

CITY OF EVANSDALE, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

- Prepared By -

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CITY OF EVANSDALE, IOWA

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CITY OF EVANSDALE, IOWA

OFFICIALS

| <u>NAME</u> | <u>TITLE</u> | <u>TERM EXPIRES</u> |
|------------------------------|----------------------------|---------------------|
| (Before January 2006) | | |
| John W. Mardis | Mayor | January 2006 |
| Carl Wyant | Mayor Pro tem | January 2006 |
| Rick Hibben | Council Member | January 2008 |
| Tom Little | Council Member | Resigned |
| Dick Dewater | Council Member | January 2006 |
| Michelle Smith | Council Member | January 2006 |
| Ralph Buck | Council Member (Appointed) | January 2006 |
| (After January 2006) | | |
| John W. Mardis | Mayor | January 2008 |
| Carl Wyant | Mayor Pro tem | January 2010 |
| Rick Hibben | Council Member | January 2008 |
| Kenny Loftus | Council Member | January 2008 |
| Dick Dewater | Council Member | January 2010 |
| Michelle Smith | Council Member | January 2010 |
| Jane Walters | City Clerk | January 2007 |
| Linda Ostlie | Deputy Clerk | January 2007 |
| Timothy J. Luce | Attorney | January 2007 |



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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 Evansdale, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Evansdale'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.

The financial statements referred to above do not include the financial transactions of the Evansdale Municipal Waterworks, a component unit of the City of Evansdale, pertaining to the Enterprise Funds, which should be included in order to conform with U.S. generally accepted accounting principles.

In my opinion, except for the effects on the financial statements due to the exclusion of the financial transactions of the Evansdale Municipal Waterworks from the reporting entity, 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 Evansdale as of June 30, 2006, 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, I have also issued my report dated December 19, 2006 on my consideration of the City of Evansdale's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my 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 26 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain 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 Evansdale's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2005 (which are not presented herein) and expressed qualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5 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".

December 19, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Evansdale 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, 2006. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities increased 34.3%, or approximately \$939,000 from fiscal 2005 to fiscal 2006. Property tax and general receipts increased approximately \$13,000 and \$118,000 respectively, and net transfers and bond proceeds increased approximately \$88,000 and \$577,000, respectively.

Disbursements of the City's governmental activities decreased 19.8%, or approximately \$768,000, in fiscal 2006 from fiscal 2005. Public safety, public works and community and economic development disbursements increased approximately \$332,000, \$31,000 and \$68,000, respectively, while general government and capital projects disbursements decreased approximately \$208,000 and \$1,059,000, respectively.

The City's total cash basis net assets increased 30%, or approximately \$537,000, from June 30, 2005 to June 30, 2006. Of this amount, the assets of the governmental activities increased approximately \$574,000 and the assets of the business type activities decreased by approximately \$37,000.

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 and proprietary 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 sanitary sewer system and sanitation/recycling. 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 Home Acres TIF, 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 statement for governmental funds is 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 sewer and sanitation recycling funds, considered to be major funds of the City.

The required financial statement for proprietary funds is 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 increased from a year ago, increasing from \$1,600,000 to \$2,174,000. 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)

| | <u>Year ended June 30,</u> | |
|--|----------------------------|-----------------|
| | <u>2006</u> | <u>2005</u> |
| Receipts and transfers: | | |
| Program receipts: | | |
| Charges for service | \$ 375 | \$ 301 |
| Operating grants, contributions and restricted interest | 517 | 438 |
| Capital grants, contributions and restricted interest | - | 80 |
| General receipts: | | |
| Property tax | 926 | 913 |
| Local option sales tax | 470 | 440 |
| Grants and contributions not restricted to specific purposes | 71 | 25 |
| Unrestricted interest on investments | 52 | 58 |
| Bond proceeds | 577 | - |
| Other general receipts | 504 | 386 |
| Transfers, net | 188 | 100 |
| Total receipts and transfers | <u>\$ 3,680</u> | <u>\$ 2,741</u> |
| Disbursements: | | |
| Public safety | \$ 1,030 | \$ 698 |
| Public works | 651 | 620 |
| Health and social services | 16 | 17 |
| Culture and recreation | 167 | 137 |
| Community and economic development | 214 | 146 |
| General government | 323 | 531 |
| Debt service | 705 | 666 |
| Capital projects | - | 1,059 |
| Total disbursements | <u>\$ 3,106</u> | <u>\$ 3,874</u> |
| Increase (decrease) in cash basis net assets | \$ 574 | \$(1,133) |
| Cash basis net assets beginning of year | <u>1,600</u> | <u>2,733</u> |
| Cash basis net assets end of year | <u>\$ 2,174</u> | <u>\$ 1,600</u> |

The City's total receipts for governmental activities increased by 34.3%, or \$939,000. The total cost of all programs and services decreased by approximately \$768,000, or 19.8%, with no new programs added this year. The increase in receipts was primarily the result of bond proceeds, while the decrease in disbursements was a result of no capital projects during the fiscal year.

The cost of all governmental activities this year was \$3,106,000 compared to \$3,874,000 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 \$2,214,000 because some of the cost was paid by those directly benefited from the programs (\$375,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$517,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$926,000 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)

| | <u>Year ended June 30,</u> | |
|---|----------------------------|---------------|
| | <u>2006</u> | <u>2005</u> |
| Receipts: | | |
| Program receipts: | | |
| Charges for service: | | |
| Sewer revenue | \$ 365 | \$ 337 |
| Sanitation/Recycling | 174 | 161 |
| Other general receipts | <u>27</u> | <u>2</u> |
| Total receipts | <u>\$ 566</u> | <u>\$ 500</u> |
| Disbursements and transfers: | | |
| Sewer revenue | \$ 234 | \$ 197 |
| Sanitation/Recycling | 161 | 195 |
| Debt service | 20 | 20 |
| Transfers, net | <u>188</u> | <u>100</u> |
| Total disbursements and transfers | <u>\$ 603</u> | <u>\$ 512</u> |
| Decrease in cash basis net assets | \$ (37) | \$ (12) |
| Cash basis net assets beginning of year | <u>176</u> | <u>188</u> |
| Cash basis net assets end of year | <u>\$ 139</u> | <u>\$ 176</u> |

Total business type activities receipts for the fiscal year were \$566,000 compared to \$500,000 last year. This increase was due primarily to an increase in other general receipts. The cash balance decreased by approximately \$37,000 from the prior year. Total disbursements and transfers for the fiscal year increased by 17.8% to a total of \$603,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Evansdale completed the year, its governmental funds reported a combined fund balance of \$2,174,418, an increase of \$574,178 from last year's total of \$1,600,240. 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 increased \$518,724 from the prior year to \$1,048,637 due to bond proceeds totaling \$576,686.

The Road Use Tax Fund cash balance increased by \$70,713 to \$330,115 during the fiscal year. This increase was attributable to a decrease in road project expenses. The City intends to use this money to upgrade the condition of all City roads.

The Employee Benefits Fund Cash balance decreased \$13,634 from the prior year to \$18,202 due to a decrease in local option sales tax.

The Police Retirement Fund cash balance remained at \$300,000 due to no activity during the year.

