciation for:				
Buildings	\$ 139,625	\$ 49,307	\$ -	\$ 188,932
Equipment	1,044,121	155,398	-	1,199,519
Land improvements	-	6,279	-	6,279
Infrastructure	<u>4,264,899</u>	<u>454,575</u>	<u>-</u>	<u>4,719,474</u>
Total accumulated depreciation	<u>\$ 5,448,645</u>	<u>\$ 665,559</u>	<u>\$ -</u>	<u>\$ 6,114,204</u>
Total capital assets being depreciated, net	<u>\$ 7,755,514</u>	<u>\$ 1,297,346</u>	<u>\$ -</u>	<u>\$ 9,052,860</u>
Governmental activities capital assets, net	<u>\$ 8,246,260</u>	<u>\$ 2,564,530</u>	<u>\$ 1,341,527</u>	<u>\$ 9,469,263</u>

CITY OF SERGEANT BLUFF, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 5 - CAPITAL ASSETS (CONTINUED):

<u>Business-Type Activities</u>	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
Capital assets not being depreciated:				
Land	\$ 202,934	\$ -	\$ -	\$ 202,934
Construction in progress	<u>85,121</u>	<u>450,698</u>	<u>411,260</u>	<u>124,559</u>
Total capital assets not being depreciated	<u>\$ 288,055</u>	<u>\$ 450,698</u>	<u>\$ 411,260</u>	<u>\$ 327,493</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 855,800	\$ -	\$ -	\$ 855,800
Equipment	347,428	52,780	-	400,208
Distribution system	<u>5,936,106</u>	<u>828,211</u>	<u>-</u>	<u>6,764,317</u>
Total capital assets being depreciated	\$ 7,139,334	\$ 880,991	\$ -	\$ 8,020,325
Less: accumulated depreciation	<u>1,202,143</u>	<u>174,039</u>	<u>-</u>	<u>1,376,182</u>
Total capital assets being depreciated, net	<u>\$ 5,937,191</u>	<u>\$ 706,952</u>	<u>\$ -</u>	<u>\$ 6,644,143</u>
Business-type activities capital assets, net	<u>\$ 6,225,246</u>	<u>\$ 1,157,650</u>	<u>\$ 411,260</u>	<u>\$ 6,971,636</u>

Construction in progress at June 30, 2005 consisted of costs associated settler's point subdivision improvements and an upgrade to #3 life station.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Public safety	\$ 133,392
Public works	502,938
Culture and recreation	12,422
Community and economic development	4,882
General government	<u>11,925</u>
Total depreciation expense - governmental activities	<u>\$ 665,559</u>
Business-type activities:	
Water	\$ 63,243
Sewer	52,472
Electric	55,847
Storm water	<u>2,477</u>
Total depreciation expense - business-type activities	<u>\$ 174,039</u>

CITY OF SERGEANT BLUFF, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 5 - CAPITAL ASSETS (CONTINUED):

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
Land	\$ 393,609	\$ 202,934
Construction in progress	22,794	124,559
Capital assets (net of accumulated depreciation)	9,052,860	6,644,143
Less: general obligation bonds payable	<u>(3,895,000)</u>	<u>(220,000)</u>
Investment in capital assets, net of related debt	<u>\$ 5,574,263</u>	<u>\$ 6,751,636</u>

NOTE 6 - LONG-TERM DEBT:

The City's computed legal debt limit as of June 30, 2005, is \$7,373,005 of which \$4,115,000 is committed for outstanding general obligation debt.

The following is a summary of bond transactions of the City for the year ended June 30, 2005:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
	Bonds and Notes Paid by Debt Service Fund	Bonds and Notes Paid by Water Fund
<u>Primary Government</u>		
Bonds payable July 1, 2004	\$ 4,210,000	\$ -
Plus: bonds issued	500,000	220,000
Less: payments	<u>(815,000)</u>	<u>-</u>
Bonds payable June 30, 2005	<u>\$ 3,895,000</u>	<u>\$ 220,000</u>
Due within one year	<u>\$ 355,000</u>	<u>\$ 20,000</u>

