

CITY OF COLO, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2005 AND 2004

- Prepared By -

Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616-2036
Phone (641)257-4222

CITY OF COLO, IOWA

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CITY OF COLO, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
John Foley	Mayor	January 2008
Jay Ringgenberg	Council Member	January 2006
Patricia Webster	Council Member	Resigned
Norma Woods	Council Member (Appointed)	January 2006
Randy Stoeffler	Council Member	January 2006
Earl Otto	Council Member	January 2008
Brad Snodgrass	Council Member	January 2008
Scott Berka	City Clerk/Treasurer	Indefinite
Dario Zaffarano	Attorney	Indefinite



Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616

E-mail: rlp@fiai.net

(641) 257-4222
or (641) 228-2812
Fax (641) 228-1513

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Colo, Iowa, as of and for the years ended June 30, 2005 and 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of City of Colo's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe my audit provides a reasonable basis for my 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. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, I was unable to satisfy myself as to the distribution of the total fund balance at July 1, 2003.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to verify the distribution by fund of the total fund balance at July 1, 2003, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Colo as of June 30, 2005 and 2004, and the respective changes in cash basis financial position for the years then ended in conformity with the basis of accounting as described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated May 31, 2006 on my consideration of the City of Colo's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grants 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 my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 32 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Colo's basic financial statements. Other supplementary information included in Schedules 1 through 8 including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, 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 my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Larry Pump".

May 31, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Colo 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. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities increased 26%, or approximately \$297,000 from fiscal 2004 to fiscal 2005. Property tax increased approximately \$44,000 and intergovernmental revenues increased \$134,000.

Disbursements of the City's governmental activities increased 97%, or approximately \$813,000, in fiscal 2005 from fiscal 2004. Public works, community and economic development and debt service disbursements increased approximately \$57,000, \$314,000 and \$423,000, respectively.

The City's total cash basis net assets decreased 41%, or approximately \$187,000, from June 30, 2004 to June 30, 2005. Of this amount, the assets of the governmental activities decreased approximately \$201,000 and the assets of the business type activities increased by approximately \$388,000.

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. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

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, 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 waterworks and the sanitary sewer system. 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 Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent 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 and for the Internal Service Fund. 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. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the city's various functions.

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 sharply from a year ago, decreasing from \$551,153 to \$349,866. 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	2004
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 122	\$ 121
Operating grants, contributions and restricted interest	77	78
Capital grants, contributions and Restricted interest	371	228
General receipts:		
Property tax	246	202
Local option sales tax	86	89
Grants and contributions not restricted to specific purposes	-	17
Unrestricted investment earnings	2	2
Other general receipts	115	8
Transfers, net	343	80
Bond proceeds	87	327
Total receipts and transfers	<u>\$1,449</u>	<u>\$1,152</u>
Disbursements:		
Public safety	\$ 76	\$ 70
Public works	197	140
Health and social services	9	8
Culture and recreation	91	92
Community and economic development	652	338
General government	97	84
Debt service	528	105
Total disbursements	<u>\$1,650</u>	<u>\$ 837</u>
Increase in cash basis net assets	\$ (201)	\$ 315
Cash basis net assets beginning of year	<u>551</u>	<u>236</u>
Cash basis net assets end of year	<u>\$ 350</u>	<u>\$ 551</u>

The City's total receipts for governmental activities increased by 25%, or \$297,000. The total cost of all programs and services increased by approximately \$813,000, or 97%, with no new programs added this year. The significant increase in receipts was primarily the result of grant proceeds received in 2005.

The cost of all governmental activities this year was \$1,650,000 compared to \$837,000 last year. However, as shown in the Statement of Activities and Net Assets on pages 9-12, the amount taxpayers ultimately financed for these activities was only \$1,079,738 because some of the cost was paid by those directly benefited from the programs (\$121,697) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$448,081). Overall, the City's governmental activities receipts, including governmental aid and fees for service, increased in 2005 from approximately \$293,000 to approximately \$1,445,000, principally due to receiving grant proceeds in 2005. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$244,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

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

	Year ended June 30,	
	2005	2004
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 164	\$ 123
Sewer	94	90
Other	13	13
Capital grants, contributions and restricted interest	101	123
General receipts:		
Unrestricted interest on investments	2	2
Bond proceeds	550	300
Total receipts	\$ 924	\$ 651
Disbursements and transfers:		
Water	\$ 159	\$ 701
Sewer	25	36
Other	9	12
Transfers	343	80
Total disbursements and transfers	\$ 536	\$ 829
Increase (decrease) in cash balance	\$ 388	\$ (178)
Cash basis net assets beginning of year	(93)	85
Cash basis net assets end of year	\$ 295	\$ (93)

Total business type activities receipts for the fiscal year were \$924,000 compared to \$651,000 last year. This significant increase was due primarily to the receipt of \$550,000 in water construction general revenue bond proceeds in 2005. The cash balance increased by approximately \$388,000 from the prior year. Total disbursements and transfers for the fiscal year increased by 35% to a total of \$829,000 because of the water project in 2005.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Colo completed the year, its governmental funds reported a combined fund balance of \$349,866, a decrease of more than \$200,000 from last year's total of \$551,153. 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 \$174,147 from the prior year to \$185,637. This was due to an operating transfer out of over \$100,000.

The Road Use Tax Fund cash balance decreased by \$51,891 to \$89,879 during the fiscal year. This decrease was attributable to increased road repair projects during 2005.

The Tax Increment Financing Fund cash balance was \$78,063, an increase of \$27,526 from the previous year. These funds will be used to pay future TIF principal and interest payments.

The Debt Service Fund cash balance decreased by \$7,139 to \$(6,117) during the fiscal year. This deficit will be eliminated with future property tax receipts.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance increased by \$311,738 to \$122,700, due primarily to the proceeds from water revenue bonds.

The Sewer Fund cash balance increased by \$73,007 to \$77,978, due primarily to an operating transfer in from the TIF Fund in 2005.

DEBT ADMINISTRATION

At June 30, 2005, the City had approximately \$1,430,000 in bonds and other long-term debt, compared to approximately \$1,278,000 last year, as below.

Outstanding Debt at Year-End
(Expressed in Thousands)

	June 30,	
	2005	2004
General obligation bonds	\$ 285	\$ 331
Urban renewal tax increment financing revenue bonds	305	227
Revenue notes	840	720
Total	<u>\$ 1,430</u>	<u>\$ 1,278</u>

The City issued \$550,000 of water revenue capital loan notes during 2005 and paid off some interim financing. Principal and interest payments were made as scheduled. 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 \$285,000 is significantly below its constitutional debt limit of \$1,452,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Colo elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy.

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, Scott Berka, City Clerk, City of Colo.