The Home Acres TIF was established to account for a major urban renewal project within the City. At the end of the fiscal year, the cash balance was \$167,247, an increase of \$50,259 from the previous year. The increase was the result of the sale of the Fareway building.

The Debt Service Fund cash balance remained at \$0 during the fiscal year. Disbursements were fully covered by operating transfers in.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Sewer Revenue Fund cash balance decreased by \$45,134 to \$35,637, due primarily to an increase in operating transfers out.

The Sanitation/Recycling Fund cash balance increased by \$12,498 to \$33,673, due primarily to a decrease in disbursements.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once on May 10, 2006, and resulted in an increase in operating disbursements and other financing uses of approximately \$376,000, and an increase in operating receipts and other financing sources of \$371,000.

DEBT ADMINISTRATION

At June 30, 2006, the City had approximately \$5,055,000 in bonds and other long-term debt, compared to approximately \$4,812,000 last year, as shown below.

Outstanding Debt at Year-End
(Expressed in Thousands)

| | June 30, | |
|---|-----------------|-----------------|
| | 2006 | 2005 |
| General obligation bonds | \$ 3,300 | \$ 2,970 |
| Urban renewal tax increment financing revenue bonds | 1,680 | 1,750 |
| Revenue bonds | 75 | 92 |
| Total | <u>\$ 5,055</u> | <u>\$ 4,812</u> |

Debt increased as a result of new general obligation notes issued during the year.

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 \$3,300,000 is significantly below its constitutional debt limit of \$7,528,801.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Evansdale elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates, and fees that will be charged for various City activities.

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, Jane Walters, City Clerk, City of Evansdale.

CITY OF EVANSDALE, IOWA
 STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

| | <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 | \$1,030,127 | \$ 256,676 | \$ 108,952 | \$ - |
| Public works | 651,404 | - | 378,941 | - |
| Health and social services | 15,802 | - | - | - |
| Culture and recreation | 166,675 | 104,712 | 26,255 | - |
| Community and economic development | 214,340 | - | 598 | - |
| General government | 322,565 | 13,361 | 2,500 | - |
| Debt service | <u>704,897</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total governmental activities | <u>\$3,105,810</u> | <u>\$ 374,749</u> | <u>\$ 517,246</u> | <u>\$ -</u> |
| Business type activities: | | | | |
| Sewer revenue | \$ 233,508 | \$ 365,095 | \$ - | \$ - |
| Sanitation/Recycling | 161,101 | 173,593 | - | - |
| Other | <u>20,027</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total business type activities | <u>\$ 414,636</u> | <u>\$ 538,688</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total | <u>\$3,520,446</u> | <u>\$ 913,437</u> | <u>\$ 517,246</u> | <u>\$ -</u> |

(Continued)

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

| <u>Governmental Activities</u> | <u>Business Type Activities</u> | <u>Total</u> |
|------------------------------------|-------------------------------------|-----------------------|
| \$ (664,499) | \$ - | \$ (664,499) |
| (272,463) | - | (272,463) |
| (15,802) | - | (15,802) |
| (35,708) | - | (35,708) |
| (213,742) | - | (213,742) |
| (306,704) | - | (306,704) |
| <u>(704,897)</u> | <u>-</u> | <u>(704,897)</u> |
| <u>\$ (2,213,815)</u> | <u>\$ -</u> | <u>\$ (2,213,815)</u> |
| \$ - | \$ 131,587 | \$ 131,587 |
| - | 12,492 | 12,492 |
| <u>-</u> | <u>(20,027)</u> | <u>(20,027)</u> |
| <u>\$ -</u> | <u>\$ 124,052</u> | <u>\$ 124,052</u> |
| <u>\$ (2,213,815)</u> | <u>\$ 124,052</u> | <u>\$ (2,089,763)</u> |

CITY OF EVANSDALE, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

General Receipts:

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

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:
 Streets
 Urban renewal purposes
 Debt service
 Other purpose
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> |
|------------------------------------|-------------------------------------|---------------------|
| \$ 646,473 | \$ - | \$ 646,473 |
| 279,310 | - | 279,310 |
| 470,340 | - | 470,340 |
| 70,696 | - | 70,696 |
| 52,028 | 121 | 52,149 |
| 580,000 | - | 580,000 |
| (3,314) | - | (3,314) |
| 337,987 | 26,579 | 364,566 |
| 166,273 | - | 166,273 |
| <u>188,200</u> | <u>(188,200)</u> | <u>-</u> |
| | | |
| \$ 2,787,993 | \$ (161,500) | \$ 2,626,493 |
| | | |
| \$ 574,178 | \$ (37,448) | \$ 536,730 |
| | | |
| <u>1,600,240</u> | <u>176,665</u> | <u>1,776,905</u> |
| | | |
| <u>\$ 2,174,418</u> | <u>\$ 139,217</u> | <u>\$ 2,313,635</u> |
| | | |
| \$ 330,115 | \$ - | \$ 330,115 |
| 167,247 | - | 167,247 |
| - | 69,895 | 69,895 |
| 628,419 | - | 628,419 |
| <u>1,048,637</u> | <u>69,322</u> | <u>1,117,959</u> |
| | | |
| <u>\$ 2,174,418</u> | <u>\$ 139,217</u> | <u>\$ 2,313,635</u> |

CITY OF EVANSDALE, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

| | Special | | |
|---|---------------------------|------------------------------|-------------------------|
| General | Road Use Tax | Employee Benefits | |
| RECEIPTS: | | | |
| Property tax | \$ 457,778 | \$ - | \$ 120,773 |
| Tax increment financing | - | - | - |
| Other city tax | 397,160 | - | 104,136 |
| Licenses and permits | 113,735 | - | - |
| Use of money and property | 44,190 | - | 9,469 |
| Intergovernmental | 208,896 | 378,941 | - |
| Charges for service | 215,150 | - | - |
| Miscellaneous | 109,992 | 134 | 47,187 |
| Total receipts | <u>\$1,546,901</u> | <u>\$ 379,075</u> | <u>\$ 281,565</u> |
| DISBURSEMENTS: | | | |
| Operating: | | | |
| Public safety | \$ 808,983 | \$ - | \$ 202,861 |
| Public works | 343,042 | 308,362 | - |
| Health and social services | 15,802 | - | - |
| Culture and recreation | 155,307 | - | 11,300 |
| Community and economic development | 1,583 | - | - |
| General government | 193,146 | - | 81,038 |
| Debt service | - | - | - |
| Total disbursements | <u>\$1,517,863</u> | <u>\$ 308,362</u> | <u>\$ 295,199</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>\$ 29,038</u> | <u>\$ 70,713</u> | <u>\$ (13,634)</u> |
| Other financing sources (uses): | | | |
| Bond proceeds | \$ 580,000 | \$ - | \$ - |
| Bond issuing costs | (3,314) | - | - |
| Sale of capital assets | - | - | - |
| Operating transfers in | - | - | - |
| Operating transfers out | (87,000) | - | - |
| Total other financing sources (uses) | <u>\$ 489,686</u> | <u>\$ -</u> | <u>\$ -</u> |
| Net change in cash balances | \$ 518,724 | \$ 70,713 | \$ (13,634) |
| Cash balances beginning of year | <u>529,913</u> | <u>259,402</u> | <u>31,836</u> |
| Cash balances end of year | <u>\$1,048,637</u> | <u>\$ 330,115</u> | <u>\$ 18,202</u> |
| Cash Basis Fund Balances: | | | |
| Unreserved: | | | |
| General fund | \$1,048,637 | \$ - | \$ - |
| Special revenue funds | - | 330,115 | 18,202 |
| Capital project funds | - | - | - |
| Total cash basis fund balances | <u>\$1,048,637</u> | <u>\$ 330,115</u> | <u>\$ 18,202</u> |

