# CITY OF BANCROFT, IOWA

## INDEPENDENT AUDITORS' REPORTS
## FINANCIAL STATEMENTS AND
## SUPPPLEMENTARY INFORMATION
## SCHEDULE OF FINDINGS

## JUNE 30, 2005

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# CITY OF BANCROFT, IOWA

## OFFICIALS

| Name | Title | Term Expires |
|---|---|---|
| | (Before January 2005) | |
| Janice Wolf | Mayor | January 2008 |
| Larry Vaske | Mayor Pro tem | January 2006 |
| Paul Ingalls | Council Member | January 2006 |
| Thomas Johnson | Council Member | January 2006 |
| Phil Jaren | Council Member | January 2008 |
| Tim Rowlet | Council Member | January 2008 |
| | (After January 2005) | |
| Janice Wolf | Mayor | January 2008 |
| Larry Vaske | Mayor Pro tem | January 2006 |
| Paul Ingalls | Council Member | January 2006 |
| Thomas Johnson | Council Member | January 2006 |
| Phil Jaren | Council Member | January 2008 |
| Tim Rowlet | Council Member | January 2008 |
| Mark Dreyer | Clerk / Treasurer | Appointed |
| Mary Deitering | Deputy Clerk | Appointed |
| Scott Buchanan | Attorney | Appointed |

Campbell, Higgins
& ASSOCIATES, P.C.
The CPA firm that helps your small business thrive

P.O. Box 237
515 1st Ave. East
Spencer, Iowa 51301

# INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council:

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

These financial statements include financial data only for the primary government. A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. Inclusion of financial data of the City's component unit would be required if the City intended to present financial statements in accordance with generally accepted accounting principles.

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# INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council:

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

These financial statements include financial data only for the primary government. A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. Inclusion of financial data of the City's component unit would be required if the City intended to present financial statements in accordance with generally accepted accounting principles.

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

In accordance with Government Auditing Standards, we have also issued our report dated August 21, 2006 on our consideration of the City of Bancroft'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 of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 21 through 22 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bancroft's primary government basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not 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.

Campbell, Higgins & Associates, P.C.

CAMPBELL, HIGGINS & ASSOCIATES, P.C.
Certified Public Accountants

August 21, 2006

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Bancroft provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

## 2005 FINANCIAL HIGHLIGHTS

- Total receipts decreased 4%, or approximately $82,000, from fiscal 2004 to fiscal 2005.
- Disbursements decreased 12%, or approximately $235,000, in fiscal 2005 from fiscal 2004.
- The City's total cash basis net assets increased 10%, or approximately $24,000, from June 30, 2004 to June 30, 2005. Of this amount, the assets of the governmental activities decreased approximately $53,000 and the assets of the business type activities increased by approximately $77,000.

## USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

**Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## REPORTING THE CITY'S FINANCIAL ACTIVITIES

*Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

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

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

- Business Type Activities include the water and sewer systems. These activities are financed primarily by user charges.

*Fund Financial Statements*

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Housing Grant, Development, and RISE Grant, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased approximately $53,000 from the prior year to approximately $15,000. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities
(Expressed in Thousands)

| | Year Ended June 30, 2005 | Year Ended June 30, 2004 |
|---|---|---|
| Receipts and Transfers: | | |
| Program Receipts: | | |
| Charges for Services | $ 52 | $ 51 |
| Operating Grants, Contributions and Restricted Interest | 141 | 22 |
| Capital Grants, Contributions and Restricted Interest | 525 | 477 |
| General Receipts: | | |
| Property Tax | 215 | 206 |
| Local Option Sales Tax | 60 | 56 |
| Grants and Contributions Not Restricted to Specific Purposes | 103 | 16 |
| Unrestricted Interest on Investments | 4 | 2 |
| Bond and Note Proceeds | 435 | 810 |
| Miscellaneous | 17 | 18 |
| Transfers, Net | 7 | - |
| Total Receipts and Transfers | 1,559 | 1,658 |
| Disbursements and Transfers: | | |
| Public Safety | 91 | 173 |
| Public Works | 116 | 123 |
| Health and Social Services | 4 | 5 |
| Culture and Recreation | 159 | 149 |
| Community and Economic Development | 240 | 233 |
| General Government | 82 | 75 |
| Debt Service | 75 | 231 |
| Capital Projects | 845 | 786 |
| Transfers, Net | - | 52 |
| Total Disbursements and Transfers | 1,612 | 1,827 |
| Increase (Decrease) in Cash Basis Net Assets | ( 53) | ( 169) |
| Cash Basis Net Assets Beginning of Year | 68 | 237 |
| Cash Basis Net Assets End of Year | $ 15 | $ 68 |

The City's total receipts and transfers for governmental activities decreased by 6%, or approximately $99,000. The total cost of all programs and services decreased by approximately $215,000, or 12%, with no new programs added this year.

There were no significant changes in property tax rates for the current year and no significant changes are budgeted for next year.

| Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands) | Year Ended June 30, 2005 | Year Ended June 30, 2004 |
|---|---|---|
| Receipts and Transfers: | | |
| Program Receipts: | | |
| Charges for Services: | | |
| Water | $ 157 | $ 115 |
| Sewer | 50 | 38 |
| Operating Grants, Contributions and Restricted Interest | - | 31 |
| General Receipts: | | |
| Unrestricted Interest on Investments | 1 | - |
| Transfers, Net | - | 52 |
| Total Receipts and Transfers | 208 | 236 |
| Disbursements and Transfers: | | |
| Water | 85 | 117 |
| Sewer | 39 | 80 |
| Transfers, Net | 7 | - |
| Total Disbursements and Transfers | 131 | 197 |
| Increase (Decrease) in Cash Basis Net Assets | 77 | 39 |
| Cash Basis Net Assets Beginning of Year | 166 | 127 |
| Cash Basis Net Assets End of Year | $ 243 | $ 166 |

Total business type activities receipts and transfers for the fiscal year were $208,000 compared to $236,000 last year. This overall decrease was due to several factors including an increase in total charges for services of approximately $54,000, a decrease in grant proceeds of approximately $31,000 and a decrease in net transfers of approximately $52,000 and an increase in general receipts of $1,000. Total disbursements and transfers for the fiscal year decreased by 33% to a total of $131,000 due mainly to decrease in capital outlay and operating costs.