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

	<u>Disbursements</u>	<u>Program Receipts</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 76,120	\$ 19,707	\$ -	\$ -
Public works	196,538	68,434	72,171	-
Health and social services	8,754	-	-	-
Culture and recreation	91,083	27,796	5,190	-
Community and economic development	651,495	-	-	370,720
General government	97,004	5,760	-	-
Debt service	<u>528,522</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental Activities	<u>\$1,649,516</u>	<u>\$ 121,697</u>	<u>\$ 77,361</u>	<u>\$ 370,720</u>
Business type activities:				
Water	\$ 158,694	\$ 164,277	\$ -	\$ 100,789
Sewer	24,957	94,583	-	-
Other	<u>9,512</u>	<u>13,052</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$ 193,163</u>	<u>\$ 271,912</u>	<u>\$ -</u>	<u>\$ 100,789</u>
Total	<u>\$1,842,679</u>	<u>\$ 393,609</u>	<u>\$ 77,361</u>	<u>\$ 471,509</u>

(continued)

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (56,413)	\$ -	\$ (56,413)
(55,933)	-	(55,933)
(8,754)	-	(8,754)
(58,097)	-	(58,097)
(280,775)	-	(280,775)
(91,244)	-	(91,244)
<u>(528,522)</u>	<u>-</u>	<u>(528,522)</u>
<u>\$ (1,079,738)</u>	<u>\$ -</u>	<u>\$ (1,079,738)</u>
\$ -	\$ 106,372	\$ 106,372
-	69,626	69,626
<u>-</u>	<u>3,540</u>	<u>3,540</u>
<u>\$ -</u>	<u>\$ 179,538</u>	<u>\$ 179,538</u>
<u>\$ (1,079,738)</u>	<u>\$ 179,538</u>	<u>\$ (900,200)</u>

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

General Receipts:

Property tax levied for:
 General purposes
 Tax increment financing
 Debt service
Local option sales tax
Unrestricted interest on investments
Miscellaneous
Transfers
Bond proceeds

Total general receipts and transfers

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
Unrestricted

Total cash basis net assets

See Notes to Financial Statements.

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 141,991	\$ -	\$ 141,991
90,428	-	90,428
12,948	-	12,948
85,631	-	85,631
2,270	2,004	4,274
114,926	-	114,926
343,257	(343,257)	-
<u>87,000</u>	<u>550,000</u>	<u>637,000</u>
<u>\$ 878,451</u>	<u>\$ 208,747</u>	<u>\$ 1,087,198</u>
\$ (201,287)	\$ 388,285	\$ 186,998
<u>551,153</u>	<u>(93,371)</u>	<u>457,782</u>
<u>\$ 349,866</u>	<u>\$ 294,914</u>	<u>\$ 644,780</u>
\$ -	\$ 75,641	\$ 75,641
<u>349,866</u>	<u>219,273</u>	<u>569,139</u>
<u>\$ 349,866</u>	<u>\$ 294,914</u>	<u>\$ 644,780</u>

CITY OF COLO, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

	<u>Disbursements</u>	<u>Program Receipts</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 70,292	\$ 22,268	\$ -	\$ -
Public works	139,746	69,250	72,294	-
Health and social services	7,754	-	-	-
Culture and recreation	92,112	23,664	6,111	-
Community and economic development	338,359	-	-	228,353
General government	83,996	5,330	-	-
Debt service	<u>105,305</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental Activities	<u>\$ 837,564</u>	<u>\$ 120,512</u>	<u>\$ 78,405</u>	<u>\$ 228,353</u>
Business type activities:				
Water	\$ 701,619	\$ 122,770	\$ -	\$ 122,809
Sewer	36,516	90,398	-	-
Other	<u>11,838</u>	<u>13,009</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$ 749,973</u>	<u>\$ 226,177</u>	<u>\$ -</u>	<u>\$ 122,809</u>
Total	<u>\$1,587,537</u>	<u>\$ 346,689</u>	<u>\$ 78,405</u>	<u>\$ 351,162</u>

(continued)

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (48,024)	\$ -	\$ (48,024)
1,798	-	1,798
(7,754)	-	(7,754)
(62,337)	-	(62,337)
(110,006)	-	(110,006)
(78,666)	-	(78,666)
<u>(105,305)</u>	<u>-</u>	<u>(105,305)</u>
<u>\$ (410,294)</u>	<u>\$ -</u>	<u>\$ (410,294)</u>
\$ -	\$ (456,040)	\$ (456,040)
-	53,882	53,882
<u>-</u>	<u>1,171</u>	<u>1,171</u>
<u>\$ -</u>	<u>\$ (400,987)</u>	<u>\$ (400,987)</u>
<u>\$ (410,294)</u>	<u>\$ (400,987)</u>	<u>\$ (811,281)</u>

CITY OF COLO, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

General Receipts:

Property tax levied for:
 General purposes
 Tax increment financing
 Debt service
Local option sales tax
Grants and contributions not restricted to specific purpose
Unrestricted interest on investments
Miscellaneous
Transfers
Bond proceeds

Total general receipts and transfers

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
Unrestricted

Total cash basis net assets

See Notes to Financial Statements.

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 137,837	\$ -	\$ 137,837
51,218	-	51,218
13,685	-	13,685
88,836	-	88,836
17,578	-	17,578
1,930	1,871	3,801
8,319	-	8,319
79,640	(79,640)	-
<u>326,800</u>	<u>300,000</u>	<u>626,800</u>
<u>\$ 725,843</u>	<u>\$ 222,231</u>	<u>\$ 948,074</u>
\$ 315,549	\$ (178,756)	\$ 136,793
<u>235,604</u>	<u>85,385</u>	<u>320,989</u>
<u>\$ 551,153</u>	<u>\$ (93,371)</u>	<u>\$ 457,782</u>
\$ 1,022	\$ -	\$ 1,022
<u>550,131</u>	<u>(93,371)</u>	<u>456,760</u>
<u>\$ 551,153</u>	<u>\$ (93,371)</u>	<u>\$ 457,782</u>

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

	<u>General</u>	<u>Special Revenue</u>	
		<u>Road Use Tax</u>	<u>Tax Increment Financing</u>
RECEIPTS:			
Property tax	\$ 141,991	\$ -	\$ -
Tax increment financing collections	-	-	90,428
Other city tax	1,267	-	-
Use of money and property	14,353	-	-
Licenses and permits	652	-	-
Intergovernmental	418,436	72,171	-
Charges for service	68,434	-	-
Miscellaneous	112,928	-	-
Total receipts	<u>\$ 758,061</u>	<u>\$ 72,171</u>	<u>\$ 90,428</u>
DISBURSEMENTS:			
Public Safety	\$ 76,120	\$ -	\$ -
Public works	72,476	124,062	-
Health and social services	8,754	-	-
Culture and recreation	91,083	-	-
Community and economic development	651,495	-	-
General government	97,004	-	-
Debt service	-	-	-
Total disbursements	<u>\$ 996,932</u>	<u>\$ 124,062</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (238,871)</u>	<u>\$ (51,891)</u>	<u>\$ 90,428</u>
Other financing sources (uses):			
Operating transfers in	\$ 80,000	\$ -	\$ -
Operating transfers out	(102,276)	-	(62,902)
Bond proceeds	87,000	-	-
Total other financing sources (uses)	<u>\$ 64,724</u>	<u>\$ -</u>	<u>\$ (62,902)</u>
Net change in cash balances	\$ (174,147)	\$ (51,891)	\$ 27,526
Cash balances beginning of year	<u>359,784</u>	<u>132,770</u>	<u>50,537</u>
Cash balances end of year	<u>\$ 185,637</u>	<u>\$ 80,879</u>	<u>\$ 78,063</u>
Cash Basis Fund Balances:			
Unreserved:			
General fund	\$ 185,637	\$ -	\$ -
Debt service fund	-	-	-
Special revenue funds	<u>-</u>	<u>80,879</u>	<u>78,063</u>
Total cash basis fund balances	<u>\$ 185,637</u>	<u>\$ 80,879</u>	<u>\$ 78,063</u>

See Notes to Financial Statements.