See Notes to Financial Statements.

| Revenue | | Debt Service | Other Nonmajor Governmental Funds | Total |
|----------------------|----------------------|-------------------|--|---------------------|
| Police Retirement | Home Acres TIF | | | |
| \$ - | \$ - | \$ - | \$ - | \$ 578,551 |
| - | 154,957 | - | 124,353 | 279,310 |
| - | - | - | 36,966 | 538,262 |
| - | - | - | 3,631 | 117,366 |
| - | 3,077 | - | 1,977 | 58,713 |
| - | 598 | - | - | 588,435 |
| - | - | - | - | 215,150 |
| - | 89,666 | - | 126,062 | 373,041 |
| <u>\$ -</u> | <u>\$ 248,298</u> | <u>\$ -</u> | <u>\$ 292,989</u> | <u>\$ 2,748,828</u> |
| \$ - | \$ - | \$ - | \$ 18,283 | \$ 1,030,127 |
| - | - | - | - | 651,404 |
| - | - | - | - | 15,802 |
| - | - | - | 68 | 166,675 |
| - | 212,757 | - | - | 214,340 |
| - | - | - | 48,381 | 322,565 |
| - | 151,555 | 393,777 | 159,564 | 704,896 |
| <u>\$ -</u> | <u>\$ 364,312</u> | <u>\$ 393,777</u> | <u>\$ 226,296</u> | <u>\$ 3,105,809</u> |
| \$ - | \$ (116,014) | \$ (393,777) | \$ 66,693 | \$ (356,981) |
| \$ - | \$ - | \$ - | \$ - | \$ 580,000 |
| - | - | - | - | (3,314) |
| - | 166,273 | - | - | 166,273 |
| - | - | 393,777 | - | 393,777 |
| - | - | - | (118,577) | (205,577) |
| <u>\$ -</u> | <u>\$ 166,273</u> | <u>\$ 393,777</u> | <u>\$ (118,577)</u> | <u>\$ 931,159</u> |
| \$ - | \$ 50,259 | \$ - | \$ (51,884) | \$ 574,178 |
| 300,000 | 116,988 | - | 362,101 | 1,600,240 |
| <u>\$ 300,000</u> | <u>\$ 167,247</u> | <u>\$ -</u> | <u>\$ 310,217</u> | <u>\$ 2,174,418</u> |
| \$ - | \$ - | \$ - | \$ - | \$ 1,048,637 |
| 300,000 | 167,247 | - | 262,257 | 1,077,821 |
| - | - | - | 47,960 | 47,960 |
| <u>\$ 300,000</u> | <u>\$ 167,247</u> | <u>\$ -</u> | <u>\$ 310,217</u> | <u>\$ 2,174,418</u> |

CITY OF EVANSDALE, IOWA
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN CASH BALANCES
 PROPRIETARY FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

| | <u>Enterprise Funds</u> | | | <u>Total</u> |
|--|--------------------------|----------------------------------|--|--------------------------|
| | <u>Sewer Revenue</u> | <u>Sanitation/ Recycling</u> | <u>Other Nonmajor Enterprise Funds</u> | |
| Operating receipts: | | | | |
| Use of money and property | \$ - | \$ - | \$ 121 | \$ 121 |
| Charges for service | 365,095 | 173,593 | - | 538,688 |
| Miscellaneous | 28 | 6 | - | 34 |
| Total operating receipts | <u>\$ 365,123</u> | <u>\$ 173,599</u> | <u>\$ 121</u> | <u>\$ 538,843</u> |
| Operating disbursements: | | | | |
| Business type activities | <u>233,508</u> | <u>161,101</u> | <u>-</u> | <u>394,609</u> |
| Excess of operating receipts over operating disbursements | \$ 131,615 | \$ 12,498 | \$ 121 | \$ 144,234 |
| Non-operating receipts (disbursements): | | | | |
| Miscellaneous | 26,545 | - | - | 26,545 |
| Debt service | <u>-</u> | <u>-</u> | <u>(20,027)</u> | <u>(20,027)</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>\$ 158,160</u> | <u>\$ 12,498</u> | <u>\$ (19,906)</u> | <u>\$ 150,752</u> |
| Other financing sources (uses): | | | | |
| Operating transfers in | \$ - | \$ - | \$ 20,336 | \$ 20,336 |
| Operating transfers out | <u>(203,294)</u> | <u>-</u> | <u>(5,242)</u> | <u>(208,536)</u> |
| Total other financing sources (uses) | <u>\$ (203,294)</u> | <u>\$ -</u> | <u>\$ 15,094</u> | <u>\$ (188,200)</u> |
| Net change in cash balances | \$ (45,134) | \$ 12,498 | \$ (4,812) | \$ (37,448) |
| Cash balances beginning of year | <u>80,771</u> | <u>21,175</u> | <u>74,719</u> | <u>176,665</u> |
| Cash balances end of year | <u>\$ 35,637</u> | <u>\$ 33,673</u> | <u>\$ 69,907</u> | <u>\$ 139,217</u> |
| Cash Basis Fund Balances: | | | | |
| Reserved for debt service | \$ - | \$ - | \$ 69,895 | \$ 69,895 |
| Unreserved | <u>35,637</u> | <u>33,673</u> | <u>12</u> | <u>69,322</u> |
| Total cash basis fund balances | <u>\$ 35,637</u> | <u>\$ 33,673</u> | <u>\$ 69,907</u> | <u>\$ 139,217</u> |

See Notes to Financial Statements.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(1) Summary of Significant Accounting Policies

The City of Evansdale is a political subdivision of the State of Iowa located in Black Hawk County. It was first incorporated in 1947 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 government services. The City also provides sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Evansdale has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Evansdale (the primary government) and excludes one of its component units. The component unit discussed below is not included in the City's reporting entity. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from their administrative office.

Component Unit

The Evansdale Municipal Waterworks is not presented in these financial statements. It is legally separate from the City, but is financially accountable to the City. The Waterworks is governed by a three-member board appointed by the City Council and the Waterwork's operating budget is subject to the approval of the City Council.

Blended Component Unit

The Evansdale Volunteer Fire Department Association is an entity which is legally separate from the City, but is so intertwined with the City that it is, in substance, part of the City. The Association is reported as part of the City and blended as a Special Revenue Fund. The Association is incorporated under Chapter 504 of the Code of Iowa. It's mission is to diligently prevent and control fires, to provide emergency services, and to perform such duties in connection therewith as may be required of it under the control of the Evansdale City Council and such officers that may be elected by the Fire Department from year to year. Contributions are used for training and to purchase items which are not included in the City's budget.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(1) Summary of Significant Accounting Policies - continued

Jointly Governed Organizations - The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Black Hawk County Assessor's Conference Board, Black Hawk County E-911 Joint Service Board, Black Hawk County Emergency Management Agency, Criminal Justice Information Systems and the Black Hawk Consolidated Public Safety Communications Board. The City also participates in the Black Hawk County Solid Waste Management Commission, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa.