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Bancroft completed the year, its governmental funds reported a combined fund balance of $15,037, a decrease of approximately $53,000 from last year's total of $68,289. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased approximately $57,000 from the prior year to a deficit balance of $126,222
- The Housing Grant Fund cash balance increased approximately $5,000 from the prior year to $8,821.
- The Development Fund cash balance decreased by approximately $3,000 from the prior year to a balance of $767.
- The RISE Grant Fund prior year cash balance deficit of approximately $73,000 was reduced to $0.
- The Debt Service Fund cash balance decreased by approximately $14,000 from the prior year to $1,781.
- The Capital Project – Water System Fund cash balance decreased by approximately $49,000 from the prior year to $0.
- The Capital Project – Pool cash balance decreased by approximately $83,000 from the prior year to a deficit balance of $98,077.
- The total Nonmajor Governmental Funds cash balance increased by approximately $75,000 from the prior year to $227,967.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by approximately $67,000 from the prior year to $234,464, due primarily to an increase in water rates and a decrease in disbursements.
- The Sewer Fund cash balance increased by approximately $10,000 from the prior year to $8,969, due primarily to an increase in rates and a decrease in disbursements.

## BUDGETARY HIGHLIGHTS

The City of Bancroft did not amend its budget for the year ended June 30, 2005.

## DEBT ADMINISTRATION

At June 30, 2005, the City had approximately $1,230,000 in bonds and other long-term debt, compared to $886,000 last year, as shown below.

Outstanding Debt at Year-End
(Expressed in Thousands)

| | June 30, 2005 | June 30, 2004 |
|---|---|---|
| General Obligation Capital Loan Notes | $ 577 | $ 338 |
| Revenue Bonds | 653 | 548 |
| Total | $ 1,230 | $ 886 |

Debt increased as a result of issuing general obligation capital loan notes for swimming pool improvements and water revenue bonds for water system improvements.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of approximately $577,000 is below its constitutional debt limit of approximately $852,000.

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

The City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget. One of those factors is the economy. The City's total assessed valuations have increased slightly. However, funding from the State has decreased due to the State's budget constraints.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk, 105 East Ramsey, Bancroft, Iowa.

# FINANCIAL STATEMENTS

# CITY OF BANCROFT, IOWA

## STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS - PRIMARY GOVERNMENT
## AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

| | | Program Receipts | | | Net (Disbursements) Receipts and Changes in Cash Basis Net Assets | | |
|---|---|---|---|---|---|---|---|
| | Disbursements | Charges for Services | Operating Grants, Contributions, and Restricted Interest | Capital Grants, Contributions, and Restricted Interest | Governmental Activities | Business Type Activities | Total |
| **Functions / Programs:** | | | | | | | |
| Governmental Activities: | | | | | | | |
| Public Safety | $ 90,657 | $ 20,785 | $ 2,400 | $ - | $ (67,472) | $ - | $ (67,472) |
| Public Works | 115,928 | - | - | 71,992 | (43,936) | - | (43,936) |
| Health and Social Services | 4,458 | - | - | - | (4,458) | - | (4,458) |
| Culture and Recreation | 159,425 | 8,343 | 14,290 | - | (136,792) | - | (136,792) |
| Community and Economic Development | 240,208 | - | 125,000 | 7,252 | (107,956) | - | (107,956) |
| General Government | 81,532 | 22,661 | - | - | (58,871) | - | (58,871) |
| Debt Service | 75,065 | - | - | - | (75,065) | - | (75,065) |
| Capital Projects | 845,137 | - | - | 445,745 | (399,392) | - | (399,392) |
| Total Governmental Activities | 1,612,410 | 51,789 | 141,690 | 524,989 | (893,942) | - | (893,942) |
| Business Type Activities: | | | | | | | |
| Water | 84,894 | 157,185 | - | - | - | 72,291 | 72,291 |
| Sewer | 38,962 | 49,555 | - | - | - | 10,593 | 10,593 |
| Total Business Type Activities | 123,856 | 206,740 | - | - | - | 82,884 | 82,884 |
| Total | $ 1,736,266 | $ 258,529 | $ 141,690 | $ 524,989 | (893,942) | 82,884 | (811,058) |
| **General Receipts:** | | | | | | | |
| Property Tax Levied For: | | | | | | | |
| General Purposes | | | | | 82,167 | - | 82,167 |
| Insurance | | | | | 13,018 | - | 13,018 |
| Debt Service | | | | | 61,041 | - | 61,041 |
| Employee Benefits | | | | | 13,598 | - | 13,598 |
| Tax Increment Financing | | | | | 45,976 | - | 45,976 |
| Local Option Sales Tax | | | | | 59,567 | - | 59,567 |
| Grants and Contributions Not Restricted to Specific Purposes | | | | | 102,572 | - | 102,572 |
| Unrestricted Interest on Investments | | | | | 3,685 | 1,052 | 4,737 |
| Bond and Note Proceeds | | | | | 435,067 | - | 435,067 |
| Miscellaneous | | | | | 17,280 | - | 17,280 |
| Transfers | | | | | 6,719 | (6,719) | - |
| Total General Receipts and Transfers | | | | | 840,690 | (5,667) | 835,023 |
| Change in Cash Basis Net Assets | | | | | (53,252) | 77,217 | 23,965 |
| Cash Basis Net Assets Beginning of Year | | | | | 68,289 | 166,216 | 234,505 |
| Cash Basis Net Assets End of Year | | | | | $ 15,037 | $ 243,433 | $ 258,470 |