<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 12,948	\$ -	\$ 154,939
-	-	90,428
-	84,364	85,631
-	-	14,353
-	-	652
-	-	490,607
-	-	68,434
-	-	112,928
<u>\$ 12,948</u>	<u>\$ 84,364</u>	<u>\$ 1,017,972</u>
\$ -	\$ -	\$ 76,120
-	-	196,538
-	-	8,754
-	-	91,083
-	-	651,495
-	-	97,004
528,522	-	528,522
<u>\$ 528,522</u>	<u>\$ -</u>	<u>\$ 1,649,516</u>
<u>\$ (515,574)</u>	<u>\$ 84,364</u>	<u>\$ (631,544)</u>
\$ 508,435	\$ -	\$ 588,435
-	(80,000)	(245,178)
-	-	87,000
<u>\$ 508,435</u>	<u>\$ (80,000)</u>	<u>\$ 430,257</u>
\$ (7,139)	\$ 4,364	\$ (201,287)
<u>1,022</u>	<u>7,040</u>	<u>551,153</u>
<u>\$ (6,117)</u>	<u>\$ 11,404</u>	<u>\$ 349,866</u>
\$ -	\$ -	\$ 185,637
(6,117)	-	(6,117)
<u>-</u>	<u>11,404</u>	<u>170,346</u>
<u>\$ (6,117)</u>	<u>\$ 11,404</u>	<u>\$ 349,866</u>

CITY OF COLO, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Special Revenue</u> <u>Road Use</u> <u>Tax</u>
RECEIPTS:		
Property tax	\$ 137,837	\$ -
Tax increment financing collections	-	-
Other city tax	2,022	-
Use of money and property	10,520	-
Licenses and permits	687	-
Intergovernmental	283,863	72,294
Charges for service	69,250	-
Miscellaneous	18,483	-
Total receipts	<u>\$ 522,662</u>	<u>\$ 72,294</u>
DISBURSEMENTS:		
Public Safety	\$ 70,292	\$ -
Public works	77,225	62,521
Health and social services	7,754	-
Culture and recreation	92,112	-
Community and economic development	338,359	-
General government	83,996	-
Debt service	-	-
Total disbursements	<u>\$ 669,738</u>	<u>\$ 62,521</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (147,076)</u>	<u>\$ 9,773</u>
Other financing sources (uses):		
Operating transfers in	\$ 80,000	\$ -
Operating transfers out	-	-
Bond proceeds	326,800	-
Total other financing sources (uses)	<u>\$ 406,800</u>	<u>\$ -</u>
Net change in cash balances	\$ 259,724	\$ 9,773
Cash balances beginning of year	<u>100,060</u>	<u>122,997</u>
Cash balances end of year	<u>\$ 359,784</u>	<u>\$ 132,770</u>
Cash Basis Fund Balances:		
Reserved:		
Debt Service	\$ -	\$ -
Unreserved:		
General fund	359,784	-
Special revenue funds	<u>-</u>	<u>132,770</u>
Total cash basis fund balances	<u>\$ 359,784</u>	<u>\$ 132,770</u>

See Notes to Financial Statements.

<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 13,685	\$ -	\$ 151,522
-	51,218	51,218
-	86,814	88,836
-	-	10,520
-	-	687
-	-	356,157
-	-	69,250
-	-	18,483
<u>\$ 13,685</u>	<u>\$ 138,032</u>	<u>\$ 746,673</u>
\$ -	\$ -	\$ 70,292
-	-	139,746
-	-	7,754
-	-	92,112
-	-	338,359
-	-	83,996
105,305	-	105,305
<u>\$ 105,305</u>	<u>\$ -</u>	<u>\$ 837,564</u>
<u>\$ (91,620)</u>	<u>\$ 138,032</u>	<u>\$ (90,891)</u>
\$ 92,258	\$ -	\$ 172,258
-	(92,618)	(92,618)
-	-	326,800
<u>\$ 92,258</u>	<u>\$ (92,618)</u>	<u>\$ 406,440</u>
\$ 638	\$ 45,414	\$ 315,549
<u>384</u>	<u>12,163</u>	<u>235,604</u>
<u>\$ 1,022</u>	<u>\$ 57,577</u>	<u>\$ 551,153</u>
\$ 1,022	\$ -	\$ 1,022
-	-	359,784
-	57,577	190,347
<u>\$ 1,022</u>	<u>\$ 57,577</u>	<u>\$ 551,153</u>

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

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Sewer Loan Sinking</u>
Operating receipts:			
Charges for service	\$ 134,263	\$ 94,583	\$ -
Miscellaneous	30,014	-	-
Total operating receipts	<u>\$ 164,277</u>	<u>\$ 94,583</u>	<u>\$ -</u>
Operating disbursements:			
Business type activities	<u>158,694</u>	<u>24,957</u>	<u>-</u>
Excess of operating receipts over operating disbursements	<u>\$ 5,583</u>	<u>\$ 69,626</u>	<u>\$ -</u>
Non-operating receipts (disbursements):			
Interest on investments	\$ 774	\$ 1,230	\$ -
Intergovernmental	<u>100,789</u>	<u>-</u>	<u>-</u>
Total non-operating receipts (disbursements)	<u>\$ 101,563</u>	<u>\$ 1,230</u>	<u>\$ -</u>
Excess of receipts over disbursements	<u>\$ 107,146</u>	<u>\$ 70,856</u>	<u>\$ -</u>
Other financing sources (uses):			
Operating transfers in	\$ -	\$ 40,000	\$ -
Operating transfers out	(345,408)	(37,849)	-
Bond proceeds	<u>550,000</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>\$ 204,592</u>	<u>\$ 2,151</u>	<u>\$ -</u>
Net change in cash balances	\$ 311,738	\$ 73,007	\$ -
Cash balances beginning of year	<u>(189,038)</u>	<u>4,971</u>	<u>75,461</u>
Cash balances end of year	<u>\$ 122,700</u>	<u>\$ 77,978</u>	<u>\$ 75,461</u>
Cash Basis Fund Balances			
Reserved for other	\$ -	\$ -	\$ 75,461
Unreserved	<u>122,700</u>	<u>77,978</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 122,700</u>	<u>\$ 77,978</u>	<u>\$ 75,461</u>

See Notes to Financial Statements.