B. Basis of Presentation

Government-wide Financial Statement - 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.

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 and proprietary funds are aggregated and reported as nonmajor governmental and proprietary funds.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(1) Summary of Significant Accounting Policies - continued

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 Employee Benefits Fund is used to account for property taxes levied for employee benefits.

The Police Retirement Fund is used to account for funds reserved for police retirement.

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

The Sanitation/Recycling Fund accounts for the operation and maintenance of the City's garbage system.

C. Measurement Focus and Basis of Accounting

The City of Evansdale 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.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(2) Cash and Investments

The City's deposits in banks at June 30, 2006 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 investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$39,165 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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.

Credit Risk - The City's investment in the Iowa Public Agency Investment Trust is unrated.

(3) Bonds and Notes Payable

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

| Year Ending June 30, | General Obligation Notes | | | | | | | |
|----------------------------|--------------------------------|-------------------------|--------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Essential Corporate Purpose | | Essential Corporate Purpose | | Sewer Improvements | | | |
| | Issued March 1, 1999 | Issued March 1, 1999 | Issued May 17, 2006 | Issued May 17, 2006 | Issued June 1, 2001 | Issued June 1, 2001 | Issued June 1, 2002 | Issued June 1, 2002 |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2007 | \$ 200,000 | \$ 58,080 | \$ 50,000 | \$ 25,253 | \$ 40,000 | \$ 44,438 | \$ 25,000 | \$ 28,670 |
| 2008 | 205,000 | 49,280 | 50,000 | 21,410 | 40,000 | 42,437 | 25,000 | 27,420 |
| 2009 | 215,000 | 40,260 | 50,000 | 19,510 | 45,000 | 40,438 | 25,000 | 26,170 |
| 2010 | 100,000 | 30,800 | 55,000 | 17,585 | 45,000 | 38,165 | 25,000 | 24,920 |
| 2011 | 100,000 | 26,400 | 55,000 | 15,440 | 50,000 | 35,893 | 30,000 | 23,670 |
| 2012-2016 | 500,000 | 66,000 | 320,000 | 41,418 | 275,000 | 139,993 | 165,000 | 95,029 |
| 2017-2021 | - | - | - | - | 350,000 | 59,066 | 210,000 | 47,808 |
| 2022 | - | - | - | - | - | - | 50,000 | 2,700 |
| Total | <u>\$1,320,000</u> | <u>\$270,820</u> | <u>\$580,000</u> | <u>\$140,616</u> | <u>\$845,000</u> | <u>\$400,430</u> | <u>\$555,000</u> | <u>\$276,387</u> |

CITY OF EVANSDALE, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

(3) Bonds and Notes Payable - continued

| Year Ending June 30, | Revenue Bonds | | | | | |
|----------------------------|----------------------|-----------------|-----------------------------|------------------|--------------------|--------------------|
| | Sewer | | Urban Renewal Tax Increment | | Total | |
| | Issued April 1, 1970 | | Issued December 1, 2002 | | | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2007 | \$ 18,000 | \$ 2,719 | \$ 75,000 | \$ 77,685 | \$ 408,000 | \$ 236,845 |
| 2008 | 18,000 | 2,066 | 75,000 | 73,935 | 413,000 | 216,548 |
| 2009 | 19,000 | 1,414 | 80,000 | 70,185 | 434,000 | 197,977 |
| 2010 | 20,000 | 725 | 85,000 | 67,225 | 330,000 | 179,420 |
| 2011 | - | - | 85,000 | 63,825 | 320,000 | 165,228 |
| 2012-2016 | - | - | 500,000 | 260,800 | 1,760,000 | 603,240 |
| 2017-2021 | - | - | 635,000 | 133,550 | 1,195,000 | 240,424 |
| 2022 | - | - | 145,000 | 7,250 | 195,000 | 9,950 |
| Total | <u>\$ 75,000</u> | <u>\$ 6,924</u> | <u>\$1,680,000</u> | <u>\$754,455</u> | <u>\$5,055,000</u> | <u>\$1,849,632</u> |

The urban renewal tax increment financing revenue bonds, series 2002A, were issued for the purpose of planning, undertaking and carrying out an urban renewal project within the Home Acres Urban Renewal Area consisting of the construction of a Community Response Center. The bonds are payable solely from the income and proceeds of the 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 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 resolution providing for the issuance of the sewer revenue bonds includes the following provisions:

- a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bondholders hold a lien on the future earnings of the funds.
- b) Sufficient monthly transfers shall be made to a sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due. The sewer revenue bond sinking account is required to maintain a balance of \$20,500. In addition, the City is required to accumulate an amount equal to not less than the principal and interest maturing in the next succeeding 12 months.
- c) Monthly transfers of \$150 shall be made to a sewer depreciation account until the required \$30,000 balance is accumulated. This account is restricted for the purpose of paying for unusual or extraordinary maintenance, repairs, renewals and replacements to the system.

CITY OF EVANSDALE, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

(4) Pension and Retirement Benefits

Municipal Fire and Police Retirement System of Iowa - The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th St., Des Moines, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, can not be less than 17% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2006, 2005 and 2004 were \$66,451, 57,106 and \$43,019, respectively, which exceeded the required contribution rate for each year.

Iowa Public Employees Retirement System (IPERS) - 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.

Most regular 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 salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$38,130, \$30,132 and 32,001, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, comp time, sick leave, and casual day hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable, comp time payable, sick leave payable, and casual days payable to employees at June 30, 2006, primarily relating to the General Fund, is as follows:

| <u>Type of Benefit</u> | <u>Amount</u> |
|------------------------|------------------|
| Vacation | \$ 37,734 |
| Sick leave | 8,954 |
| Comp time | 7,348 |
| Casual days | 805 |
| Total | <u>\$ 54,841</u> |

This liability has been computed based on rates of pay in effect at June 30, 2006.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(6) Loans

Interfund Loans

During the year ended June 30, 1985, the Special Revenue Fund, Home Acres Tax Increment Financing District loaned \$281,054 to the General Fund. The loan bears no interest. As of June 30, 2006, no repayments had been made, leaving a balance of \$281,054.

During the year ended June 30, 1995, the Special Revenue Fund, Home Acres Tax Increment Financing District loaned \$153,000 to the Special Revenue Fund, East Heights Tax Increment Financing District for the purpose of extending water and sewer lines. The loan bears no interest and matures on December 31, 2014. During the year ended June 30, 2006, a payment of \$40,000 was made, leaving a balance of \$44,103.

