

CITY OF MANSON
INDEPENDENT AUDITORS' REPORTS
PRIMARY GOVERNMENT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
JUNE 30, 2005

**CITY OF MANSON
TABLE OF CONTENTS**

		<u>Page</u>
Officials		1
Independent Auditors' Report		2 - 3
Basic Financial Statements:		
	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Activities and Net Assets - Cash Basis	A	4 - 5
Fund Financial Statements:		
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances - Governmental Funds	B	6 - 7
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances - Proprietary Funds	C	8
Notes to Financial Statements		9 - 14
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds		15 - 16
Notes to Required Supplementary Information - Budgetary Reporting		17
Other Supplementary Information:		
	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements, and Changes in Cash Balances - Nonmajor Governmental Funds	1	18
Schedule of Indebtedness	2	19
Bond and Note Maturities.....	3	20 - 21
Schedule of Receipts by Source and Disbursements by Function - All Governmental Fund Types	4	22
Independent Auditors' 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		23 - 24
Schedule of Findings		25 - 27

CITY OF MANSON
OFFICIALS
JUNE 30, 2005

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David George	Mayor	December 31, 2005
Jeff Bohn	Mayor Pro tem	December 31, 2007
Joe Horan	Council Member	December 31, 2007
Randy Kaiser	Council Member	December 31, 2007
Steve Smothers	Council Member	December 31, 2005
Paul Zeka	Council Member	December 31, 2005
Becky Thompson	Clerk/Treasurer	December 31, 2005

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Manson
Manson, IA 50563

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the City of Manson, as of and for the year ended June 30, 2005, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of City of Manson's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

The financial statements referred to above include only the primary government of the City of Manson, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position - cash basis of the reporting entity of the City of Manson as of June 30, 2005, and the changes in its financial position - cash basis for the year then ended in conformity with the basis of accounting described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information for the primary government of the City of Manson at June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 9, 2006 on our consideration of The City of Manson's internal control over financial reporting and 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 and not to provide an opinion on internal control over financial reporting or 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.

Budgetary comparison information on pages 15 through 17 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

The City has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insight on that information that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

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



February 9, 2006

BASIC FINANCIAL STATEMENTS

CITY OF MANSON
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

		Program Receipts		
	Disbursements	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 203,271	\$ 44,399	\$ 27,839	
Public works	237,258	102,464	159,438	
Health and social services	5,700			
Culture and recreation	236,542	75,220	1,699	
Community and economic development	126,035	9,950	124,625	
General government	194,451			
Debt service	178,708			
Capital projects	14,679			
Total governmental activities	<u>1,196,644</u>	<u>232,033</u>	<u>313,601</u>	<u> </u>
Business-type activities:				
Water	147,873	196,726		
Sewer	1,430,830	130,212		
Total business-type activities	<u>1,578,703</u>	<u>326,938</u>	<u> </u>	<u> </u>
TOTAL	<u>\$2,775,347</u>	<u>\$558,971</u>	<u>\$313,601</u>	<u>\$ </u>

General Receipts:
Property taxes levied for:
 General purposes

 Debt service

 Emergency levy

Grants and contributions not restricted to specific purpose

Unrestricted investment earnings .

Loan proceeds

Miscellaneous

Total general receipts

Change in cash basis net assets

Cash basis net assets - beginning of year

Cash basis net assets - end of year

Cash basis net assets

 Restricted:

 Debt service

 Streets

 Other purposes

 Unrestricted

Total cash basis net assets

Exhibit A

<u>Net (Disbursement) Receipts and Changes in</u> <u>Cash Basis Net Assets</u>		
<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ (131,033)		\$ (131,033)
24,644		24,644
(5,700)		(5,700)
(159,623)		(159,623)
8,540		8,540
(194,451)		(194,451)
(178,708)		(178,708)
(14,679)		(14,679)
<u>(851,010)</u>		<u>(651,010)</u>
	\$ 48,853	48,853
	(1,300,618)	(1,300,618)
	<u>(1,251,765)</u>	<u>(1,251,765)</u>
<u>\$ (651,010)</u>	<u>\$(1,251,765)</u>	<u>\$(1,902,775)</u>
\$ 418,413		\$ 418,413
192,859		192,859
8,248		8,248
16,702		16,702
4,642	\$ 1,323	5,965
	1,504,000	1,504,000
7,111		7,111
<u>647,975</u>	<u>1,505,323</u>	<u>2,153,298</u>
(3,035)	253,558	250,523
<u>873,015</u>	<u>217,089</u>	<u>1,090,104</u>
<u>\$ 869,980</u>	<u>\$ 470,647</u>	<u>\$1,340,627</u>
\$ 20,105		\$ 20,105
333,919		333,919
51,252		51,252
<u>464,704</u>	<u>\$ 470,647</u>	<u>935,351</u>
<u>\$ 869,980</u>	<u>\$ 470,647</u>	<u>\$1,340,627</u>