See Notes to Financial Statements

## CITY OF BANCROFT, IOWA

### STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS - PRIMARY GOVERNMENT (CONTINUED)
### AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

| | | Program Receipts | | | Net (Disbursements) Receipts and Changes in Cash Basis Net Assets | | |
|---|---|---|---|---|---|---|---|
| | Disbursements | Charges for Services | Operating Grants, Contributions, and Restricted Interest | Capital Grants, Contributions, and Restricted Interest | Governmental Activities | Business Type Activities | Total |
| Cash Basis Net Assets: | | | | | | | |
| Restricted: | | | | | | | |
| Debt Service | | | | | $ 1,781 | $ 72,159 | $ 73,940 |
| Other Purposes | | | | | 237,555 | - | 237,555 |
| Unrestricted | | | | | (224,299) | 171,274 | (53,025) |
| Total Cash Basis Net Assets | | | | | $ 15,037 | $ 243,433 | $ 258,470 |

# CITY OF BANCROFT, IOWA

## STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
## GOVERNMENTAL FUNDS - PRIMARY GOVERNMENT
## AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

| | | Special Revenue | | | | Capital Projects | | Other Nonmajor | |
|---|---|---|---|---|---|---|---|---|---|
| | General | Housing Grant | Develop-ment | RISE Grant | Debt Service | Water System | Pool | Governmental Funds | Total |
| **Receipts:** | | | | | | | | | |
| Property Tax | $ 92,619 | $ - | $ - | $ - | $ 61,041 | $ - | $ - | $ 16,164 | $ 169,824 |
| Tax Increment Financing Collections | - | - | - | - | - | - | - | 45,976 | 45,976 |
| Other City Tax | - | - | - | - | - | - | - | 59,567 | 59,567 |
| Licenses and Permits | 611 | - | - | - | - | - | - | - | 611 |
| Use of Money and Property | 27,490 | 63 | 182 | - | - | - | - | - | 27,735 |
| Intergovernmental | 113,202 | 101,890 | 125,000 | 88,322 | - | - | 250,000 | 67,182 | 745,596 |
| Charges for Service | 27,128 | - | - | - | - | - | - | - | 27,128 |
| Special Assessments | 4,810 | - | - | - | - | - | - | - | 4,810 |
| Miscellaneous | 23,340 | 5,533 | 7,252 | - | - | - | - | - | 36,125 |
| **Total Receipts** | 289,200 | 107,486 | 132,434 | 88,322 | 61,041 | - | 250,000 | 188,889 | 1,117,372 |
| **Disbursements:** | | | | | | | | | |
| Public Safety | 77,299 | - | - | - | - | - | - | 13,358 | 90,657 |
| Public Works | 19,263 | - | - | - | - | - | - | 96,665 | 115,928 |
| Health and Social Services | 4,458 | - | - | - | - | - | - | - | 4,458 |
| Culture and Recreation | 157,498 | - | - | - | - | - | - | 1,927 | 159,425 |
| Community and Economic Development | 3,226 | 101,982 | 135,000 | - | - | - | - | - | 240,208 |
| General Government | 79,265 | - | - | - | - | - | - | 2,267 | 81,532 |
| Debt Service | - | - | - | - | 75,065 | - | - | - | 75,065 |
| Capital Projects | - | - | - | 20,756 | - | 191,268 | 633,113 | - | 845,137 |
| **Total Disbursements** | 341,009 | 101,982 | 135,000 | 20,756 | 75,065 | 191,268 | 633,113 | 114,217 | 1,612,410 |
| **Excess (Deficiency) of Receipts Over (Under) Disbursements** | (51,809) | 5,504 | (2,566) | 67,566 | (14,024) | (191,268) | (383,113) | 74,672 | (495,038) |
| **Other Financing Sources (Uses):** | | | | | | | | | |
| Revenue Bond Proceeds | - | - | - | - | - | 135,067 | - | - | 135,067 |
| General Obligation Capital Loan Note Proceeds | - | - | - | - | - | - | 300,000 | - | 300,000 |
| Operating Transfers In (Out) | (5,009) | - | - | 5,009 | - | 6,719 | - | - | 6,719 |
| **Total Other Financing Sources (Uses)** | (5,009) | - | - | 5,009 | - | 141,786 | 300,000 | - | 441,786 |
| **Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses** | (56,818) | 5,504 | (2,566) | 72,575 | (14,024) | (49,482) | (83,113) | 74,672 | (53,252) |
| **Balance at Beginning of Period** | (69,404) | 3,317 | 3,333 | (72,575) | 15,805 | 49,482 | (14,964) | 153,295 | 68,289 |
| **Balance at End of Period** | $ (126,222) | $ 8,821 | $ 767 | $ - | $ 1,781 | $ - | $ (98,077) | $ 227,967 | $ 15,037 |

See Notes to Financial Statements

# CITY OF BANCROFT, IOWA

## STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
## GOVERNMENTAL FUNDS - PRIMARY GOVERNMENT (CONTINUED)
## AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

| | | Special Revenue | | | | Capital Projects | | Other Nonmajor | |
|---|---|---|---|---|---|---|---|---|---|
| | General | Housing Grant | Develop-ment | RISE Grant | Debt Service | Water System | Pool | Governmental Funds | Total |
| **Cash Basis Fund Balances** | | | | | | | | | |
| Reserved: | | | | | | | | | |
| Debt Service | $ - | $ - | $ - | $ - | $ 1,781 | $ - | $ - | $ - | $ 1,781 |
| Unreserved: | | | | | | | | | |
| General Fund | (126,222) | - | - | - | - | - | - | - | (126,222) |
| Special Revenue Funds | - | 8,821 | 767 | - | - | - | - | 227,967 | 237,555 |
| Capital Projects Funds | - | - | - | - | - | - | (98,077) | - | (98,077) |
| **Total Cash Basis Fund Balances** | $ (126,222) | $ 8,821 | $ 767 | $ - | $ 1,781 | $ - | $ (98,077) | $ 227,967 | $ 15,037 |