During the year ended June 30, 2000, the City approved a loan of \$180,848 to be repaid by the Special Revenue Fund, East Heights Tax Increment Financing District. The Evansdale Drive PCC Widening and Signalization project was completed within that district and financed with the proceeds from the issuance of general obligation corporate purpose notes which are to be repaid from the Debt Service Fund. The East Heights Tax Increment Financing District will repay the loan to the Debt Service Fund. The loan bears no interest and matures on December 31, 2015. During the year ended June 30, 2006, a payment of \$40,000 was made, leaving a balance of \$66,693.

During the year ended June 30, 2002, the Special Revenue Fund, Home Acres Tax Increment Financing District loaned \$31,819 to the Special Revenue Fund, Northwest Target Tax Increment Financing District for the purpose of economic development for a local business. The loan bears interest at 5% and matures on June 30, 2011. During the year ended June 30, 2006, a payment of \$31,819 was made, paying off the loan balance.

During the year ended June 30, 2002, the Special Revenue Fund, Road Use Tax loaned \$67,093 to the Special Revenue Fund, Northwest Target Tax Increment Financing District for the purpose of constructing an extension of Technology Drive and the first section of Digital Drive. The loan bears interest at 5% and matures on June 30, 2012. During the year ended June 30, 2006, a payment of \$5,907 was made, paying off the loan balance.

During the year ended June 30, 2006, the Special Revenue Fund, Northwest Tax Increment Financing District loaned \$25,700 to the Enterprise fund, Sewer Revenue for the purpose of the East End sewer and water project.

Intergovernmental Loan to the Evansdale Municipal Waterworks

On March 1, 1999, the City entered into a loan agreement with the Evansdale Municipal Waterworks in the amount of \$1,200,000 for the construction of a water tower. The loan is to be repaid in sixteen (16) annual installments, including semi-annual interest payments at rates ranging from 4.30% to 4.40%. During the year ended June 30, 2006, a payment of \$55,000 was made, leaving a balance of \$905,000.

CITY OF EVANSDALE, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

(7) **Economic Development Loans**

On October 25, 1995, the City of Evansdale loaned \$35,000 to a local business for machinery and equipment acquisition and working capital. The loan bears interest at 4% and is to be paid in monthly installments of \$644.61 from December 1, 1995 through November 1, 2000. As of June 30, 2006, \$16,401 has been received, of which \$13,953 represents principal and \$2,448 represents interest. The local business filed for Chapter 11 bankruptcy protection and no proceeds have been received by the City as a result of this filing. However, the City believes payment for this obligation will be received.

On August 22, 1997, the City of Evansdale loaned \$72,603 from the Special Revenue Fund, Home Acres Tax Increment Financing District to Evansdale Senior Housing III, LLC for additional financial assistance in order to complete construction of housing for low and moderate income senior citizens. The loan shall be for an indefinite period of time and bears no interest. The loan shall become due in full at any time the building, or any portion thereof, shall be sold or be used for any purpose other than solely for senior housing, or after 31 years, whichever occurs first.

(8) **Commitments**

At June 30, 2006, the following construction commitments had been made:

| <u>Project</u> | <u>Total Contract</u> | <u>Costs Incurred to Date</u> |
|-------------------------------|---------------------------|---------------------------------------|
| Community Response Center | \$1,798,574 | \$1,793,574 |
| 2005 Concrete Project | 10,928 | - |
| Doris Drive Repair | 5,600 | - |
| Meyers Lake Trail | 91,960 | - |
| 6 th Street Bridge | 100,067 | 81,797 |
| Industrial Drive | 11,950 | - |
| 2006 Concrete Project | 19,600 | - |
| | <u>\$2,038,679</u> | <u>\$1,875,371</u> |

At June 30, 2006, the following equipment purchase commitments had been made:

| | |
|------------|------------------|
| Dump Truck | \$ 86,961 |
| Fire Truck | 352,866 |
| | <u>\$439,827</u> |

(9) **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 531 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, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(9) Risk Management - continued

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 members' 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, if insufficient, by the subsequent year's member contributions.

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 year ended June 30, 2006 were \$51,021.

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 \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 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. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage 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, 2006, settled claims have not exceeded the risk pool or reinsurance 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 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 member is 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.

CITY OF EVANSDALE, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

(9) **Risk Management** - continued

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

(10) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|--------------------|----------------------|-------------------|
| Debt Service | General | \$ 87,000 |
| | Capital Projects: | |
| | 1999 G.O. Bond Sale | 118,577 |
| | Enterprise: | |
| | Sewer Revenue | 182,958 |
| | 2001 Sewer Bond | 5,242 |
| | | <u>\$ 393,777</u> |
| Enterprise: | | |
| Sewer Sinking | Enterprise: | |
| | Sewer Revenue | <u>\$ 20,336</u> |
| Total | | <u>\$ 414,113</u> |

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

(11) **Related Party Transactions**

The City had business transactions between the City and City officials totaling \$813 during the year ended June 30, 2006.

(12) **Subsequent Events**

On July 5, 2006, the City approved the 2006 Grand Boulevard project for \$22,919. On September 5, 2006, the City approved the Technology Drive/Digital Drive Extension project for \$239,320.

The City has been named defendant in a lawsuit filed November 27, 2006. The probability of loss, if any, is undeterminable.

Required Supplementary Information

CITY OF EVANSDALE, 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, 2006

| | Governmental Funds <u>Actual</u> | Proprietary Funds <u>Actual</u> | Less Funds Not Required <u>To Be Budgeted</u> |
|---|--|---------------------------------------|---|
| RECEIPTS: | | | |
| Property tax | \$ 578,551 | \$ - | \$ - |
| Tax increment financing | 279,310 | - | - |
| Other city tax | 538,262 | - | - |
| Licenses and permits | 117,366 | - | - |
| Use of money and property | 58,713 | 121 | 54 |
| Intergovernmental | 588,435 | - | - |
| Charges for service | 215,150 | 538,688 | - |
| Miscellaneous | 373,041 | 26,579 | 181,437 |
| Total receipts | <u>\$ 2,748,828</u> | <u>\$ 565,388</u> | <u>\$ 181,491</u> |
| DISBURSEMENTS: | | | |
| Public safety | \$ 1,030,127 | \$ - | \$ 17,422 |
| Public works | 651,404 | - | - |
| Health and social services | 15,802 | - | - |
| Culture and recreation | 166,675 | - | - |
| Community and economic development | 214,340 | - | - |
| General government | 322,565 | - | 2,400 |
| Debt service | 704,896 | 20,027 | 159,564 |
| Capital projects | - | - | - |
| Business type activities | - | 394,609 | - |
| Total disbursements | <u>\$ 3,105,809</u> | <u>\$ 414,636</u> | <u>\$ 179,386</u> |
| Excess (deficiency) of receipts over (under) disbursements | \$ (356,981) | \$ 150,752 | \$ 2,105 |
| Other financing sources, net | <u>931,159</u> | <u>(188,200)</u> | <u>-</u> |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | \$ 574,178 | \$ (37,448) | \$ 2,105 |
| Balances beginning of year | <u>1,600,240</u> | <u>176,665</u> | <u>15,024</u> |
| Balances end of year | <u>\$ 2,174,418</u> | <u>\$ 139,217</u> | <u>\$ 17,129</u> |

See Accompanying Independent Auditor's Report.