<u>Other Nonmajor Enterprise Funds</u>	<u>Total</u>
\$ -	\$ 228,846
13,052	43,066
<u>\$ 13,052</u>	<u>\$ 271,912</u>
<u>9,512</u>	<u>193,163</u>
<u>\$ 3,540</u>	<u>\$ 78,749</u>
\$ -	\$ 2,004
-	100,789
<u>\$ -</u>	<u>\$ 102,793</u>
<u>\$ 3,540</u>	<u>\$ 181,542</u>
\$ -	\$ 40,000
-	(383,257)
-	550,000
<u>\$ -</u>	<u>\$ 206,743</u>
\$ 3,540	\$ 388,285
<u>15,235</u>	<u>(93,371)</u>
<u>\$ 18,775</u>	<u>\$ 294,914</u>
\$ -	\$ 75,461
18,775	219,453
<u>\$ 18,775</u>	<u>\$ 294,914</u>

CITY OF COLO, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Sewer Loan Sinking</u>
Operating receipts:			
Charges for service	\$ 122,770	\$ 90,398	\$ -
Miscellaneous	-	-	-
Total operating receipts	<u>\$ 122,770</u>	<u>\$ 90,398</u>	<u>\$ -</u>
Operating disbursements:			
Business type activities	<u>701,619</u>	<u>36,516</u>	<u>-</u>
Excess of operating receipts over operating disbursements	<u>\$(578,849)</u>	<u>\$ 53,882</u>	<u>\$ -</u>
Non-operating receipts (disbursements):			
Interest on investments	\$ 269	\$ 1,602	\$ -
Intergovernmental	122,809	-	-
Total non-operating receipts	<u>\$ 123,078</u>	<u>\$ 1,602</u>	<u>\$ -</u>
Excess of receipts over disbursements	<u>\$(455,771)</u>	<u>\$ 55,484</u>	<u>\$ -</u>
Other financing sources (uses):			
Operating transfers out	\$ (19,525)	\$ (60,115)	\$ -
Bond proceeds	300,000	-	-
Total other financing sources (uses)	<u>\$ 280,475</u>	<u>\$ (60,115)</u>	<u>\$ -</u>
Net change in cash balances	\$(175,296)	\$ (4,631)	\$ -
Cash balances beginning of year	<u>(13,742)</u>	<u>9,602</u>	<u>75,461</u>
Cash balances end of year	<u>\$(189,038)</u>	<u>\$ 4,971</u>	<u>\$ 75,461</u>
Cash Basis Fund Balances			
Reserved for other	\$ -	\$ -	\$ 75,461
Unreserved	<u>(189,038)</u>	<u>4,971</u>	<u>-</u>
Total cash basis fund balances	<u>\$(189,038)</u>	<u>\$ 4,971</u>	<u>\$ 75,641</u>

See Notes to Financial Statements.

<u>Other Nonmajor Enterprise Funds</u>	<u>Total</u>
\$ -	\$ 213,168
13,009	13,009
<u>\$ 13,009</u>	<u>\$ 226,177</u>
<u>11,838</u>	<u>749,973</u>
<u>\$ 1,171</u>	<u>\$ (523,796)</u>
\$ -	\$ 1,871
-	122,809
<u>\$ -</u>	<u>\$ 124,680</u>
<u>\$ 1,171</u>	<u>\$ (399,116)</u>
\$ -	\$ (79,640)
-	300,000
<u>\$ -</u>	<u>\$ 220,360</u>
\$ 1,171	\$ (178,756)
<u>14,064</u>	<u>85,385</u>
<u>\$ 15,235</u>	<u>\$ (93,371)</u>
\$ -	\$ 75,461
15,235	(168,832)
<u>\$ 15,235</u>	<u>\$ (93,371)</u>

CITY OF COLO, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

(1) Summary of Significant Accounting Policies

The City of Colo is a political subdivision of the State of Iowa located in Story County. It was first incorporated in 1865 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, health and social services, culture and recreation, community and economic development, and general services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Colo 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. The City has no component unit which meet the Governmental Accounting Standards Board Criteria.

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. City officials are members of the Story County Assessor's Conference Board, Story County Emergency Management Commission, Story County Joint E-911 Service Board, and the Fire Advisory Board.

B. Basis of Presentation

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

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

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

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

CITY OF COLO, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

(1) Summary of Significant Accounting Policies - continued

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

The Tax Increment Financing Fund is used to account for urban renewal projects financed by tax increment financing.

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

The City reports the following major proprietary funds:

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

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

The Sewer Loan Sinking Fund accounts for money reserved for future payments of sewer notes.

CITY OF COLO, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

(1) Summary of Significant Accounting Policies - continued

C. Measurement Focus and Basis of Accounting

The City of Colo 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 public works function. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the public works and debt service functions.

(2) Cash and Investments

The City's deposits in banks at June 30, 2005 and 2004 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.

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.

CITY OF COLO, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

(3) Long-Term Debt

Bonds and Notes

Annual debt service requirements to maturity for general obligations bonds, urban renewal tax increment financing notes and Revenue notes are as follows:

Year Ending June 30,	General Obligation Notes		Urban Renewal Tax Increment Financing Revenue Bonds		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2006	\$ 47,146	\$ 13,956	\$ 7,000	\$ 4,123	\$ 30,000	\$ 31,623	\$ 84,146
2007	48,802	11,654	35,650	3,752	35,748	35,958	120,200	51,364
2008	50,545	9,258	36,050	3,366	40,992	34,334	127,587	46,958
2009	41,343	6,765	36,450	2,957	41,247	32,451	119,040	42,173
2010	42,509	4,720	36,950	2,528	41,512	30,524	120,971	37,772
2011-2015	55,000	5,478	152,500	5,321	161,957	121,436	369,457	132,235
2016-2020	-	-	-	-	45,507	100,108	45,507	100,108
2021-2025	-	-	-	-	56,035	89,580	56,035	89,580
2026-2030	-	-	-	-	68,998	76,617	68,998	76,617
2031-2035	-	-	-	-	84,961	60,654	84,961	60,654
2036-2040	-	-	-	-	104,616	40,999	104,616	40,999
2041-2045	-	-	-	-	128,427	16,798	128,427	16,798
Total	<u>\$285,345</u>	<u>\$ 51,831</u>	<u>\$304,600</u>	<u>\$ 22,047</u>	<u>\$ 840,000</u>	<u>\$671,082</u>	<u>\$1,429,945</u>	<u>\$744,960</u>

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Special Revenue Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for the purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

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

- (a) The notes will only be redeemed from the future earnings of the enterprise activities and note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate sinking accounts for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers shall be made to reserve accounts until the required balances are accumulated. The revenue note reserve account is restricted for the purpose of paying for unusual or extraordinary maintenance, repairs, renewals and replacements to the system and when necessary for the purpose of making payments of principal and interest.
- (d) Additional monthly transfers shall be made to improvement accounts until the required balances are accumulated. The revenue note improvement account is restricted for the purpose of paying for unusual or extraordinary maintenance, repairs, renewals and replacements to the system and when necessary for the purpose of making payments of principal and interest.