	<u>Date of</u> <u>Issue</u>	<u>Interest</u> <u>Rates</u>	<u>Final</u> <u>Due Date</u>	<u>Annual</u> <u>Payments</u>	<u>Amount</u> <u>Originally</u> <u>Issued</u>	<u>Outstanding</u> <u>June 30, 2005</u>
<u>General Obligation</u>						
Corporate purpose	1999	4.30-5.50%	2015	\$75,000 - \$120,000	1,330,000	970,000
Swimming pool	2001	4.75-5.40%	2017	\$65,000 - \$120,000	1,300,000	1,130,000
Corporate purpose	2001	3.50-5.20%	2015	\$65,000 - \$100,000	960,000	830,000
Corporate purpose	2004	2.00-4.80%	2016	\$35,000 - \$50,000	500,000	465,000
Refunding + Water	2005	2.75-4.10%	2015	\$25,000 - \$135,000	<u>720,000</u>	<u>720,000</u>
Total general obligation					<u>\$ 4,810,000</u>	<u>\$ 4,115,000</u>

CITY OF SERGEANT BLUFF, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 6 - LONG-TERM DEBT (CONTINUED):

The following is a schedule of debt service requirements to maturity:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 375,000	\$ 191,305	\$ 566,305
2007	390,000	174,938	564,938
2008	415,000	159,290	574,290
2009	395,000	142,090	537,090
2010	405,000	127,848	532,848
2011-2015	1,850,000	362,452	2,212,452
2016-2017	<u>285,000</u>	<u>21,455</u>	<u>306,455</u>
	<u>\$ 4,115,000</u>	<u>\$ 1,179,378</u>	<u>\$ 5,294,378</u>

In May 2005, the City issued \$720,000 of General Obligation Water Improvement and Refunding Notes Series 2005A. \$220,000 of the debt was used to finance water system improvements and will be retired with water revenues. The remaining \$500,000 of debt was used to advance refund the 1997 fire station and street improvement bonds resulting in a \$21,657 cash flow savings with a present value of \$20,619.

NOTE 7 - TRANSFERS:

The following is a summary of transfers between funds:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Electric</u>	<u>Storm Water</u>	<u>Total Transfers Out</u>
General	\$ -	\$ -	\$ 42,661	\$ -	\$ -	\$ 42,661
Capital project	262,000	-	-	16,000	-	278,000
Nonmajor governmental	183,982	31,220	-	-	-	215,202
Water	-	140,768	-	-	-	140,768
Sewer	-	53,341	-	-	-	53,341
Electric	<u>145,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>195,000</u>
Total transfers in	<u>\$ 590,982</u>	<u>\$ 225,329</u>	<u>\$ 42,661</u>	<u>\$ 16,000</u>	<u>\$ 50,000</u>	<u>\$ 924,972</u>

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. To move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due.

CITY OF SERGEANT BLUFF, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 8 - PENSION AND RETIREMENT:

Iowa Public Employees Retirement System - 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 plan to 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 percent of their annual covered salary and the City is required to contribute 5.75 percent of annual covered payroll except for police employees, in which case the percentages are 6.16 percent and 9.23 percent, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93 percent and 8.90 percent, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04 percent and 9.07 percent, respectively. Contribution requirements are established by state statute. The City contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$67,424, \$63,878 and \$52,680, respectively, equal to the required contributions for each year.

NOTE 9 - DEFICIT UNRESTRICTED NET ASSETS:

The debt service fund ended the fiscal year with a deficit balance of \$24,607. The deficit will be financed with future storm water drainage fees.

NOTE 10 - RISK MANAGEMENT:

The City of Sergeant Bluff 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11 - COMMITMENTS:

During the year ended June 30, 2005, the City had entered into several construction contracts totaling \$528,000 of which \$147,000 has been expended to date. The remaining balance will be paid as work progresses.

CITY OF SERGEANT BLUFF, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 12 - INDUSTRIAL DEVELOPMENT REVENUE BONDS:

The City has issued a total of \$9,100,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

NOTE 13 - COMMUNITY ECONOMIC BETTERMENT (CEBA) LOAN:

On December 15, 1998, the City received \$175,000 from the Iowa Department of Economic Development under a CEBA loan agreement. The City subsequently loaned \$175,000 to a private business. No interest or principal payments are required during the first and second years. At the project completion date, \$1,250 will be forgiven for each new job created and the balance remaining will be amortized over the remaining three years in equal annual payments with 6 percent per annum interest. The City's liability for repayment of this loan is limited to those amounts the City collects through its good faith enforcement of security interest with the business, therefore, the liability for this loan is not included in the Government-Wide Financial Statements.