See Notes to Financial Statements

# CITY OF BANCROFT, IOWA

## STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
## PROPRIETARY FUNDS - PRIMARY GOVERNMENT
## AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

| | Enterprise Funds | | |
|---|---|---|---|
| | Water | Sewer | Total |
| **Operating Receipts:** | | | |
| Charges for Service | $ 156,945 | $ 49,555 | $ 206,500 |
| Miscellaneous | 240 | - | 240 |
| **Total Operating Receipts** | 157,185 | 49,555 | 206,740 |
| **Operating Disbursements:** | | | |
| Business Type Activities | 36,624 | 38,962 | 75,586 |
| **Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements** | 120,561 | 10,593 | 131,154 |
| **Non-operating Receipts (Disbursements):** | | | |
| Interest on Investments | 1,052 | - | 1,052 |
| Debt Service | (48,270) | - | (48,270) |
| **Total Non-operating Receipts (Disbursements)** | (47,218) | - | (47,218) |
| **Excess (Deficiency) of Receipts Over (Under) Disbursements** | 73,343 | 10,593 | 83,936 |
| **Other Financing Sources (Uses):** | | | |
| Operating Transfers In (Out) | (6,719) | - | (6,719) |
| **Net Change in Cash Balances** | 66,624 | 10,593 | 77,217 |
| **Cash Balances at Beginning of Year** | 167,840 | (1,624) | 166,216 |
| **Cash Balances at End of Year** | $ 234,464 | $ 8,969 | $ 243,433 |
| **Cash Basis Fund Balances** | | | |
| Reserved for Debt Service | $ 72,159 | $ - | $ 72,159 |
| Unreserved | 162,305 | 8,969 | 171,274 |
| **Total Cash Basis Fund Balances** | $ 234,464 | $ 8,969 | $ 243,433 |

See Notes to Financial Statements

# CITY OF BANCROFT, IOWA

## NOTES TO FINANCIAL STATEMENTS
## JUNE 30, 2005

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Bancroft, Iowa is a political subdivision of the State of Iowa located in Kossuth County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, and general government services. The City also provides water and sewer utilities for its citizens.

### A. Reporting Entity

For financial reporting purposes, the City of Bancroft 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 primary government financial statements present only the amounts of the City of Bancroft and not its component unit – Bancroft Municipal Utilities. Disclosures about the component unit are not included because the component unit has been audited separately, and a report has been issued under separate cover. The audited financial statements are available at the Bancroft Municipal Utilities office.

### Jointly Governed Organizations

The City 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. A City official is a member of the Kossuth County Emergency Management Commission.

### B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

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

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

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 funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

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

Special Revenue:

The Housing Grant Fund is used to account for the City's CDBG Housing Rehabilitation grant activity.

The Development Fund is used to account for economic development activities including the City's CDBG Economic Development and Public Facilities Set-Asides grant and revolving loan activity.

The RISE Grant Fund is used to account for the City's Revitalize Iowa's Sound Economy (RISE) grant activity.

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

The Capital Project – Water System Project Fund is used to account for the activity relating to the construction of water system improvements.

The Capital Project – Pool Fund is used to account for the activity relating to the construction of swimming pool improvements.

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

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

### D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the following functions: public works, culture and recreation, community and economic development, general government, and capital projects.

## NOTE 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 insure there will be no loss of public funds.

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

The City had no investments at June 30, 2005. For purposes of this report, certificates of deposit are not considered investments as they are subject to withdrawal upon demand.

## NOTE 3 – BONDS AND NOTES PAYABLE

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

| Year Ending | General Obligation Notes | | Water Revenue Bonds | | Total | |
|---|---|---|---|---|---|---|
| June 30, | Principal | Interest | Principal | Interest | Principal | Interest |
| 2006 | $ 350,500 | $ 16,473 | $ 31,000 | $ 19,605 | $ 381,500 | $ 36,078 |
| 2007 | 50,500 | 9,525 | 31,000 | 18,675 | 81,500 | 28,200 |
| 2008 | 40,500 | 7,250 | 32,000 | 17,745 | 72,500 | 24,995 |
| 2009 | 50,500 | 5,525 | 34,000 | 16,785 | 84,500 | 22,310 |
| 2010 | 40,000 | 3,400 | 35,000 | 15,765 | 75,000 | 19,165 |
| 2011-2015 | 45,000 | 1,800 | 188,000 | 62,684 | 233,000 | 64,484 |
| 2016-2020 | - | - | 188,487 | 33,539 | 188,487 | 33,539 |
| 2021-2025 | - | - | 114,000 | 6,900 | 114,000 | 6,900 |
| Total | $ 577,000 | $ 43,973 | $ 653,487 | $ 191,698 | $1,230,487 | $ 235,671 |

The water revenue bond resolutions include the following provisions:

a) The bonds will only be redeemed from the future net revenues of the water fund and the bond holders hold a lien on the future net revenues of this fund.
b) Sufficient monthly transfers shall be made to a separate water revenue bond sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.

## NOTE 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, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.907%, 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 contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were $8,155, $8,394, and $8,078, respectively, equal to the required contributions for each year.

## NOTE 5 – COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and personal leave hours for subsequent use or for payment upon termination, retirement, or death. Earned but unused sick leave hours are for subsequent use only. These accumulations are not recognized as expenditures by the City until used or paid. The City's approximate liability for earned vacation and personal leave at June 30, 2005 was $3,885, according to the existing written policy. This liability has been computed based on rates of pay in effect at June 30, 2005.