| <u>Total</u> | <u>Budgeted Amounts</u> | | <u>Final to Total Variance</u> |
|----------------------------|----------------------------|----------------------------|--------------------------------|
| | <u>Original</u> | <u>Final</u> | |
| \$ 578,551 | \$ 562,175 | \$ 562,175 | \$ 16,376 |
| 279,310 | 292,700 | 292,700 | (13,390) |
| 538,262 | 528,196 | 538,196 | 66 |
| 117,366 | 86,325 | 129,360 | (11,994) |
| 58,780 | 29,166 | 30,487 | 28,293 |
| 588,435 | 522,006 | 637,505 | (49,070) |
| 753,838 | 1,078,920 | 1,080,350 | (326,512) |
| 218,183 | 303,131 | 346,701 | (128,518) |
| <u>\$ 3,132,725</u> | <u>\$ 3,402,619</u> | <u>\$ 3,617,474</u> | <u>\$ (484,749)</u> |
| | | | |
| \$ 1,012,705 | \$ 682,536 | \$ 1,038,451 | \$ 25,746 |
| 651,404 | 915,699 | 917,756 | 266,352 |
| 15,802 | 18,043 | 18,393 | 2,591 |
| 166,675 | 130,671 | 176,236 | 9,561 |
| 214,340 | 147,551 | 224,483 | 10,143 |
| 320,165 | 463,009 | 337,098 | 16,933 |
| 565,359 | 668,332 | 668,548 | 103,189 |
| - | 195,345 | 97,413 | 97,413 |
| 394,609 | 1,039,147 | 1,105,897 | 711,288 |
| <u>\$ 3,341,059</u> | <u>\$ 4,260,333</u> | <u>\$ 4,584,275</u> | <u>\$1,243,216</u> |
| | | | |
| \$ (208,334) | \$ (857,714) | \$ (966,801) | \$ 758,467 |
| <u>742,959</u> | <u>3,000</u> | <u>107,589</u> | <u>635,370</u> |
| | | | |
| \$ 534,625 | \$ (854,714) | \$ (859,212) | \$1,393,837 |
| <u>1,761,881</u> | <u>3,476,604</u> | <u>3,476,604</u> | <u>(1,714,723)</u> |
| <u>\$ 2,296,506</u> | <u>\$ 2,621,890</u> | <u>\$ 2,617,392</u> | <u>\$ (320,886)</u> |

CITY OF EVANSDALE, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
JUNE 30, 2006

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. 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, one budget amendment increased budgeted receipts by \$371,470 and increased budgeted disbursements by \$375,968. The budget amendment is reflected in the final budgeted amounts.

Other Supplementary Information

CITY OF EVANSDALE, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

| | Special | |
|--|---------------------------|--------------------------|
| | Tort Liability | Northwest TIF |
| RECEIPTS: | | |
| Tax increment financing | \$ - | \$ 42,867 |
| Other city tax | 36,966 | - |
| Licenses and permits | - | - |
| Use of money and property | - | - |
| Miscellaneous | 6,093 | - |
| Total receipts | \$ 43,059 | \$ 42,867 |
| DISBURSEMENTS: | | |
| Operating: | | |
| Public safety | \$ - | \$ - |
| Culture and recreation | - | - |
| General government | 42,766 | - |
| Debt service | - | 79,564 |
| Total disbursements | \$ 42,766 | \$ 79,564 |
| Excess (deficiency) of receipts over (under) disbursements | \$ 293 | \$ (36,697) |
| Other financing uses: | | |
| Operating transfers out | - | - |
| Net change in cash balances | \$ 293 | \$ (36,697) |
| Cash balances beginning of year | - | 118,102 |
| Cash balances end of year | \$ 293 | \$ 81,405 |
| Cash Basis Fund Balances: | | |
| Unreserved: | | |
| Special Revenue | \$ 293 | \$ 81,405 |
| Capital Project | - | - |
| Total cash basis fund balances | \$ 293 | \$ 81,405 |

(Continued)

| Revenue | | | | |
|---------------------------------|--|--|--------------------------|-----------------------------|
| East Heights TIF | Volunteer Fire Department | Property Tax Relief Surplus | Permit Escrow | Dental Insurance |
| \$ 81,486 | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - |
| - | - | - | 3,631 | - |
| - | 54 | - | - | - |
| - | 21,873 | - | - | 876 |
| <u>\$ 81,486</u> | <u>\$ 21,927</u> | <u>\$ -</u> | <u>\$ 3,631</u> | <u>\$ 876</u> |
| | | | | |
| \$ - | \$ 17,422 | \$ - | \$ - | \$ 861 |
| - | - | - | - | 68 |
| - | 2,400 | - | - | 3,215 |
| 80,000 | - | - | - | - |
| <u>\$ 80,000</u> | <u>\$ 19,822</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,144</u> |
| | | | | |
| \$ 1,486 | \$ 2,105 | \$ - | \$ 3,631 | \$ (3,268) |
| - | - | - | - | - |
| \$ 1,486 | \$ 2,105 | \$ - | \$ 3,631 | \$ (3,268) |
| 28,929 | 15,024 | 100,543 | 15,061 | 12,437 |
| <u>\$ 30,415</u> | <u>\$ 17,129</u> | <u>\$ 100,543</u> | <u>\$ 18,692</u> | <u>\$ 9,169</u> |
| | | | | |
| \$ 30,415 | \$ 17,129 | \$ 100,543 | \$ 18,692 | \$ 9,169 |
| - | - | - | - | - |
| <u>\$ 30,415</u> | <u>\$ 17,129</u> | <u>\$ 100,543</u> | <u>\$ 18,692</u> | <u>\$ 9,169</u> |

CITY OF EVANSDALE, IOWA
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 AS FOR AND FOR THE YEAR ENDED JUNE 30, 2006

| | <u>Special Revenue</u> | |
|---|--------------------------|------------------------------|
| | <u>Severance Pay</u> | <u>Library Memorials</u> |
| RECEIPTS: | | |
| Tax increment financing | \$ - | \$ - |
| Other city tax | - | - |
| Licenses and permits | - | - |
| Use of money and property | - | - |
| Miscellaneous | - | - |
| Total receipts | \$ - | \$ - |
| DISBURSEMENTS: | | |
| Operating: | | |
| Public safety | \$ - | \$ - |
| Culture and recreation | - | - |
| General government | - | - |
| Debt service | - | - |
| Total disbursements | \$ - | \$ - |
| Excess (deficiency) of receipts over (under) disbursements | \$ - | \$ - |
| Other financing uses: | | |
| Operating transfers out | - | - |
| Net change in cash balances | \$ - | \$ - |
| Cash balances beginning of year | 4,404 | 207 |
| Cash balances end of year | \$ 4,404 | \$ 207 |
| Cash Basis Fund Balances: | | |
| Unreserved: | | |
| Special Revenue | \$ 4,404 | \$ 207 |
| Capital Project | - | - |
| Total cash basis fund balances | \$ 4,404 | \$ 207 |

See Accompanying Independent Auditor's Report.