NOTE 14 - CLAIMS:

As of June, 30, 2005, the City is making a claim against other parties in connection with the construction of the swimming pool in Sergeant Bluff.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SERGEANT BLUFF, IOWA

BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND

CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -

GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>Negative</u>
Revenue:				
Taxes	\$ 1,005,806	\$ 1,005,806	\$ 1,201,444	\$ 195,638
Special assessment	-	-	1,094	1,094
Licenses and permits	17,235	17,235	39,175	21,940
Intergovernmental revenue	570,365	570,365	623,732	53,367
Charges for services	3,493,547	3,493,547	3,568,263	74,716
Interest	26,680	26,680	97,492	70,812
Miscellaneous	<u>273,393</u>	<u>762,019</u>	<u>370,705</u>	<u>(391,314)</u>
Total revenue	<u>\$ 5,387,026</u>	<u>\$ 5,875,652</u>	<u>\$ 5,901,905</u>	<u>\$ 26,253</u>
Expenditures:				
Public safety	\$ 1,021,429	\$ 1,032,600	\$ 1,164,372	\$ (131,772)
Public works	325,374	356,844	217,369	139,475
Culture and recreation	328,827	328,827	270,635	58,192
Community and economic development	65,402	86,718	89,020	(2,302)
General government	249,084	370,000	323,594	46,406
Debt service	541,374	1,030,000	1,037,791	(7,791)
Capital projects	571,649	600,000	538,393	61,607
Business type activities	<u>4,202,229</u>	<u>4,202,229</u>	<u>2,970,044</u>	<u>1,232,185</u>
Total expenditures	<u>\$ 7,305,368</u>	<u>\$ 8,007,218</u>	<u>\$ 6,611,218</u>	<u>\$ 1,396,000</u>
Excess (deficiency) of revenues over expenditures	\$ (1,918,342)	\$ (2,131,566)	\$ (709,313)	\$ 1,422,253
Other financing sources (uses), net	<u>1,371,817</u>	<u>1,371,817</u>	<u>776,317</u>	<u>(595,500)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (546,525)</u>	<u>\$ (759,749)</u>	\$ 67,004	<u>\$ 826,753</u>
Fund balances - beginning of year			<u>3,741,529</u>	
Fund balances - end of year			<u>\$ 3,808,533</u>	

See accompanying notes to financial statements.

CITY OF SERGEANT BLUFF, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

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 except the Agency Fund, and appropriates the amount deemed necessary for each of the different City offices and departments. The budgets may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 9 major classes of expenditures known as functions, not by fund or fund type. These 9 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 Enterprise 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 fiscal year 2005, the City had one budget amendment. The amendment was as follows:

<u>Program</u>	<u>Original Budget</u>	<u>6/7/05 Amendment</u>	<u>Final Budget</u>
Public Safety	\$ 1,021,429	\$ 11,171	\$ 1,032,600
Public Works	325,374	31,470	356,844
Culture and Recreation	328,827	-	328,827
Community and Economic Development	65,402	21,316	86,718
General Government	249,084	120,916	370,000
Debt Service	541,374	488,626	1,030,000
Capital Projects	571,649	28,351	600,000
Business-Type/Enterprise	<u>4,202,229</u>	<u>-</u>	<u>4,202,229</u>
	<u>\$ 7,305,368</u>	<u>\$ 701,850</u>	<u>\$ 8,007,218</u>

During the year ended June 30, 2005, disbursements in the public safety, community and economic development and debt service functions exceeded the amounts budgeted.

CITY OF SERGEANT BLUFF, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

JUNE 30, 2005

The following schedule demonstrates the City's legal compliance to the budget.