## NOTE 6 – RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials, totaling $2,680 during the fiscal year ended June 30, 2005.

The City rents certain buildings to Bancroft Municipal Utilities (BMU) on a monthly basis at $1,500 per month. Total rent received from BMU in the fiscal year ended June 30, 2005 was $19,500.

## NOTE 7 – ECONOMIC DEVELOPMENT LOANS

During the fiscal year ended June 30, 2004, the City received $107,500 from the Iowa Department of Economic Development in Community Development Block Grant funds. In accordance with the agreement, the City loaned $100,000 of these funds to a qualified local business. The loan consists of a $50,000 forgivable loan and a $50,000 interest-free conventional loan. Repayment of the conventional loan is to be made in monthly payments of $833, with the first payment due March 1, 2004 to the City of Bancroft. (During the fiscal year ended June 30, 2005, the conventional loan was re-amortized and the monthly payments were reduced to $375 beginning January 1, 2005). Terms of the forgivable loan are based on the creation and retention of jobs by the qualified business.

During the fiscal year ended June 30, 2005, the City loaned an additional $100,000 and granted $25,000 to the same local business noted above. The terms of this $100,000 forgivable loan are based on the creation and retention of jobs by the qualified business.

During the fiscal year ended June 30, 2005, the City loaned $10,000 to another local business. The terms of this loan require sixty monthly payments of $180 including interest at three percent, with the first payment due August 1, 2005.

## NOTE 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.

## NOTE 9 – DEFICIT FUND BALANCES

As of June 30, 2005, the following funds had deficit balances:

| Fund | Deficit |
|---|---|
| General Fund | $126,222 |
| Special Revenue Fund, Road Use Tax Account | 40,223 |
| Special Revenue Fund, Employee Benefits Account | 14,145 |
| Capital Projects Fund, Pool Account | 98,077 |

The deficit balances were the result of costs incurred prior to availability of funds. Plans to eliminate these deficits include collection of receipts owed to the City, possible tax levy increases, and transfers from other funds.

## NOTE 10 – INTERFUND TRANSFERS

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

| Transfer to | Transfer from | Amount |
|---|---|---|
| Special Revenue – RISE Grant | General | $ 5,009 |
| Capital Projects – Water System Project | Enterprise – Water | 6,719 |
| Total | | $ 11,728 |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources. Transfers also move available resources from funds to those funds with disbursements that need to be paid.

# REQUIRED SUPPLEMENTARY INFORMATION

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

| | Governmental Funds Actual | Proprietary Funds Actual | Total Actual | Original and Final Budget | Final to Total Variance |
|---|---|---|---|---|---|
| **Receipts:** | | | | | |
| Property Tax | $ 169,824 | $ - | $ 169,824 | $ 164,743 | $ 5,081 |
| Tax Increment Financing Collections | 45,976 | - | 45,976 | 33,000 | 12,976 |
| Other City Tax | 59,567 | - | 59,567 | 62,203 | (2,636) |
| Licenses and Permits | 611 | - | 611 | 1,020 | (409) |
| Use of Money and Property | 27,735 | 1,052 | 28,787 | 28,250 | 537 |
| Intergovernmental | 745,596 | - | 745,596 | 506,575 | 239,021 |
| Charges for Service | 27,128 | 206,500 | 233,628 | 210,300 | 23,328 |
| Special Assessments | 4,810 | - | 4,810 | 3,150 | 1,660 |
| Miscellaneous | 36,125 | 240 | 36,365 | 14,530 | 21,835 |
| **Total Receipts** | 1,117,372 | 207,792 | 1,325,164 | 1,023,771 | 301,393 |
| **Disbursements:** | | | | | |
| Public Safety | 90,657 | - | 90,657 | 116,650 | 25,993 |
| Public Works | 115,928 | - | 115,928 | 73,630 | (42,298) |
| Health and Social Services | 4,458 | - | 4,458 | 4,608 | 150 |
| Culture and Recreation | 159,425 | - | 159,425 | 141,611 | (17,814) |
| Community and Economic Development | 240,208 | - | 240,208 | 36,226 | (203,982) |
| General Government | 81,532 | - | 81,532 | 50,850 | (30,682) |
| Debt Service | 75,065 | - | 75,065 | 79,975 | 4,910 |
| Capital Projects | 845,137 | - | 845,137 | 630,000 | (215,137) |
| Business Type Activities | - | 123,856 | 123,856 | 137,500 | 13,644 |
| **Total Disbursements** | 1,612,410 | 123,856 | 1,736,266 | 1,271,050 | (465,216) |
| **Excess (Deficiency) of Receipts Over (Under) Disbursements** | (495,038) | 83,936 | (411,102) | (247,279) | (163,823) |
| **Other Financing Sources, Net** | 441,786 | (6,719) | 435,067 | 250,000 | 185,067 |
| **Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses** | (53,252) | 77,217 | 23,965 | 2,721 | 21,244 |
| **Balance at Beginning of Period** | 68,289 | 166,216 | 234,505 | 346,760 | (112,255) |
| **Balance at End of Period** | $ 15,037 | $ 243,433 | $ 258,470 | $ 349,481 | $ (91,011) |

See Accompanying Independent Auditors' Report

# CITY OF BANCROFT, IOWA

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

## JUNE 30, 2005

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and 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, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds and the 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 ended June 30, 2005, disbursements exceeded the amounts budgeted in the following functions: public works, culture and recreation, community and economic development, general government, and capital projects.