CITY OF COLO, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2005 AND 2004

(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 statement and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police 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. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2005 and 2004 were \$7,160 and \$7,320, respectively, equal to the required contributions for each year.

(5) **Law Enforcement Contract**

The City of Colo entered into an agreement with the Story County Sheriff's Department for the purpose of providing the City with law enforcement services. The amounts paid on the contract by the City for the year ended June 30, 2005 and 2004 were \$34,720 and \$33,852, respectively.

(6) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, comp time and sick leave hours for subsequent use. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable, comp time payable, and sick leave payable to employees at June 30, 2005 and 2004, primarily relating to the General Fund, is \$9,215 and \$9,436, respectively. This liability has been computed based on rates of pay as of June 30, 2005 and 2004.

(7) **Deficit Fund Balances**

The Debt Service Fund had a deficit balance of \$6,118 at June 30, 2005. The deficit balance was a result of costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of property taxes. The Enterprise Fund, Water Account had a deficit balance of \$189,038 at June 30, 2004. The deficit was eliminated in 2005 upon receipt of grant funds.

(8) **Commitments**

At June 30, 2005, the following construction commitment had been made:

<u>Project</u>	<u>Total Contract</u>	<u>Costs Incurred to Date</u>
Water project	<u>\$ 677,155</u>	<u>\$641,670</u>

CITY OF COLO, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2005 AND 2004

(9) **Interfund Transfers**

The detail of interfund transfers for the years ended June 30, 2005 and 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>2005</u>	<u>2004</u>
General	Special Revenue:	Amount	Amount
	Local option sales tax	\$ 80,000	\$ 80,000
Debt Service	General	\$ 102,276	\$ -
	Special Revenue:		
	Tax increment financing	22,902	12,618
	Enterprise:		
	Water	345,408	19,525
	Sewer	37,849	60,115
		<u>\$ 508,435</u>	<u>\$ 92,258</u>
Enterprise:	Special Revenue:		
Sewer	Tax increment financing	\$ 40,000	\$ -
Total		<u>\$ 628,435</u>	<u>\$ 172,258</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(10) **Risk Management**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 509 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, property, police professional liability, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current member's basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, in insufficient, by the subsequent year's member contributions.

CITY OF COLO, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

(10) **Risk Management** - continued

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the years ended June 30, 2005 and 2004 were \$12,396 and \$11,570, respectively.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$100,000 each accident, each location, with excess coverage reinsured on an individual-member basis. All property risks are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon such withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal.

Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the members in refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with public employee dishonesty coverage and workers compensation coverage. The City assumes liability for any deductibles, and claims in excess of coverage limitations.

(11) **Subsequent Events**

On July 5, 2005 the City approved housing rehabilitation projects of \$20,625 and \$24,999.

On February 6, 2006 the City approved a contract in the amount of \$38,250 with Con-Struct, Inc. for demolition and removal of City owned buildings.

The Council approved the purchase of property adjacent to the cemetery on March 11, 2006 for \$25,000.

Required Supplementary Information

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

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Less Funds Not Required To Be Budgeted</u>
RECEIPTS:			
Property tax	\$ 154,939	\$ -	\$ -
Tax increment financing collections	90,428	-	-
Other city tax	85,631	-	-
Licenses and permits	652	-	-
Use of money and property	14,353	2,004	-
Intergovernmental	490,607	100,789	-
Charges for service	68,434	228,846	-
Miscellaneous	112,928	43,066	-
Total receipts	<u>\$ 1,017,972</u>	<u>\$ 374,705</u>	<u>\$ -</u>
DISBURSEMENTS:			
Public safety	\$ 76,120	\$ -	\$ -
Public works	196,538	-	-
Health and social services	8,754	-	-
Culture and recreation	91,083	-	-
Community and economic development	651,495	-	-
General government	97,004	-	-
Debt service	528,522	-	-
Business activities	-	193,163	-
Total disbursements	<u>\$ 1,649,516</u>	<u>\$ 193,163</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	\$ (631,544)	\$ 181,542	\$ -
Other financing sources, net	<u>430,257</u>	<u>206,743</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ (201,287)	\$ 388,285	\$ -
Balance beginning of year	<u>551,153</u>	<u>(93,371)</u>	<u>-</u>
Balance end of year	<u>\$ 349,866</u>	<u>\$ 294,914</u>	<u>\$ -</u>

See Accompanying Independent Auditor's Report.

<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 154,939	\$ 149,604	\$ 155,366	\$ (427)
90,428	71,618	71,618	18,810
85,631	85,762	82,000	3,631
652	2,195	675	(23)
16,357	14,200	15,500	857
591,396	384,715	664,928	(73,532)
297,280	286,500	295,500	1,780
155,994	7,200	102,100	53,894
<u>\$1,392,677</u>	<u>\$1,001,794</u>	<u>\$1,387,687</u>	<u>\$ 4,990</u>
\$ 76,120	\$ 75,901	\$ 76,201	\$ 81
196,538	90,106	191,786	(4,752)
8,754	8,754	8,754	-
91,083	94,151	94,151	3,068
651,495	498,000	653,913	2,418
97,004	94,873	98,605	1,601
528,522	122,800	554,569	26,047
193,163	980,382	294,619	101,456
<u>\$1,842,679</u>	<u>\$1,964,967</u>	<u>\$1,972,598</u>	<u>\$ 129,919</u>
\$ (450,002)	\$ (963,173)	\$ (584,911)	\$ 134,909
<u>637,000</u>	<u>986,000</u>	<u>550,000</u>	<u>87,000</u>
\$ 186,998	\$ 22,827	\$ (34,911)	\$ 221,909
<u>457,782</u>	<u>391,446</u>	<u>458,598</u>	<u>(816)</u>
<u>\$ 644,780</u>	<u>\$ 414,273</u>	<u>\$ 423,687</u>	<u>\$ 221,093</u>

CITY OF COLO, IOWA
 BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS
 AND CHANGES IN BALANCES
 BUDGET AND ACTUAL (CASH BASIS) - ALL
 GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2004

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds Not Required To Be Budgeted
RECEIPTS:			
Property tax	\$ 151,522	\$ -	\$ -
Tax increment financing collections	51,218	-	-
Other city tax	88,836	-	-
Use of money and property	10,520	1,871	-
Licenses and permits	687	-	-
Intergovernmental	356,157	122,809	-
Charges for service	69,250	213,168	-
Miscellaneous	18,483	13,009	-
Total receipts	<u>\$ 746,673</u>	<u>\$ 350,857</u>	<u>\$ -</u>
DISBURSEMENTS:			
Public safety	\$ 70,292	\$ -	\$ -
Public works	139,746	-	-
Health and social services	7,754	-	-
Culture and recreation	92,112	-	-
Community and economic development	338,359	-	-
General government	83,996	-	-
Debt service	105,305	-	-
Business activities	-	749,973	-
Total disbursements	<u>\$ 837,564</u>	<u>\$ 749,973</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	\$ (90,891)	\$ (399,116)	\$ -
Other financing sources, net	<u>406,440</u>	<u>220,360</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 315,549	\$ (178,756)	\$ -
Balance beginning of year	<u>235,604</u>	<u>85,385</u>	<u>-</u>
Balance end of year	<u>\$ 551,153</u>	<u>\$ (93,371)</u>	<u>\$ -</u>

See Accompanying Independent Auditor's Report.