CITY OF MANSON
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

	General	Special Revenue Road Use
RECEIPTS:		
Property tax	\$294,757	
Licenses and permits	3,398	
Use of money and property	7,192	
Intergovernmental	32,242	\$157,395
Charges for service	201,990	
Miscellaneous	<u>47,247</u>	
TOTAL RECEIPTS	<u>586,826</u>	<u>157,395</u>
DISBURSEMENTS:		
Operating:		
Public safety	203,271	
Public works	87,730	149,528
Health and social services	5,700	
Culture and recreation	236,542	
Community and economic development	1,400	
General government	92,097	
Debt service		
Capital projects		
TOTAL DISBURSEMENTS	<u>626,740</u>	<u>149,528</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(39,914)</u>	<u>7,867</u>
OTHER FINANCING SOURCES (USES):		
Operating transfers in (out)	<u>8,248</u>	
TOTAL OTHER FINANCING SOURCES (USES)	<u>8,248</u>	
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES.....	(31,666)	7,867
CASH BALANCE - BEGINNING OF YEAR	<u>496,370</u>	<u>326,052</u>
CASH BALANCE - END OF YEAR	<u>\$464,704</u>	<u>\$333,919</u>
CASH BASIS FUND BALANCES:		
Reserved:		
Debt service		
Unreserved:		
General fund	\$464,704	
Special revenue funds		<u>\$333,919</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$464,704</u>	<u>\$333,919</u>

See Notes to Financial Statements

Exhibit B

Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds (Memorandum Only)
\$192,859	\$131,904	\$ 619,520
		3,398
		7,192
	124,625	314,262
		201,990
		<u>47,247</u>
<u>192,859</u>	<u>256,529</u>	<u>1,193,609</u>
		203,271
		237,258
		5,700
		236,542
	124,635	126,035
	102,354	194,451
178,708		178,708
	<u>14,679</u>	<u>14,679</u>
<u>178,708</u>	<u>241,668</u>	<u>1,196,644</u>
<u>14,151</u>	<u>14,861</u>	<u>(3,035)</u>
	<u>(8,248)</u>	
	<u>(8,248)</u>	
14,151	6,613	(3,035)
<u>5,954</u>	<u>44,639</u>	<u>873,015</u>
<u>\$ 20,105</u>	<u>\$ 51,252</u>	<u>\$ 869,980</u>
\$ 20,105		\$ 20,105
		464,704
	<u>\$ 51,252</u>	<u>385,171</u>
<u>\$ 20,105</u>	<u>\$ 51,252</u>	<u>\$ 869,980</u>

CITY OF MANSON
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING RECEIPTS:			
Charges for service	\$196,726	\$ 130,212	\$ 326,938
Use of money and property	1,323		1,323
TOTAL RECEIPTS	<u>198,049</u>	<u>130,212</u>	<u>328,261</u>
OPERATING DISBURSEMENTS:			
Business type activities	147,873	1,370,379	1,518,252
TOTAL OPERATING DISBURSEMENTS	<u>147,873</u>	<u>1,370,379</u>	<u>1,518,252</u>
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	<u>50,176</u>	<u>(1,240,167)</u>	<u>(1,189,991)</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):			
Loan proceeds		1,504,000	1,504,000
Debt service		(60,451)	(60,451)
TOTAL NONOPERATING RECEIPTS (DISBURSEMENTS)	<u></u>	<u>1,443,549</u>	<u>1,443,549</u>
NET CHANGE IN CASH BALANCES	50,176	203,382	253,558
CASH BALANCE - BEGINNING OF YEAR	<u>172,856</u>	<u>44,233</u>	<u>217,089</u>
CASH BALANCE - END OF YEAR	<u>\$223,032</u>	<u>\$ 247,615</u>	<u>\$ 470,647</u>
CASH BASIS FUND BALANCES:			
Unreserved	<u>\$223,032</u>	<u>\$ 247,615</u>	<u>\$ 470,647</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$223,032</u>	<u>\$ 247,615</u>	<u>\$ 470,647</u>

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

CITY OF MANSON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Manson, Iowa is a political subdivision of the State of Iowa located in Calhoun County. The City operates under the Mayor-Council form of government with the Mayor and City Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements, and general administrative services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing 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 primary government of the City of Manson. Therefore, the City has elected not to include any potential component units in these financial statements.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Calhoun County Assessor's Conference Board, Calhoun County Emergency Management Commission, Calhoun County Joint E911 Service Board, Calhoun County Economic Development, Calhoun County Ambulance Authority, North Central Iowa Regional Solid Waste Agency, and Calhoun County Landfill Authority.