<u>Program</u>	<u>Final Budget</u>	<u>Actual (Cash Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Public Safety	\$ 1,032,600	\$ 1,164,372	\$ (131,772)
Public Works	356,844	217,369	139,475
Culture and Recreation	328,827	270,635	58,192
Community and Economic Development	86,718	89,020	(2,302)
General Government	370,000	323,594	46,406
Debt Service	1,030,000	1,037,791	(7,791)
Capital Projects	600,000	538,393	61,607
Business-Type/Enterprise	<u>4,202,229</u>	<u>2,970,044</u>	<u>1,232,185</u>
	<u>\$ 8,007,218</u>	<u>\$ 6,611,218</u>	<u>\$ 1,396,000</u>

The following schedule reconciles the budgetary comparison to actual GAAP basis financial statements.

<u>Program</u>	<u>GAAP Basis</u>	<u>Accrual to Cash Adjustment</u>	<u>Budgetary Basis</u>
Public Safety	\$ 1,131,396	\$ 32,976	\$ 1,164,372
Public Works	225,671	(8,302)	217,369
Culture and Recreation	260,106	10,529	270,635
Community and Economic Development	93,899	(4,879)	89,020
General Government	266,095	57,499	323,594
Debt Service	1,037,788	3	1,037,791
Capital Projects	559,441	(21,048)	538,393
Business-Type/Enterprise	<u>2,797,660</u>	<u>172,384</u>	<u>2,970,044</u>
	<u>\$ 6,372,056</u>	<u>\$ 239,162</u>	<u>\$ 6,611,218</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF SERGEANT BLUFF, IOWA

COMBINING BALANCE SHEET - GOVERNMENTAL NONMAJOR FUNDS

JUNE 30, 2005

	<u>Special Revenue Funds</u>			<u>Total Governmental Nonmajor Funds</u>
	<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>	<u>Volunteer Fire Department</u>	
 <u>ASSETS</u>				
Cash and pooled investments	\$ 291,528	\$ 181,659	\$ 44,538	\$ 517,725
Investments	-	-	50,000	50,000
Due from other governmental agencies	21,610	42,009	-	63,619
Inventories	<u>6,650</u>	<u>-</u>	<u>-</u>	<u>6,650</u>
 Total assets	 <u>\$ 319,788</u>	 <u>\$ 223,668</u>	 <u>\$ 94,538</u>	 <u>\$ 637,994</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
 LIABILITIES:				
Accounts payable	\$ 14,065	\$ -	\$ -	\$ 14,065
Accrued wages and compensated absences	<u>2,812</u>	<u>-</u>	<u>-</u>	<u>2,812</u>
Total liabilities	<u>\$ 16,877</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,877</u>
 FUND BALANCES:				
Reserved for:				
Inventories	\$ 6,650	\$ -	\$ -	\$ 6,650
Unreserved	<u>296,261</u>	<u>223,668</u>	<u>94,538</u>	<u>614,467</u>
Total fund balances	<u>\$ 302,911</u>	<u>\$ 223,668</u>	<u>\$ 94,538</u>	<u>\$ 621,117</u>
 Total liabilities and equity	 <u>\$ 319,788</u>	 <u>\$ 223,668</u>	 <u>\$ 94,538</u>	 <u>\$ 637,994</u>

CITY OF SERGEANT BLUFF, IOWA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - GOVERNMENTAL NONMAJOR FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Special Revenue Funds</u>			<u>Total Governmental Nonmajor Funds</u>
	<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>	<u>Volunteer Fire Department</u>	
REVENUE:				
Special assessments	\$ 1,094	\$ -	\$ -	\$ 1,094
Intergovernmental revenue	278,056	303,119	-	581,175
Charges for services	-	-	63,216	63,216
Contributions	-	-	12,355	12,355
Interest	-	-	190	190
Miscellaneous	<u>2,570</u>	<u>-</u>	<u>20,033</u>	<u>22,603</u>
Total revenue	<u>\$ 281,720</u>	<u>\$ 303,119</u>	<u>\$ 95,794</u>	<u>\$ 680,633</u>
EXPENDITURES:				
Public safety	\$ -	\$ -	\$ 129,348	\$ 129,348
Public works	<u>225,671</u>	<u>-</u>	<u>-</u>	<u>225,671</u>
Total expenditures	<u>\$ 225,671</u>	<u>\$ -</u>	<u>\$ 129,348</u>	<u>\$ 355,019</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 56,049</u>	<u>\$ 303,119</u>	<u>\$ (33,554)</u>	<u>\$ 325,614</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>\$ (31,220)</u>	<u>\$ (183,982)</u>	<u>\$ -</u>	<u>\$ (215,202)</u>
NET CHANGE IN FUND BALANCE	\$ 24,829	\$ 119,137	\$ (33,554)	\$ 110,412
FUND BALANCES - BEGINNING OF YEAR	<u>278,082</u>	<u>104,531</u>	<u>128,092</u>	<u>510,705</u>
FUND BALANCES - END OF YEAR	<u>\$ 302,911</u>	<u>\$ 223,668</u>	<u>\$ 94,538</u>	<u>\$ 621,117</u>