| <u>Capital Projects</u> | |
|------------------------------------|-------------------|
| <u>1999 G.O. Bond Sale</u> | <u>Total</u> |
| \$ - | \$ 124,353 |
| - | 36,966 |
| - | 3,631 |
| 1,923 | 1,977 |
| <u>97,220</u> | <u>126,062</u> |
| <u>\$ 99,143</u> | <u>\$ 292,989</u> |
| | |
| \$ - | \$ 18,283 |
| - | 68 |
| - | 48,381 |
| - | 159,564 |
| <u>\$ -</u> | <u>\$ 226,296</u> |
| | |
| \$ 99,143 | \$ 66,693 |
| | |
| <u>(118,577)</u> | <u>(118,577)</u> |
| \$ (19,434) | \$ (51,884) |
| <u>67,394</u> | <u>362,101</u> |
| <u>\$ 47,960</u> | <u>\$ 310,217</u> |
| | |
| \$ - | \$ 262,257 |
| <u>47,960</u> | <u>47,960</u> |
| <u>\$ 47,960</u> | <u>\$ 310,217</u> |

CITY OF EVANSDALE, IOWA
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN CASH BALANCES
 NONMAJOR PROPRIETARY FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

| | Enterprise | | | Total |
|---|-------------------------|-------------------------|-----------------------|-------------------------|
| | Sewer Sinking | Sewer Depreciation | 2001 Sewer Bond | |
| Operating receipts: | | | | |
| Use of money and property | \$ - | \$ - | \$ 121 | \$ 121 |
| Non-operating disbursements: | | | | |
| Debt service | <u>20,027</u> | <u>-</u> | <u>-</u> | <u>20,027</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>\$ (20,027)</u> | <u>\$ -</u> | <u>\$ 121</u> | <u>\$ (19,906)</u> |
| Other financing sources (uses): | | | | |
| Operating transfers in | \$ 20,336 | \$ - | \$ - | \$ 20,336 |
| Operating transfers out | <u>-</u> | <u>-</u> | <u>(5,242)</u> | <u>(5,242)</u> |
| Total other financing sources (uses) | <u>\$ 20,336</u> | <u>\$ -</u> | <u>\$ (5,242)</u> | <u>\$ 15,094</u> |
| Net change in cash balances | \$ 309 | \$ - | \$ (5,121) | \$ (4,812) |
| Cash balances beginning of year | <u>20,499</u> | <u>49,087</u> | <u>5,133</u> | <u>74,719</u> |
| Cash balances end of year | <u>\$ 20,808</u> | <u>\$ 49,087</u> | <u>\$ 12</u> | <u>\$ 69,907</u> |
| Cash Basis Fund Balances: | | | | |
| Reserved for debt service | \$ 20,808 | \$ 49,087 | \$ - | \$ 69,895 |
| Unreserved | <u>-</u> | <u>-</u> | <u>12</u> | <u>12</u> |
| Total cash basis fund balances | <u>\$ 20,808</u> | <u>\$ 49,087</u> | <u>\$ 12</u> | <u>\$ 69,907</u> |

See Accompanying Independent Auditor's Report.

CITY OF EVANSDALE, IOWA
 SCHEDULE OF INDEBTEDNESS
 YEAR ENDED JUNE 30, 2006

| <u>Obligation</u> | <u>Date of Issue</u> | <u>Interest Rates</u> | <u>Amount Originally Issued</u> |
|--|--------------------------|-----------------------|---|
| General Obligation Notes: | | | |
| Essential Corporate Purpose | 03/01/99 | 4.30 - 4.40% | \$3,200,000 |
| Sewer Improvements | 06/01/01 | 5.00 - 5.50 | 995,000 |
| Sewer Improvements | 06/01/02 | 5.00 - 5.40 | 640,000 |
| Essential Corporate Purpose | 05/17/06 | 3.80 - 4.25 | 580,000 |
| Revenue Bonds: | | | |
| Sewer | 04/01/70 | 3.625% | \$ 417,000 |
| Urban Renewal Tax Increment Financing (TIF) | 12/01/02 | 3.70 - 5.10 | 1,820,000 |
| 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> |
|--|-----------------------------------|-------------------------------------|------------------------------------|--------------------------|--|
| \$1,505,000 | \$ - | \$185,000 | \$1,320,000 | \$ 66,220 | \$ - |
| 885,000 | - | 40,000 | 845,000 | 46,438 | - |
| 580,000 | - | 25,000 | 555,000 | 29,920 | - |
| - | 580,000 | - | 580,000 | - | - |
| <u>\$2,970,000</u> | <u>\$580,000</u> | <u>\$250,000</u> | <u>\$3,300,000</u> | <u>\$142,578</u> | <u>\$ -</u> |
| \$ 92,000 | \$ - | \$ 17,000 | \$ 75,000 | \$ 3,027 | \$ - |
| 1,750,000 | - | 70,000 | 1,680,000 | 81,255 | - |
| <u>\$1,842,000</u> | <u>\$ -</u> | <u>\$ 87,000</u> | <u>\$1,755,000</u> | <u>\$ 84,282</u> | <u>\$ -</u> |
| <u>\$4,812,000</u> | <u>\$580,000</u> | <u>\$337,000</u> | <u>\$5,055,000</u> | <u>\$226,860</u> | <u>\$ -</u> |

CITY OF EVANSDALE, IOWA
BOND AND NOTE MATURITIES
JUNE 30, 2006

G E N E R A L O B L I G A T I O N

| Year Ending June 30, | Essential Corporate Purpose | | Sewer Improvements | | Sewer Improvements | |
|----------------------------|--------------------------------|---------------------------|---------------------|-------------------------|---------------------|-------------------------|
| | Issued March 1, 1999 | | Issued June 1, 2001 | | Issued June 1, 2002 | |
| | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount |
| 2007 | 4.40% | \$ 200,000 | 5.00% | \$ 40,000 | 5.00% | \$ 25,000 |
| 2008 | 4.40 | 205,000 | 5.00 | 40,000 | 5.00 | 25,000 |
| 2009 | 4.40 | 215,000 | 5.05 | 45,000 | 5.00 | 25,000 |
| 2010 | 4.40 | 100,000 | 5.05 | 45,000 | 5.00 | 25,000 |
| 2011 | 4.40 | 100,000 | 5.10 | 50,000 | 5.00 | 30,000 |
| 2012 | 4.40 | 100,000 | 5.10 | 50,000 | 5.00 | 30,000 |
| 2013 | 4.40 | 100,000 | 5.10 | 50,000 | 5.00 | 30,000 |
| 2014 | 4.40 | 100,000 | 5.20 | 55,000 | 5.05 | 35,000 |
| 2015 | 4.40 | 100,000 | 5.25 | 60,000 | 5.10 | 35,000 |
| 2016 | 4.40 | 100,000 | 5.30 | 60,000 | 5.15 | 35,000 |
| 2017 | | - | 5.30 | 65,000 | 5.20 | 40,000 |
| 2018 | | - | 5.40 | 65,000 | 5.25 | 40,000 |
| 2019 | | - | 5.45 | 70,000 | 5.30 | 40,000 |
| 2020 | | - | 5.50 | 75,000 | 5.35 | 45,000 |
| 2021 | | - | 5.50 | 75,000 | 5.35 | 45,000 |
| 2022 | | - | | - | 5.40 | 50,000 |
| Total | | <u>\$1,320,000</u> | | <u>\$845,000</u> | | <u>\$555,000</u> |