B. Basis of Presentation

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

The statement of activities and net assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

Additionally, the City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted.

2. CASH AND POOLED INVESTMENTS

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

At June 30, 2005, \$186,895 was held in trust on behalf of the City by a bond agent from the proceeds of a revenue note issued. These funds are included in cash basis net assets at June 30, 2005.

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

Interest rate risk - 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 the maturities shall be consistent with the needs and use of the City.

3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds and sewer revenue note are as follows:

Year Ending June 30,	General Obligation Bonds		Sewer Revenue Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 145,000	\$ 42,985	\$ 69,000	\$ 52,920	\$ 214,000	\$ 95,905
2007	145,000	37,710	71,000	50,850	216,000	88,560
2008	115,000	32,145	73,000	48,720	188,000	80,865
2009	125,000	28,435	75,000	46,530	200,000	74,965
2010	130,000	24,085	78,000	44,280	208,000	68,365
2011 - 2015	435,000	67,705	424,000	185,010	859,000	252,715
2016 - 2020	95,000	3,705	491,000	117,600	586,000	121,305
2021 - 2025			483,000	43,080	483,000	43,080
Total	<u>\$1,190,000</u>	<u>\$236,770</u>	<u>\$1,764,000</u>	<u>\$588,990</u>	<u>\$2,954,000</u>	<u>\$825,760</u>

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

- (a) The notes are subject to optional redemption at a price of par plus accrued interest after January 2012 and September 2014 for the Series 2002 and Series 2004 Revenue Notes, respectively.
- (b) The note will only be redeemed from the future earnings of the sewer enterprise activity and the note holder holds a lien on the future earnings of the fund.
- (c) Sufficient monthly transfers shall be made to separate sewer revenue note sinking and reserve funds for the purpose of making the note principal and interest payments when due.

During the fiscal year ended June 30, 2005, the City also had the following short-term note activity with a local financial institution which was secured by deposit account balances:

	1-30-04	8-17-04	2-23-05	9-14-04	10-15-04	<u>Total</u>
Original date	1-30-04	8-17-04	2-23-05	9-14-04	10-15-04	
Maturity date	8-01-04	2-1-05	8-24-05	9-9-05	12-14-04	
Line of credit	\$100,000	\$100,000	\$100,000	\$400,000	\$51,996	
Interest rate	6.0%	6.0%	6.0%	6.0%	6.0%	
Balance - June 30, 2004	\$ 7,358	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,358
Advances	14,813	43,677	474	400,000	51,996	510,960
Repayments	<u>(22,171)</u>	<u>(43,677)</u>		<u>(400,000)</u>	<u>(51,996)</u>	<u>(517,844)</u>
Balance - June 30, 2005	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 474</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 474</u>

4. PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, IA 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.90%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$17,929, \$18,167, and \$19,472, respectively, equal to the required contributions for each year.

5. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation time for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation time termination payments payable to employees at June 30, 2005, primarily relating to the General Fund, is approximately \$8,645. The liability for compensated absences has been computed based on rates of pay as of June 30, 2005.

6. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Emergency	<u>\$ 8,248</u>
Total		<u>\$ 8,248</u>

7. CLOSURE AND POSTCLOSURE CARE COSTS

During the fiscal year ended June 30, 2005, the City incurred approximately \$100 due Calhoun County Landfill Authority for its per capita assessment for costs associated with the landfill which was closed in 1992. To comply with State regulations, the Landfill authority will be incurring future expenses for the monitoring and care of the closed landfill. Member political subdivisions are assessed per capita fees on an annual basis depending on estimated costs to be incurred.

The City is also a member of an operating landfill organization and is annually assessed per capita fees based on the estimated costs of operating the landfill. The City will record any closure and post closure care costs when disbursements are made for such expenses subsequent to the closure of the landfill. There are currently no plans to close the landfill.

8. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. CONSTRUCTION COMMITMENTS

The City has agreed to pay a portion of the cost of a joint street construction project with the State of Iowa. Although the project was completed at June 30, 2000, the City was not billed by the state for its estimated \$60,000 share of the project costs until fiscal 2005 and will pay the balance due during fiscal 2006.

The City has entered into construction contracts totaling approximately \$1,313,000 for wastewater treatment facility improvements. As of June 30, 2005, costs of approximately \$1,144,000 had been incurred. The remaining balances of approximately \$169,000 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MANSON
 BUDGETARY COMPARISON SCHEDULE OF
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	<u>Governmental Fund Types Actual</u>	<u>Proprietary Fund Type Actual</u>	<u>Total</u>
RECEIPTS:			
Property and other city taxes	\$ 619,520		\$ 619,520
Licenses and permits	3,398		3,398
Use of money and property	7,192	\$ 1,323	8,515
Intergovernmental	314,262		314,262
Charges for service	201,990	326,938	528,928
Miscellaneous	<u>47,247</u>		<u>47,247</u>
TOTAL RECEIPTS	<u>1,193,609</u>	<u>328,261</u>	<u>1,521,870</u>
DISBURSEMENTS:			
Public safety	203,271		203,271
Public works	237,258		237,258
Health and social services	5,700		5,700
Culture and recreation	236,542		236,542
Community and economic development	126,035		126,035
General government	194,451		194,451
Debt service	178,708		178,708
Capital projects	14,679		14,679
Business-type activities		<u>1,578,703</u>	<u>1,578,703</u>
TOTAL DISBURSEMENTS	<u>1,196,644</u>	<u>1,578,703</u>	<u>2,775,347</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,035)	(1,250,442)	(1,253,477)
OTHER FINANCING SOURCES - NET	<u> </u>	<u>1,504,000</u>	<u>1,504,000</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	(3,035)	253,558	250,523
BALANCES - BEGINNING OF YEAR	<u>873,015</u>	<u>217,089</u>	<u>1,090,104</u>
BALANCES - END OF YEAR	<u>\$ 869,980</u>	<u>\$ 470,647</u>	<u>\$1,340,627</u>

See Accompanying Independent Auditors' Report

<u>Budgeted Amounts</u>		<u>Final to Actual</u>
<u>Original</u>	<u>Final</u>	<u>Variance</u>
		<u>Positive</u>
		<u>(Negative)</u>
\$ 615,530	\$ 615,530	\$ 3,990
3,600	3,600	(202)
23,472	23,472	(14,957)
196,950	265,266	48,996
379,436	486,661	42,267
<u>7,500</u>	<u>22,275</u>	<u>24,972</u>
<u>1,226,488</u>	<u>1,416,804</u>	<u>105,066</u>
194,943	223,221	19,950
248,697	294,517	57,259
6,435	6,435	735
115,897	301,897	65,355
5,900	156,304	30,269
221,766	222,766	28,315
192,950	192,950	14,242
	14,680	1
<u>239,900</u>	<u>2,253,816</u>	<u>675,113</u>
<u>1,226,488</u>	<u>3,666,586</u>	<u>891,239</u>
	(2,249,782)	996,305
	<u>1,982,077</u>	<u>(478,077)</u>
	(267,705)	518,228
<u>1,093,552</u>	<u>1,090,106</u>	<u>2</u>
<u>\$1,093,552</u>	<u>\$ 822,401</u>	<u>\$ 518,226</u>

CITY OF MANSON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
JUNE 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental 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 fiduciary funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type activities and non-program. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects funds and proprietary funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,440,098. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

CITY OF MANSON
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES -
 NONMAJOR GOVERNMENTAL FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