<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 151,522	\$ 145,174	\$ 145,174	\$ 6,348
51,218	49,618	49,618	1,600
88,836	75,840	75,840	12,996
12,391	13,400	13,400	(1,009)
687	675	675	12
478,966	614,098	614,098	(135,132)
282,418	298,865	298,865	(16,447)
31,492	70,500	70,500	(39,008)
<u>\$1,097,530</u>	<u>\$1,268,170</u>	<u>\$1,268,170</u>	<u>\$(170,640)</u>
\$ 70,292	\$ 77,533	\$ 77,533	\$ 7,241
139,746	50,993	85,993	(53,753)
7,754	9,400	9,400	1,646
92,112	101,149	101,149	9,037
338,359	369,000	369,000	30,641
83,996	84,803	84,803	807
105,305	60,652	60,652	(44,653)
749,973	1,248,482	1,248,482	498,509
<u>\$1,587,537</u>	<u>\$2,002,012</u>	<u>\$2,037,012</u>	<u>\$ 449,475</u>
\$ (490,007)	\$ (733,842)	\$ (768,842)	\$ 278,835
<u>626,800</u>	<u>758,000</u>	<u>758,000</u>	<u>(131,200)</u>
\$ 136,793	\$ 24,158	\$ (10,842)	\$ 147,635
<u>320,989</u>	<u>138,005</u>	<u>138,005</u>	<u>182,984</u>
<u>\$ 457,782</u>	<u>\$ 162,163</u>	<u>\$ 127,163</u>	<u>\$ 330,619</u>

CITY OF COLO, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
JUNE 30, 2005 AND 2004

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 and Debt Service Funds.

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 nonprogram. 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 ended June 30, 2005, two budget amendments increased budgeted receipts by \$385,893 and increased budgeted disbursements by \$7,631. The budget amendments are reflected in the final budgeted amounts. During the year ended June 30, 2004, one budget amendment increased budgeted disbursements by \$35,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the public works function. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the public works and debt service functions.

Other Supplementary Information

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

	<u>Special Revenue</u>
	Local Option Sales Tax
RECEIPTS:	
Other city tax	\$ 84,364
DISBURSEMENTS:	
None	-
Excess of receipts over disbursements	\$ 84,364
Other financing sources (uses):	
Operating transfers out	(80,000)
Net change in cash balances	\$ 4,364
Cash balances beginning of year	7,040
Cash balances end of year	\$ 11,404
Cash Basis Fund Balances:	
Unreserved:	
Special revenue funds	\$ 11,404

See Accompanying Independent Auditor's Report.

CITY OF COLO, IOWA
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

	<u>Special Revenue</u>		<u>Total</u>
	<u>Local Option Sales Tax</u>	<u>Tax Increment Financing</u>	
RECEIPTS:			
TIF revenues	\$ -	\$ 51,218	\$ 51,218
Other city tax	<u>86,814</u>	<u>-</u>	<u>86,814</u>
Total receipts	\$ 86,814	\$ 51,218	\$ 138,032
DISBURSEMENTS:			
None	<u>-</u>	<u>-</u>	<u>-</u>
Excess of receipts over disbursements	\$ 86,814	\$ 51,218	\$ 138,032
Other financing sources (uses):			
Operating transfers out	<u>(80,000)</u>	<u>(12,618)</u>	<u>(92,618)</u>
Net change in cash balances	\$ 6,814	\$ 38,600	\$ 45,414
Cash balances beginning of year	<u>226</u>	<u>11,937</u>	<u>12,163</u>
Cash balances end of year	<u>\$ 7,040</u>	<u>\$ 50,537</u>	<u>\$ 57,577</u>
Cash Basis Fund Balances:			
Unreserved			
Special revenue funds	<u>\$ 7,040</u>	<u>\$ 50,537</u>	<u>\$ 57,577</u>

See Accompanying Independent Auditor's Report.

CITY OF COLO, IOWA
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
 NONMAJOR PROPRIETARY FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

	<u>Sales Tax Clearing</u>	<u>Water Deposits</u>	<u>Total</u>
Operating receipts:			
Miscellaneous	\$ 9,342	\$ 3,710	\$ 13,052
Operating disbursements:			
Business type activities	<u>7,121</u>	<u>2,391</u>	<u>9,512</u>
Net change in cash balances	\$ 2,221	\$ 1,319	\$ 3,540
Cash balances beginning of year	<u>13</u>	<u>15,222</u>	<u>15,235</u>
Cash balances end of year	<u>\$ 2,234</u>	<u>\$ 16,541</u>	<u>\$ 18,775</u>
Cash Basis Fund Balances:			
Reserved:			
Other	<u>\$ 2,234</u>	<u>\$ 16,541</u>	<u>\$ 18,775</u>

See Accompanying Independent Auditor's Report.

CITY OF COLO, IOWA
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
 NONMAJOR PROPRIETARY FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

	<u>Sales Tax Clearing</u>	<u>Water Deposits</u>	<u>Total</u>
Operating receipts:			
Micellaneous	\$ 8,407	\$ 4,602	\$ 13,009
Operating disbursements:			
Business type activities	<u>9,768</u>	<u>2,070</u>	<u>11,838</u>
Net change in cash balances	\$ (1,361)	\$ 2,532	\$ 1,171
Cash balances beginning of year	<u>1,374</u>	<u>12,690</u>	<u>14,064</u>
Cash balances end of year	<u>\$ 13</u>	<u>\$ 15,222</u>	<u>\$ 15,235</u>
Cash Basis Fund Balances:			
Reserved:			
Other	<u>\$ 13</u>	<u>\$ 15,222</u>	<u>\$ 15,235</u>

See Accompanying Independent Auditor's Report.

CITY OF COLO, IOWA
 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>
General Obligation Notes:			
Capital Loan Note	08-15-00	5.20%	\$225,000
Sewer Improvement	10-01-98	4.00-4.80%	210,000
Drainage Improvement	02-12-98	5.05%	85,000
Urban Renewal Tax Increment Financing (TIF) Revenue Bonds:			
2004 Business Park Paving Project	06-01-04	0.00%	\$226,800
Urban Renewal TIF Series 2005A	01-04-05	5.30%	87,000
Revenue Notes:			
Sewer	10-01-98	4.20-5.05%	\$465,000
Interim Financing Notes	09-11-03	2.40-2.922%	300,000
Interim Financing Notes	01-15-03	2.27%	100,000
Water Revenue Capital Loan	09-28-04	4.25%	550,000
Total indebtedness			

See Accompanying Independent Auditor's Report.