# OTHER SUPPLEMENTARY INFORMATION

# CITY OF BANCROFT, IOWA

## STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
## NONMAJOR GOVERNMENTAL FUNDS - PRIMARY GOVERNMENT
## AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

| | Special Revenue | | | | | |
|---|---|---|---|---|---|---|
| | Local Option Sales Tax | Road Use Tax | Employee Benefits | Emergency | Urban Renewal Tax Increment | Total |
| **Receipts:** | | | | | | |
| Property Tax | $ - | $ - | $ 13,598 | $ 2,566 | $ - | $ 16,164 |
| Tax Increment Financing Collections | - | - | - | - | 45,976 | 45,976 |
| Other City Tax | 59,567 | - | - | - | - | 59,567 |
| Intergovernmental | - | 67,182 | - | - | - | 67,182 |
| **Total Receipts** | 59,567 | 67,182 | 13,598 | 2,566 | 45,976 | 188,889 |
| **Disbursements:** | | | | | | |
| Operating: | | | | | | |
| Public Safety | 5,526 | - | 7,832 | - | - | 13,358 |
| Public Works | - | 92,732 | 3,933 | - | - | 96,665 |
| Culture and Recreation | - | - | 1,927 | - | - | 1,927 |
| General Government | - | - | 2,267 | - | - | 2,267 |
| **Total Disbursements** | 5,526 | 92,732 | 15,959 | - | - | 114,217 |
| **Excess (Deficiency) of Receipts Over (Under) Disbursements** | 54,041 | (25,550) | (2,361) | 2,566 | 45,976 | 74,672 |
| **Other Financing Sources (Uses):** | | | | | | |
| Operating Transfers In (Out) | - | - | - | - | - | - |
| **Net Change in Cash Balances** | 54,041 | (25,550) | (2,361) | 2,566 | 45,976 | 74,672 |
| **Cash Balances at Beginning of Year** | 172,813 | (14,673) | (11,784) | 6,939 | - | 153,295 |
| **Cash Balances at End of Year** | $ 226,854 | $ (40,223) | $ (14,145) | $ 9,505 | $ 45,976 | $ 227,967 |
| **Cash Basis Fund Balances** | | | | | | |
| Unreserved: | | | | | | |
| Special Revenue Funds | $ 226,854 | $ (40,223) | $ (14,145) | $ 9,505 | $ 45,976 | $ 227,967 |

# CITY OF BANCROFT, IOWA

## SCHEDULE OF INDEBTEDNESS - PRIMARY GOVERNMENT
## YEAR ENDED JUNE 30, 2005

| Obligation | Date of Issue | Interest Rates | Amount Originally Issued | Balance Beginning of Year | Issued During Year | Redeemed During Year | Balance End of Year | Interest Paid | Interest Due and Unpaid |
|---|---|---|---|---|---|---|---|---|---|
| **General Obligation Notes:** | | | | | | | | | |
| Pool and Storm Sewer | May 1, 1996 | 5.00% | $ 150,000 | $ 45,000 | $ - | $ 15,000 | $ 30,000 | $ 2,279 | $ - |
| Street Improvements | June 1, 1998 | 5.00% | 105,000 | 52,500 | - | 10,500 | 42,000 | 2,686 | - |
| Street Improvements | December 1, 2003 | 4.00% | 240,000 | 240,000 | - | 35,000 | 205,000 | 9,600 | - |
| Swimming Pool | November 8, 2004 | 3.00% | 300,000 | - | 300,000 | - | 300,000 | - | - |
| **Total General Obligation Notes** | | | | $ 337,500 | $ 300,000 | $ 60,500 | $ 577,000 | $ 14,565 | $ - |
| **Revenue Bonds:** | | | | | | | | | |
| Water | February 6, 2004 | 3.00% | $ 600,000 | $ 548,420 | $ 29,580 | $ 23,000 | $ 555,000 | $ 16,780 | $ - |
| Water | July 20, 2004 | 3.00% | 183,000 | - | 105,487 | 7,000 | 98,487 | 1,490 | |
| **Total Revenue Bonds** | | | | $ 548,420 | $ 135,067 | $ 30,000 | $ 653,487 | $ 18,270 | $ - |

# CITY OF BANCROFT, IOWA

## BOND AND NOTE MATURITIES - PRIMARY GOVERNMENT
## JUNE 30, 2005

**General Obligation Notes**

| Year Ending June 30, | Pool and Storm Sewer Issued May 1, 1996 Interest Rates | Amount | Street Improvements Issued June 1, 1998 Interest Rates | Amount | Street Improvements Issued December 1, 2003 Interest Rates | Amount | Swimming Pool Issued November 8, 2004 Interest Rates | Amount | Total |
|---|---|---|---|---|---|---|---|---|---|
| 2006 | 5.00% | $ 15,000 | 5.00% | $ 10,500 | 4.00% | $ 25,000 | 3.00% | $ 300,000 | $ 350,500 |
| 2007 | 5.00% | 15,000 | 5.00% | 10,500 | 4.00% | 25,000 | | - | 50,500 |
| 2008 | | - | 5.00% | 10,500 | 4.00% | 30,000 | | - | 40,500 |
| 2009 | | - | 5.00% | 10,500 | 4.00% | 40,000 | | - | 50,500 |
| 2010 | | - | | - | 4.00% | 40,000 | | - | 40,000 |
| 2011 | | - | | - | 4.00% | 45,000 | | - | 45,000 |
| | | $ 30,000 | | $ 42,000 | | $ 205,000 | | $ 300,000 | $ 577,000 |