	Special Revenue				Capital Projects	Total Nonmajor Governmental Funds
	Employee Benefits	Housing Rehabilitation	Emergency	Street Improvements		
RECEIPTS:						
Property tax	\$123,656		\$ 8,248			\$131,904
Intergovernmental		\$124,625				124,625
TOTAL RECEIPTS	<u>123,656</u>	<u>124,625</u>	<u>8,248</u>			<u>256,529</u>
DISBURSEMENTS:						
Operating:						
Community and economic development		124,625				124,635
General government	102,354					102,354
Capital projects		<u>124,635</u>		\$14,679		14,679
TOTAL DISBURSEMENTS	<u>102,354</u>			<u>14,679</u>		<u>241,668</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>21,302</u>	<u>(10)</u>	<u>8,248</u>	<u>(14,679)</u>		<u>14,861</u>
OTHER FINANCING SOURCES (USES):						
Operating transfers out			(8,248)			(8,248)
TOTAL OTHER FINANCING SOURCES (USES)			<u>(8,248)</u>			<u>(8,248)</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	21,302	(10)		(14,679)		6,613
BALANCES - BEGINNING OF YEAR	29,949	11		14,679		44,639
BALANCES - END OF YEAR	<u>\$ 51,251</u>	<u>\$ 1</u>	<u>\$</u>	<u>\$</u>		<u>\$ 51,252</u>
CASH BASIS FUND BALANCES:						
Unreserved:						
Special revenue funds	\$ 51,251	\$ 1				\$ 51,252
TOTAL CASH BASIS FUND BALANCES	<u>\$ 51,251</u>	<u>\$ 1</u>	<u>\$</u>	<u>\$</u>		<u>\$ 51,252</u>

CITY OF MANSON
 SCHEDULE OF INDEBTEDNESS
 YEAR ENDED JUNE 30, 2005

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
General Obligation Debt:									
Street improvement bonds	October 1, 1999	4.95%	\$270,000	\$ 145,000		\$ 45,000	\$100,000	\$ 7,578	
Street improvement bonds	Nov. 1, 2001	3.20 - 4.25%	340,000	275,000		40,000	235,000	11,645	
Aquatic center	Dec. 1, 2003	1.90 - 3.90%	900,000	900,000		45,000	855,000	29,485	
				<u>1,320,000</u>		<u>130,000</u>	<u>1,190,000</u>	<u>48,708</u>	
Revenue Notes:									
Sewer	Jan. 24, 2002	3.00%	309,000	273,000		13,000	260,000	21,873	
Sewer	Sept. 29, 2004	3.00%	*1,504,000		\$1,317,105		1,317,105	21,877	
				<u>273,000</u>	<u>1,317,105</u>	<u>13,000</u>	<u>1,577,105</u>	<u>43,750</u>	
TOTAL				<u>\$1,593,000</u>	<u>\$1,317,105</u>	<u>\$143,000</u>	<u>\$2,767,105</u>	<u>\$ 92,458</u>	

* Authorized \$1,504,000 - Issued \$1,317,105

CITY OF MANSON
BOND AND NOTE MATURITIES
JUNE 30, 2005

Year Ending <u>June 30,</u>	General Obligation Bond Issued <u>October 1, 1999</u>		General Obligation Bond Issued <u>November 1, 2001</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2006	4.95%	\$ 50,000	4.00%	\$ 45,000
2007	4.95	50,000	4.20	45,000
2008			4.20	45,000
2009			4.20	50,000
2010			4.25	<u>50,000</u>
		<u>\$100,000</u>		<u>\$235,000</u>

Year Ending <u>June 30,</u>	General Obligation Bond Issued <u>December 1, 2003</u>		General Obligation <u>Total</u>
	2006	2.00%	\$ 50,000
2007	2.40	50,000	145,000
2008	2.60	70,000	115,000
2009	3.00	75,000	125,000
2010	3.25	80,000	130,000
2011	3.35	80,000	80,000
2012	3.50	85,000	85,000
2013	3.60	85,000	85,000
2014	3.70	90,000	90,000
2015	3.80	95,000	95,000
2016	3.90	<u>95,000</u>	<u>95,000</u>
		<u>\$855,000</u>	<u>\$1,190,000</u>

CITY OF MANSON
BOND AND NOTE MATURITIES - Continued
JUNE 30, 2005

Year Ending June 30,	Sewer Revenue Note Issued <u>January 24, 2002</u>		Sewer Revenue Note Issued <u>September 29, 2004</u>		Revenue Notes <u>Total</u>
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	
2006	3.00%	\$ 13,000	3.00%	\$ 56,000	\$ 69,000
2007	3.00	13,000	3.00	58,000	71,000
2008	3.00	14,000	3.00	59,000	73,000
2009	3.00	14,000	3.00	61,000	75,000
2010	3.00	15,000	3.00	63,000	78,000
2011	3.00	15,000	3.00	65,000	80,000
2012	3.00	15,000	3.00	67,000	82,000
2013	3.00	16,000	3.00	69,000	85,000
2014	3.00	16,000	3.00	71,000	87,000
2015	3.00	17,000	3.00	73,000	90,000
2016	3.00	17,000	3.00	75,000	92,000
2017	3.00	18,000	3.00	77,000	95,000
2018	3.00	18,000	3.00	80,000	98,000
2019	3.00	19,000	3.00	82,000	101,000
2020	3.00	20,000	3.00	85,000	105,000
2021	3.00	20,000	3.00	87,000	107,000
2022			3.00	90,000	90,000
2023			3.00	93,000	93,000
2024			3.00	95,000	95,000
2025			3.00	98,000	98,000
		<u>\$260,000</u>		<u>\$1,504,000</u>	<u>\$1,764,000</u>