R E V E N U E B O N D S

| Year Ending June 30, | Sewer | | Urban Renewal Tax Increment | | |
|----------------------------|----------------------|-------------------------|-----------------------------|---------------------------|---------------------------|
| | Issued April 1, 1970 | | Issued December 1, 2002 | | |
| | Interest Rates | Amount | Interest Rates | Amount | Total |
| 2007 | 3.625% | \$ 18,000 | 5.00% | \$ 75,000 | \$ 93,000 |
| 2008 | 3.625 | 18,000 | 5.00 | 75,000 | 93,000 |
| 2009 | 3.625 | 19,000 | 3.70 | 80,000 | 99,000 |
| 2010 | 3.625 | 20,000 | 4.00 | 85,000 | 105,000 |
| 2011 | | - | 4.10 | 85,000 | 85,000 |
| 2012 | | - | 4.20 | 90,000 | 90,000 |
| 2013 | | - | 4.30 | 95,000 | 95,000 |
| 2014 | | - | 4.40 | 100,000 | 100,000 |
| 2015 | | - | 4.50 | 105,000 | 105,000 |
| 2016 | | - | 4.60 | 110,000 | 110,000 |
| 2017 | | - | 4.70 | 115,000 | 115,000 |
| 2018 | | - | 4.80 | 120,000 | 120,000 |
| 2019 | | - | 4.90 | 125,000 | 125,000 |
| 2020 | | - | 5.00 | 135,000 | 135,000 |
| 2021 | | - | 5.00 | 140,000 | 140,000 |
| 2022 | | - | 5.00 | 145,000 | 145,000 |
| Total | | <u>\$ 75,000</u> | | <u>\$1,680,000</u> | <u>\$1,755,000</u> |

See Accompanying Independent Auditor's Report.

N O T E S

Essential

Corporate Purpose

Issued May 17, 2006

Interest

| <u>Rates</u> | <u>Amount</u> | <u>Total</u> |
|--------------|------------------|--------------------|
| 3.80% | \$ 50,000 | \$ 315,000 |
| 3.80 | 50,000 | 320,000 |
| 3.85 | 50,000 | 335,000 |
| 3.90 | 55,000 | 225,000 |
| 3.95 | 55,000 | 235,000 |
| 4.00 | 55,000 | 235,000 |
| 4.10 | 65,000 | 245,000 |
| 4.15 | 65,000 | 255,000 |
| 4.20 | 65,000 | 260,000 |
| 4.25 | 70,000 | 265,000 |
| | - | 105,000 |
| | - | 105,000 |
| | - | 110,000 |
| | - | 120,000 |
| | - | 120,000 |
| | - | 50,000 |
| | <u>\$580,000</u> | <u>\$3,300,000</u> |

CITY OF EVANSDALE, IOWA
 SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
 ALL GOVERNMENTAL FUNDS
 FOR THE LAST THREE YEARS

| | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|------------------------------------|---------------------------|---------------------------|---------------------------|
| Receipts: | | | |
| Property tax | \$ 578,551 | \$ 569,168 | \$ 490,884 |
| Tax increment financing | 279,310 | 282,272 | 270,467 |
| Other city tax | 538,262 | 501,678 | 491,925 |
| Licenses and permits | 117,366 | 59,117 | 63,897 |
| Use of money and property | 58,713 | 65,182 | 74,314 |
| Intergovernmental | 588,435 | 497,156 | 479,590 |
| Charges for service | 215,150 | 206,744 | 153,436 |
| Miscellaneous | <u>373,041</u> | <u>460,550</u> | <u>336,330</u> |
| Total | <u>\$2,748,828</u> | <u>\$2,641,867</u> | <u>\$2,360,843</u> |
| Disbursements: | | | |
| Operating: | | | |
| Public safety | \$1,030,127 | \$ 697,738 | \$ 655,670 |
| Public works | 651,404 | 620,329 | 465,173 |
| Health and social services | 15,802 | 17,206 | 12,208 |
| Culture and recreation | 166,675 | 136,971 | 165,960 |
| Community and economic development | 214,340 | 146,235 | 93,609 |
| General government | 322,565 | 531,116 | 494,686 |
| Debt service | 704,896 | 666,103 | 512,659 |
| Capital projects | <u>-</u> | <u>1,059,402</u> | <u>857,560</u> |
| Total | <u>\$3,105,809</u> | <u>\$3,875,100</u> | <u>\$3,257,525</u> |

See Accompanying Independent Auditor's Report.



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

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the City of Evansdale, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated December 19, 2006. My report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed a qualified opinion because the financial statements did not include the financial transactions of the Evansdale Municipal Waterworks. 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 Evansdale'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 Evansdale'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, of the reportable conditions described above, I believe items II-A-06, 11-B-06 and II-C-06 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Evansdale's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 year ended June 30, 2006 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 Evansdale and other parties to whom the City of Evansdale may report. 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 Evansdale 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.



December 19, 2006

CITY OF EVANSDALE, IOWA
Schedule of Findings
Year Ended June 30, 2006

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

- (a) The financial statements, which 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, expressed qualified opinions since they do not include the financial transactions of the Evansdale Municipal Waterworks.
- (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.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-06 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.

II-B-06 Evansdale Volunteer Fire Department Association - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person. Monthly bank reconciliations are prepared by a person who handles and records cash and are reviewed by a person authorized to sign checks.

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

Response - We will have one more person involved in reviewing our work to help segregate duties.

Conclusion - Response accepted.

CITY OF EVANSDALE, IOWA
Schedule of Findings
Year Ended June 30, 2006

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

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

Recommendation - Checks should be prepared and signed by one individual and then the supporting documentation should be made available along with the check to a second independent individual for review and countersignature.

Response - We will follow procedures for two signatures on all checks.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

Not applicable

Part IV: Other Findings Related to Statutory Reporting:

IV-A-06 Certified Budget - Disbursements during the year ended June 30, 2006 did not exceed the amounts budgeted.

IV-B-06 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-C-06 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-06 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

| <u>Name, Title and Business Connection</u> | <u>Transaction Description</u> | <u>Amount</u> |
|---|------------------------------------|---------------|
| Kent Smock, Fire Chief, Second Chance Armour, Inc. | Supplies | \$ 648 |
| Suzy Schares, Deputy Clerk | Equipment | 150 |
| Kurt Kastli, Waterworks Employee | Supplies | 15 |

In accordance with Chapter 362.5(10) of the Code of Iowa, these transactions do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

CITY OF EVANSDALE, IOWA
Schedule of Findings
Year Ended June 30, 2006

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

IV-E-06 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-F-06 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

IV-G-06 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-H-06 Local Option Sales Tax - Local option sales tax was deposited into the General fund. Chapter 384.4 of the Code of Iowa states, in part, that monies collected for the local option sales tax shall be deposited in the Special Revenue Fund.

Recommendation - The City should establish a Special Revenue Account for local option sales tax and deposit all revenue from these taxes in that account.

Response - We will look into this.

Conclusion - Response accepted.