**Revenue Bonds**

| Year Ending June 30, | Water Issued February 6, 2004 Interest Rates | Amount | Water Issued July 20, 2004 Interest Rates | Amount | Total |
|---|---|---|---|---|---|
| 2006 | 3.00% | $ 24,000 | 3.00% | $ 7,000 | $ 31,000 |
| 2007 | 3.00% | 24,000 | 3.00% | 7,000 | 31,000 |
| 2008 | 3.00% | 25,000 | 3.00% | 7,000 | 32,000 |
| 2009 | 3.00% | 26,000 | 3.00% | 8,000 | 34,000 |
| 2010 | 3.00% | 27,000 | 3.00% | 8,000 | 35,000 |
| 2011 | 3.00% | 27,000 | 3.00% | 8,000 | 35,000 |
| 2012 | 3.00% | 28,000 | 3.00% | 8,000 | 36,000 |
| 2013 | 3.00% | 29,000 | 3.00% | 9,000 | 38,000 |
| 2014 | 3.00% | 30,000 | 3.00% | 9,000 | 39,000 |
| 2015 | 3.00% | 31,000 | 3.00% | 9,000 | 40,000 |
| 2016 | 3.00% | 32,000 | 3.00% | 9,000 | 41,000 |
| 2017 | 3.00% | 33,000 | 3.00% | 9,487 | 42,487 |
| 2018 | 3.00% | 34,000 | | - | 34,000 |
| 2019 | 3.00% | 35,000 | | - | 35,000 |
| 2020 | 3.00% | 36,000 | | - | 36,000 |
| 2021 | 3.00% | 37,000 | | - | 37,000 |
| 2022 | 3.00% | 38,000 | | - | 38,000 |
| 2023 | 3.00% | 39,000 | | - | 39,000 |
| | | $ 555,000 | | $ 98,487 | $ 653,487 |

## SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION - ALL GOVERNMENTAL FUND TYPES

| | Fiscal Years Ended June 30, | | | |
|---|---|---|---|---|
| | 2005 | 2004 | 2003 | 2002 |
| **Receipts:** | | | | |
| Property Tax | $ 169,824 | $ 187,449 | $ 166,909 | $ 176,997 |
| Tax Increment Financing Collections | 45,976 | 18,169 | - | - |
| Other City Tax | 59,567 | 56,152 | 55,369 | 59,375 |
| Licenses and Permits | 611 | 1,057 | 1,002 | 675 |
| Use of Money and Property | 27,735 | 21,214 | 30,321 | 25,352 |
| Intergovernmental | 745,596 | 439,275 | 216,898 | 211,450 |
| Charges for Service | 27,128 | 30,414 | 36,417 | 25,034 |
| Special Assessments | 4,810 | 7,778 | 8,800 | 2,787 |
| Miscellaneous | 36,125 | 85,220 | 81,441 | 16,673 |
| **Total Receipts** | $ 1,117,372 | $ 846,728 | $ 597,157 | $ 518,343 |
| **Disbursements:** | | | | |
| Operating: | | | | |
| Public Safety | $ 90,657 | $ 172,580 | $ 96,491 | $ 105,741 |
| Public Works | 115,928 | 123,418 | 68,702 | 69,458 |
| Health and Social Services | 4,458 | 4,608 | 4,608 | 2,300 |
| Culture and Recreation | 159,425 | 148,509 | 131,264 | 119,231 |
| Community and Economic Development | 240,208 | 233,377 | 89,752 | 22,606 |
| General Government | 81,532 | 75,368 | 75,746 | 67,456 |
| Debt Service | 75,065 | 230,888 | 78,918 | 74,525 |
| Capital Projects | 845,137 | 785,934 | 6,635 | 127,630 |
| **Total Disbursements** | $ 1,612,410 | $ 1,774,682 | $ 552,116 | $ 588,947 |

# 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:

We have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Bancroft, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's financial statements listed in the table of contents and have issued our report thereon dated August 21, 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 of Bancroft's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City'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 accompanying Schedule of Findings.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Bancroft's primary government 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 or other matters that are described in 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 primary government 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 Bancroft and other parties to whom the City of Bancroft 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 of Bancroft 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.

Campbell, Higgins + Associates, P.C.

CAMPBELL, HIGGINS & ASSOCIATES, P.C.
Certified Public Accountants

August 21, 2006

# CITY OF BANCROFT, IOWA

## SCHEDULE OF FINDINGS
## YEAR ENDED JUNE 30, 2005

**Part I: Findings Related to the Financial Statements:**

**Reportable Conditions:**

I-A-05 Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one employee performs most of the accounting functions of the City.

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

Response – We intend to make a more concerted effort to segregate duties.

Conclusion – Response accepted.

I-B-05 Disbursements – We noted the following issues relating to the disbursements which were selected for testing:

a) Six disbursement were not supported by an invoice or other supporting documentation.
b) Eighteen invoices were not cancelled upon payment.
c) Fourteen disbursements were not approved by the Council.
d) One check contained only one signature.
e) Numerous disbursements were recorded in the wrong fund.

Recommendation – Care should be taken in the processing of disbursements to ensure that all disbursements are properly supported by invoices or other documentation, all invoices are cancelled upon payment to prevent duplicate payment, all disbursements are properly approved by the Council, all checks contain two signatures, and all disbursements are recorded in the proper fund.

Response – Care will be taken to ensure that the above recommendations are followed.

Conclusion – Response accepted.

I-C-05 Transfers – We were unable to trace transfers between funds to approval in the council minutes or budget.

Recommendation – All transfers should be approved by the City council in the minutes or budget.

Response – We will make note of all transfers and include them with City bills for council approval.

Conclusion – Response accepted.

I-D-05 Records of Accounts - Library – The library maintains accounting records pertaining to the operations of the library. These transactions and the resulting balances are not recorded in the Clerk's records. Chapter 384.20 of the Code of Iowa states 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 included in the Clerk's records.

Response – We will work toward incorporating the library's books into the Clerk's records.

Conclusion – Response accepted.

I-E-05 Allocation of Interest Receipts – It appears that interest receipts are not being allocated to the various funds on a consistent basis.

Recommendation – An equitable method of allocating interest receipts to the various funds should be developed and followed consistently. For example, a spreadsheet could be developed and used to allocate the interest receipts to the funds based upon the respective fund balances.