See Accompanying Independent Auditors' Report

CITY OF MANSON
 SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
RECEIPTS:				
Property and other city tax	\$ 619,520	\$ 525,052	\$ 575,971	\$ 608,041
Licenses and permits	3,398	3,469	3,534	3,544
Use of money and property	7,192	8,734	8,420	17,637
Intergovernmental	314,262	316,503	357,012	295,596
Charges for service	201,990	178,210	161,308	159,325
Miscellaneous	<u>47,247</u>	<u>49,915</u>	<u>24,697</u>	<u>26,665</u>
TOTAL REVENUES	<u>\$1,193,609</u>	<u>\$1,081,883</u>	<u>\$1,130,942</u>	<u>\$1,110,808</u>
DISBURSEMENTS:				
Public safety	\$ 203,271	\$ 209,850	\$ 244,367	
Public works	237,258	194,765	212,017	
Health and social services	5,700	5,900	4,000	
Culture and recreation	236,542	1,073,006	127,900	
Community and economic development ..	126,035	114,078	292,958	
General government	194,451	184,539	183,661	
Debt service	178,708	122,303	182,650	
Capital projects	<u>14,679</u>	<u> </u>	<u>54,122</u>	
TOTAL EXPENDITURES	<u>\$1,196,644</u>	<u>\$1,904,441</u>	<u>\$1,301,675</u>	*

* Information not available

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INDEPENDENT AUDITORS' 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 Manson, 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 primary government of the City of Manson, 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, and have issued our report thereon dated February 9, 2006. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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. The reportable condition is described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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.

Compliance

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

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 Manson and other parties to whom the City may report, including federal awarding agencies and pass-through entities. 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 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.

A handwritten signature in black ink, appearing to read "W. Fisher, State of Idaho". The signature is written in a cursive, flowing style.

February 9, 2006

CITY OF MANSON
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005

Part I: Findings Related to the Financial Statements

Instances of Noncompliance:

No matters were noted

Reportable Condition:

I-A-05 Segregation of Duties - One important aspect of internal control over financial reporting is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted employees were performing incompatible functions.

Recommendation - We realize that it is difficult to appropriately segregate duties when the number of employees is limited. Therefore, we recommend the Council maintain their diligence in the review of the financial records.

Response - We will continue our review.

Conclusion - Response accepted.

CITY OF MANSON
SCHEDULE OF FINDINGS - Continued
FOR THE 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 - Certain disbursements during the year ended June 30, 2005 exceeded the amount budgeted prior to the adoption of a budget amendment. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continual appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

II-C-05 Questionable Disbursements - We noted no expenditures for parties, banquets, or other entertainment for employees that we believe may 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 expenditures of City money for travel expenses of spouses of City officials or employees were noted.

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

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.

CITY OF MANSON
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Required Statutory Reporting - Continued

II-H-05 Revenue Notes - The City has not established the reserve fund required by the Series 2004 Sewer Revenue Note bond resolution. The City also did not make the required transfers to this reserve fund or to the bond sinking fund for June 2005, resulting in those funds being deficient by approximately \$7,000 and \$10,000, respectively. In addition, the City's established sewer budget for 2006 reflects net revenues of 104% of required principal and interest payments, which is below the 110% bond resolution requirement.

Recommendation - The City should establish the required reserve fund, make the required monthly payments to the reserve and sinking funds, and establish rates which will provide net revenues which exceed 110% of required principal and interest payments.

Response - We will establish the reserve fund, make the required transfers, and establish sewer rates sufficient to satisfy the requirements for net revenues.

Conclusion - Response accepted.

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

II-J-05 Code of Ordinances - We noted the City has not compiled a code of ordinances in the past five years as required by Chapter 380.8(2) of the Code of Iowa.

Recommendation - We recommend the City compile a code of ordinances in accordance with Chapter 380.8(2) of the Code of Iowa.

Response - We will consider compiling a code of ordinances when our budget allows.

Conclusion - Response acknowledged.