<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>
\$ 146,831	\$ -	\$ 21,508	\$ 125,323	\$ 7,635	\$ -
145,000	-	15,000	130,000	6,560	-
39,083	-	9,061	30,022	1,974	-
<u>\$ 330,914</u>	<u>\$ -</u>	<u>\$ 45,569</u>	<u>\$ 285,345</u>	<u>\$ 16,169</u>	<u>\$ -</u>
\$ 226,800	\$ -	\$ -	\$ 226,800	\$ -	\$ -
-	87,000	9,200	77,800	1,857	-
<u>\$ 226,800</u>	<u>\$ 87,000</u>	<u>\$ 9,200</u>	<u>\$ 304,600</u>	<u>\$ 1,857</u>	<u>\$ -</u>
\$ 320,000	\$ -	\$ 30,000	\$ 290,000	\$ 15,298	\$ -
300,000	-	300,000	-	7,316	-
100,000	-	100,000	-	2,258	-
-	550,000	-	550,000	-	-
<u>\$ 720,000</u>	<u>\$550,000</u>	<u>\$430,000</u>	<u>\$ 840,000</u>	<u>\$ 24,872</u>	<u>\$ -</u>
<u>\$1,277,714</u>	<u>\$637,000</u>	<u>\$484,769</u>	<u>\$1,429,945</u>	<u>\$ 42,898</u>	<u>\$ -</u>

CITY OF COLO, IOWA
 SCHEDULE OF INDEBTEDNESS
 YEAR ENDED JUNE 30, 2004

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Notes:			
Capital Loan Note	08-15-00	5.20%	\$225,000
Sewer Improvement	10-01-98	4.00-4.80%	210,000
Drainage Improvement	02-12-98	5.05%	85,000
Urban Renewal Tax Increment Financing (TIF) Revenue Bonds:			
2004 Business Park Paving Project	06-01-04	0.00%	\$226,800
Revenue Notes:			
Sewer	10-01-98	4.20-5.05%	\$465,000
Interim Financing Notes	09-11-03	2.40-2.922%	300,000
Interim Financing Notes	01-15-03	2.27%	100,000
Total indebtedness			

See Accompanying Independent Auditor's Report.

<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>
\$ 167,276	\$ -	\$ 20,445	\$ 146,831	\$ 8,698	\$ -
160,000	-	15,000	145,000	7,190	-
47,708	-	8,625	39,083	2,409	-
<u>\$ 374,984</u>	<u>\$ -</u>	<u>\$ 44,070</u>	<u>\$ 330,914</u>	<u>\$ 18,297</u>	<u>\$ -</u>
\$ -	\$226,800	\$ -	\$ 226,800	\$ -	\$ -
\$ 345,000	\$ -	\$ 25,000	\$ 320,000	\$ 16,410	\$ -
-	300,000	-	300,000	-	-
-	100,000	-	100,000	927	-
<u>\$ 345,000</u>	<u>\$400,000</u>	<u>\$ 25,000</u>	<u>\$ 720,000</u>	<u>\$ 17,337</u>	<u>\$ -</u>
<u>\$ 719,984</u>	<u>\$626,800</u>	<u>\$ 69,070</u>	<u>\$1,277,714</u>	<u>\$ 35,634</u>	<u>\$ -</u>

CITY OF COLO, IOWA
BOND AND NOTE MATURITIES
JUNE 30, 2005

GENERAL OBLIGATION NOTES

Year Ending June 30,	Drainage Improvement Issued February 12, 1998		Sewer Improvement Issued October 1, 1998		Capital Loan Note Issued August 15, 2000		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2006	5.05%	\$ 9,519	4.30%	\$ 15,000	5.20%	\$ 22,627	\$ 47,146
2007	5.05	9,999	4.35	15,000	5.20	23,803	48,802
2008	5.05	10,504	4.40	15,000	5.20	25,041	50,545
2009	-	-	4.50	15,000	5.20	26,343	41,343
2010	-	-	4.55	15,000	5.20	27,509	42,509
2011	-	-	4.65	15,000	-	-	15,000
2012	-	-	4.75	20,000	-	-	20,000
2013	-	-	4.80	20,000	-	-	20,000
Total		<u>\$ 30,022</u>		<u>\$130,000</u>		<u>\$125,323</u>	<u>\$285,345</u>

URBAN RENEWAL TAX INCREMENT FINANCING REVENUE BONDS

Year Ending June 30,	2004 Business Park Paving Project Issued June 1, 2004		Urban Renewal TIF Series 2005A Issued January 4, 2005		Total
	Interest Rates	Amount	Interest Rates	Amount	
2006		\$ -	5.30%	\$ 7,000	\$ 7,000
2007	0.00%	28,350	5.30	7,300	35,650
2008	0.00	28,350	5.30	7,700	36,050
2009	0.00	28,350	5.30	8,100	36,450
2010	0.00	28,350	5.30	8,600	36,950
2011	0.00	28,350	5.30	9,000	37,350
2012	0.00	28,350	5.30	9,500	37,850
2013	0.00	28,350	5.30	10,000	38,350
2014	0.00	28,350	5.30	10,600	38,950
Total		<u>\$226,800</u>		<u>\$ 77,800</u>	<u>\$ 304,600</u>

(Continued)

CITY OF COLO, IOWA
BOND AND NOTE MATURITIES
JUNE 30, 2005

Year Ending June 30,	R e v e n u e N o t e s				
	Sewer		Water Revenue Capital Loan		Total
	Issued October 1, 1998	Issued September 28, 2004	Interest	Interest	
Interest Rates	Amount	Rates	Amount		
2006	4.55%	\$ 30,000		\$ -	\$ 30,000
2007	4.60	30,000	4.25%	5,748	35,748
2008	4.65	35,000	4.25	5,992	40,992
2009	4.75	35,000	4.25	6,247	41,247
2010	4.80	35,000	4.25	6,512	41,512
2011	4.90	40,000	4.25	6,789	46,789
2012	5.00	40,000	4.25	7,078	47,078
2013	5.05	45,000	4.25	7,379	52,379
2014	-	-	4.25	7,692	7,692
2015	-	-	4.25	8,019	8,019
2016	-	-	4.25	8,360	8,360
2017	-	-	4.25	8,715	8,715
2018	-	-	4.25	9,086	9,086
2019	-	-	4.25	9,472	9,472
2020	-	-	4.25	9,874	9,874
2021	-	-	4.25	10,294	10,294
2022	-	-	4.25	10,731	10,731
2023	-	-	4.25	11,188	11,188
2024	-	-	4.25	11,663	11,663
2025	-	-	4.25	12,159	12,159
2026	-	-	4.25	12,675	12,675
2027	-	-	4.25	13,214	13,214
2028	-	-	4.25	13,776	13,776
2029	-	-	4.25	14,361	14,361
2030	-	-	4.25	14,972	14,972
2031	-	-	4.25	15,608	15,608
2032	-	-	4.25	16,271	16,271
2033	-	-	4.25	16,963	16,963
2034	-	-	4.25	17,684	17,684
2035	-	-	4.25	18,435	18,435
2036	-	-	4.25	19,219	19,219
2037	-	-	4.25	20,035	20,035
2038	-	-	4.25	20,887	20,887
2039	-	-	4.25	21,775	21,775
2040	-	-	4.25	22,700	22,700
2041	-	-	4.25	23,665	23,665
2042	-	-	4.25	24,671	24,671
2043	-	-	4.25	25,719	25,719
2044	-	-	4.25	26,812	26,812
2045	-	-	4.25	27,560	27,560
Total		\$ 290,000		\$ 550,000	\$840,000

See Accompanying Independent Auditor's Report.