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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 Sergeant Bluff
Sergeant Bluff, Iowa

We have audited the financial statements of the City of Sergeant Bluff, Iowa, as of and for the year ended June 30, 2005, and have issued our report thereon dated December 22, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Sergeant Bluff, Iowa'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 an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying schedule of findings and responses.

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, we believe item I-A-05 is a material weakness.

To the Honorable Mayor and
Members of the City Council
City of Sergeant Bluff
Sergeant Bluff, Iowa

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City of Sergeant Bluff, 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, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying schedule of findings and responses.

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 Sergeant Bluff, Iowa, and other parties to whom the City may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Sergeant Bluff, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

King, Reinsch, Prosser & Co., L.L.P.

December 22, 2005
Sioux City, Iowa

CITY OF SERGEANT BLUFF

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 control is the segregation of duties among employees to prevent an individual from handling duties which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetrate and conceal errors or irregularities. To accomplish proper segregation of duties, the system, insofar as possible, should provide for different individuals to perform the functions of (a) authorizing transactions, (b) recording transactions, (c) maintaining custody of the assets that result from transactions, and (d) comparing assets with the related amounts recorded in the accounting records. In performing our audit, one individual has control over collecting, depositing, journalizing and posting receipts.

Recommendation - The size of the City's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Council should remain actively involved in the financial affairs of the City to provide oversight and review functions.

Response - The City understands the nature of the weakness and the necessity for the Council to provide oversight and review functions. The City will review its procedures and implement changes as deemed necessary.

Conclusion - Response accepted.

I-B-05 Records of Accounts - The fire department maintains some accounting records and bank balances pertaining to the operations of the fire service. These transactions and the resulting balances are not recorded in the Clerk's records. Chapter 384.20 of the Code of Iowa states in part that "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose."

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

Response - We will endeavor to obtain at least a quarterly report of receipts and disbursements from the fire department and include such transactions in the City's ledger.

Conclusion - Response accepted.

CITY OF SERGEANT BLUFF

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Required 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 for the year ended June 30, 2005 exceeded the amount budgeted in the public safety, community and economic development, and debt service functions. The amendment was not adopted by May 31 and the total budget as originally certified did not agree to the originally filed budget. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under annual or continuing appropriation.

Recommendation - The budget should have been amended timely and correctly 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.

II-C-05 Questionable Disbursements - No disbursements were noted that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-05 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-05 Business Transactions - There were no business transactions between the City and City officials or employees noted.

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 ensure 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 minutes of Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. Also, the publication did not include listing of claims and a summary of all receipts.

CITY OF SERGEANT BLUFF

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Required Statutory Reporting (Continued):

We also noted that not all the minutes were properly signed in accordance with Chapter 380.7 of the Code of Iowa.

Recommendation - The City should comply with Chapter 21 of the Code of Iowa and should sign and publish minutes, receipts and claims as required.

Response - We will comply with the Code requirements.

Conclusion - Response accepted.

II-H-05 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-I-05 General Obligation Refunding Notes, Series 2005A - We noted during our review of the note documents that the City is required to deposit accrued interest received by the City on the Notes into a special account that is used to pay interest due on the Notes on the first interest payment date. The City did not deposit the interest into a special account.

Recommendation - The City should transfer funds to the Debt Service Fund to cover the interest payment on the notes.

Response - We will transfer funds as recommended.

Conclusion - Response accepted.

II-J-05 Deficit Balance - At June 30, 2005, the City's Debt Service Fund had a deficit balance of \$24,607.

Recommendation - The City should review its options to eliminate this deficit fund balance.

Response - The deficit will be eliminated through transfers in the year ending June 30, 2006.

Conclusion - Response accepted.