Response – We will treat interest as normal receipts and allocate monthly to the proper fund.

Conclusion – Response accepted.

**Part II: Other Findings Related to Statutory Reporting:**

II-A-05 Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution do not appear to have been exceeded during the year ended June 30, 2005.

II-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the following functions: public works, culture and recreation, community and economic development, general government, and capital projects. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa.

Response – Care will be taken to amend the budget in a timely and accurate fashion.

Conclusion – Response accepted.

II-C-05 Questionable Disbursements – No disbursements for questionable items were noted.

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 – Business transactions between the City and City officials or employees are detailed as follows:

| Name, Title and Business Connection | Transaction Description | Amount |
|---|---|---|
| Paul Ingalls, Council Member<br>Owner of Ingalls Electric | Supplies and Services | $ 809 |
| Phil Jaren, Council Member<br>Owner of Office, Etc. | Office Equipment and Supplies | $ 1,871 |

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with the Council Members listed above do not appear to represent conflicts of interest since total transactions with each individual were less than $2,500 during the fiscal year.

II-F-05 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-05 Council Minutes – The published minutes for the July 12, 2004, September 13, 2004, December 13, 2004, February 14, 2005 and May 9, 2005 council meetings did not include a summary of all receipts and total disbursements by fund in accordance with Chapter 372.13(6) of the Code of Iowa.

Although minutes of Council proceedings were published, they were not always published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

We were unable to obtain documentation of council approval as required by Chapter 372.13(6) of the Code of Iowa for fourteen of the disbursements selected for testing.

The Council went into closed session on July 12, 2004. However, the minutes record did not document the affirmative public vote of the council members as required by Chapter 21.5.1 of the Code of Iowa.

Recommendation – A summary of all receipts and total disbursements by fund should be published for each month. All disbursements should be approved by the City council and this approval should be documented in the minutes. Minutes of all meetings should be timely published. The City should comply with Chapter 21 of the Code of Iowa.

Response – We will do our best to ensure that the minutes are published timely and include the required information.

Conclusion – Response accepted.

II-H-05 Deposits and Investments – 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 were noted.

II-I-05 Revenue Bonds – The City has complied with the revenue bond resolutions.

II-J-05 Financial Condition – As of June 30, 2005, the General Fund, Special Revenue Fund – Road Use Tax Account, Special Revenue Fund – Employee Benefits Account, and the Capital Projects Fund – Pool Account had deficit balances of $126,222, $40,223, $14,145, and $98,077, respectively.

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

Response – We will look into this as soon as possible and make transfers as needed.

Conclusion – Response accepted.

August 29, 2006

Mark Dreyer
City of Bancroft
P. O. Box 157
Bancroft, Iowa 50517

Dear Mark:

We have enclosed 10 bound copies and 1 unbound copy of the June 30, 2005 audit report. We will forward the required reports to the State for you. **Please forward a check in the amount of $150 to the Auditor of State for the filing fee at your earliest convenience.**

The enclosed news release is required to be published in your local newspaper. Please do so at your earliest convenience and **provide me with a copy of the proof of publication**.

Give me a call if you have any questions.

Sincerely,

**Campbell, Higgins & Associates, P.C.**

Ron Mummert, CPA

Enclosures

# NEWS RELEASE

**FOR IMMEDIATE RELEASE:**

Campbell, Higgins & Associates, P.C., recently released an audit report on the City of Bancroft, Iowa.

The City's receipts totaled $1,760,231 for the year ended June 30, 2005, a 4 percent decrease from 2004. The receipts included $169,824 in property tax, $45,976 in tax increment financing collections, $59,567 from local option sales tax, $258,529 from charges for service, $141,690 from operating grants, contributions and restricted interest, $524,989 from capital grants, contributions and restricted interest, $435,067 in bond and note proceeds, $102,572 in unrestricted grants and contributions, $4,737 from unrestricted interest earnings and $17,280 from other general receipts.

Disbursements for the year totaled $1,736,266, a 12 percent decrease from the prior year, and included $90,657 for public safety, $115,928 for public works, $4,458 for health and social services, $159,425 for culture and recreation, $240,208 for community and economic development, $81,532 for general government, 75,065 for debt service, $845,137 for capital projects, and $123,856 for business type functions.

A copy of the audit report is available for review in the office of the Auditor of State and City Clerk's office.

* * * * * * * * * * * * *

Campbell, Higgins
& ASSOCIATES, P.C.
The CPA firm that helps your small business thrive

P.O. Box 237
515 1st Ave. East
Spencer, Iowa 51301

# 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:

We have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Bancroft, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's financial statements listed in the table of contents and have issued our report thereon dated August 21, 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 of Bancroft's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City'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 accompanying Schedule of Findings.

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

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Phone (712) 262-5476 • Fax (712) 262-9597

August 21, 2006

To the Honorable Mayor & Members of the City Council
City of Bancroft
Bancroft, IA

We have audited the financial statements of the City of Bancroft for the year ended June 30, 2005 and have issued our report thereon dated August 21, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated August 9, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the City of Bancroft. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Bancroft are described in Note 1 to the primary government financial statements. We noted no transactions entered into by the City of Bancroft during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. No unusual or controversial estimates were encountered.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the City of Bancroft that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. **We proposed several audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the City of Bancroft's financial reporting process.**

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

To the best of our knowledge, management has not consulted with or obtained opinions from other independent accountants during the past year that are subject to the requirements of Statement on Auditing Standards No. 50, "Reports on the Application of Accounting Principles."

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Bancroft's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

Other than the audit adjustments noted above, we encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Mayor, City Council, and management of the City of Bancroft and should not be used for any other purpose.

Campbell, Higgins + Associates, P.C.

CAMPBELL, HIGGINS & ASSOCIATES, P.C.
Certified Public Accountants