CITY OF COLO, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>GRANTOR/PROGRAM</u>	<u>CFDA Number</u>	<u>Agency Pass- through Number</u>	<u>2004 Program Expenditures</u>	<u>2005 Program Expenditures</u>
Direct:				
United States Department of Agriculture:	10.760	Water 2005	\$495,155	\$ 8,122
Indirect:				
Iowa Department of Transportation:	20.205	STP-ES-1480	\$202,185	\$ 14,648
Department of Housing and Urban Development:				
Iowa Department of Economic Development:				
Community Development Block Grant Program	14.228	02-WS-097	\$138,650	\$ 67,456
Community development Block Grant Program	14.228	03-HSG-092	40,993	127,287
			<u>\$179,643</u>	<u>\$194,743</u>
Total			<u>\$876,983</u>	<u>\$217,513</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Colo and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See Accompanying Independent Auditor's Report.



Larry Pump, CPA
 117 North Jackson Street
 Charles City, IA 50616

E-mail: rlp@fiai.net

(641) 257-4222
 or (641) 228-2812
 Fax (641) 228-1513

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
 Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Colo, Iowa, as of and for the years ended June 30, 2005 and 2004, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated May 31, 2006. My report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed a qualified opinion since I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2003. I conducted my 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 my audit, I considered the City of Colo's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the City of Colo's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My 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, I believe items II-A-05 and II-B-05 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Colo's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the years ended June 30, 2005 and 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my 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 Colo and other parties to whom the City of Colo 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.

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

A handwritten signature in cursive script that reads "Larry Pump".

May 31, 2006



Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616

E-mail: rlp@fiai.net

(641) 257-4222
or (641) 228-2812
Fax (641) 228-1513

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and
Members of the City Council:

Compliance

I have audited the compliance of the City of Colo, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2004. The City's major federal program is identified in Part I of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Colo's management. My responsibility is to express an opinion on the City of Colo's compliance based on my audit.

I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards, and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Colo's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the City of Colo's compliance with those requirements.

In my opinion, the City of Colo complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the City of Colo is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing my audit, I considered the City of Colo's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

I noted a matter involving the internal control over compliance and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect the City of Colo's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. The reportable condition is described as Item III-A-04 in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance 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, I believe the reportable condition described above, item III-A-04 is a material weakness.

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 Colo and other parties to whom the City of Colo 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.

A handwritten signature in cursive script, appearing to read "Larry Pump".

May 31, 2006

CITY OF COLO, IOWA
Schedule of Findings
Years Ended June 30, 2005 and 2004

Part I: Summary of the Independent Auditor's Results:

- (a) A qualified opinion was issued on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, since I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2003.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A reportable condition in the internal control over the major program was disclosed by the audit of the financial statements which was a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 10.760, Water and Waste Disposal Systems for Rural Communities.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Colo did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-05 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that certain accounting functions are not properly segregated

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

Response - We will review procedures and make changes to improve internal control where possible.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

CITY OF COLO, IOWA
Schedule of Findings
Years Ended June 30, 2005 and 2004

Part II: Findings Related to the Financial Statements: - continued

II-B-05 Disaster Recovery Plan and Information Systems - During our review of internal control, the existing control activities in the City's computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

I noted that the City does not have written policies for password privacy and confidentiality.

Also, the City does not have a disaster recovery plan that should address specific details such as identification of critical applications, staff responsibilities, equipment and software inventory, user documentation, etc.

Recommendation - The city should develop written policies addressing the above items in order to improve the City's control over computer based systems.

Response - The city will be developing a written plan.

Conclusion - Response acknowledged.

II-C-05 Countersignature of Checks - The City requires checks to be signed by two authorized individuals. I noted a check with only one authorized signature.

Recommendation - Checks should be made out and signed by one individual and then the supporting documentation should be made available with the check to the second individual for the countersignature.

Response - We will follow this recommendation to the best of our ability.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

**CFDA Number 10.760: Water and Waste Disposal Systems for rural Communities.
Federal Award Year: 2004
U.S. Department of Agriculture**

III-A-04 The City did not properly segregate custody, recordkeeping and reconciling functions for revenues and expenditures, including those related to Federal Programs. See audit finding II-A-05.

CITY OF COLO, IOWA
Schedule of Findings
Year Ended June 30, 2005 and 2004

Part IV: Other Findings Related to Statutory Reporting:

IV-A-05 Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amount stated in the resolution was exceeded during the year ended June 30, 2005.

Recommendation - A new resolution should be approved in an amount sufficient to cover anticipated deposits for all depositories.

Response - We will approve a new resolution.

Conclusion - Response accepted.

IV-B-05 Certified Budget - Disbursements during the year ended June 30, 2005, exceeded the amounts budgeted in the public works function. Disbursements during the year ended June 30, 2004 exceeded the amounts budgeted in public works and debt service functions. The budget was also exceeded prior to amendments. 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 384.14 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will do this in the future.

Conclusion - Response accepted.

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

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

IV-E-05 Business Transactions - No business transactions between the City and City officials or employees were noted.

IV-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.

IV-G-05 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

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.

Recommendation - The City should comply with the Code of Iowa and publish minutes as required.

Response - We will do this.

Conclusion - Response accepted.

CITY OF COLO, IOWA
Schedule of Findings
Year Ended June 30, 2005 and 2004

Part IV: Other Findings Related to Statutory Reporting: - continued

IV-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.

IV-I-05 Financial Condition - The Debt Service Fund had a deficit balance at June 30, 2005 of \$6,118. The Enterprise Fund - Water account had a deficit balance at June 30, 2004 of \$189,038.

Recommendation - The City should investigate alternatives to eliminate the deficits in order to return the accounts to sound financial position.

Response - The deficit in the Debt Service Fund will be eliminated with future property tax collections. The deficit in the Enterprise Fund - Water account has been eliminated.

Conclusion - Response accepted.

IV-J-05 Payment of Revenue Bonds - Revenue bonds were paid from the Debt Service Fund, which is established to service debt from general obligations.

Recommendation - The City should pay revenue bonds from the respective enterprise fund.

Response - We will do this in the future.

Conclusion - Response accepted.

