

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

JUNE 30, 2007

- 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>
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
Teresa Wheeler	City Clerk	January 2008
Linda Ostlie	Deputy Clerk	January 2008
Timothy J. Luce	Attorney	January 2008



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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, 2007, 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, 2007, 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 October 30, 2007 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 27 through 29 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 three years ended June 30, 2006 (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".

October 30, 2007

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, 2007. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities decreased 24.5%, or approximately \$903,000 from fiscal 2006 to fiscal 2007. Property tax and general receipts decreased approximately \$51,000 and \$205,000 respectively, and net transfers and bond proceeds decreased approximately \$114,000 and \$577,000, respectively.

Disbursements of the City's governmental activities increased 15.4%, or approximately \$477,000, in fiscal 2007 from fiscal 2006. Public safety, public works and culture and recreation disbursements increased approximately \$265,000, \$136,000 and \$38,000, respectively, while debt service disbursements decreased approximately \$9,000.

The City's total cash basis net assets decreased 32%, or approximately \$735,000, from June 30, 2006 to June 30, 2007. Of this amount, the assets of the governmental activities decreased approximately \$806,000 and the assets of the business type activities increased by approximately \$71,000.

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, readers 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 several Enterprise Funds, including sewer and sanitation recycling funds.

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 decreased from a year ago, decreasing from \$2,174,000 to \$1,368,000. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

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

	<u>Year ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 362	\$ 375
Operating grants, contributions and restricted interest	494	517
Capital grants, contributions and restricted interest	50	-
General receipts:		
Property tax	875	926
Local option sales tax	453	470
Grants and contributions not restricted to specific purposes	71	71
Unrestricted interest on investments	99	52
Bond proceeds	-	577
Other general receipts	299	504
Transfers, net	74	188
Total receipts and transfers	<u>\$ 2,777</u>	<u>\$ 3,680</u>
Disbursements:		
Public safety	\$ 1,295	\$ 1,030
Public works	787	651
Health and social services	21	16
Culture and recreation	205	167
Community and economic development	225	214
General government	354	323
Debt service	696	705
Total disbursements	<u>\$ 3,583</u>	<u>\$ 3,106</u>
Change in cash basis net assets	\$ (806)	\$ 574
Cash basis net assets beginning of year	<u>2,174</u>	<u>1,600</u>
Cash basis net assets end of year	<u>\$ 1,368</u>	<u>\$ 2,174</u>

The City's total receipts for governmental activities decreased by 24.5%, or \$903,000. The total cost of all programs and services increased by approximately \$477,000, or 15.4%, with no new programs added this year. The decrease in receipts was primarily the result of bond proceeds, while the increase in disbursements was a result of increased disbursements in all categories, with the exception of debt service that decreased approximately \$9,000.

The cost of all governmental activities this year was \$3,583,000 compared to \$3,106,000 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 \$2,677,000 because some of the cost was paid by those directly benefited from the programs (\$362,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$544,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$875,000 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,	
	2007	2006
Receipts:		
Program receipts:		
Charges for service:		
Sewer revenue	\$ 345	\$ 365
Sanitation/Recycling	207	174
Other general receipts	-	27
Total receipts	\$ 552	\$ 566
Disbursements and transfers:		
Sewer revenue	\$ 197	\$ 234
Sanitation/Recycling	190	161
Debt service	20	20
Transfers, net	74	188
Total disbursements and transfers	\$ 481	\$ 603
Change in cash basis net assets	\$ 71	\$ (37)
Cash basis net assets beginning of year	139	176
Cash basis net assets end of year	\$ 210	\$ 139

Total business type activities receipts for the fiscal year were \$552,000 compared to \$566,000 last year. This decrease was due primarily to a decrease in other general receipts. The cash balance increased by approximately \$71,000 from the prior year. Total disbursements and transfers for the fiscal year decreased by 20.2% to a total of \$481,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Evansdale completed the year, its governmental funds reported a combined fund balance of \$1,367,904, a decrease of \$806,514 from last year's total of \$2,174,418. 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 \$170,770 from the prior year to \$877,867.

The Road Use Tax Fund cash balance decreased by \$231,198 to \$98,917 during the fiscal year. This decrease was attributable to an increase 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 \$19,303 from the prior year to \$(1,101) 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 \$63,775, a decrease of \$103,472 from the previous year. The decrease was the result of the decrease in tax increment financing.

The Debt Service Fund cash balance decreased \$61,437 from the prior year to \$(61,437) due to an increase in disbursements and not fully covering them by operating transfers in.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Sewer Revenue Fund cash balance increased by \$52,847 to \$88,484, due primarily to a decrease in operating transfers out.

The Sanitation/Recycling Fund cash balance increased by \$17,611 to \$51,284, due primarily to an increase in receipts.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once on May 15, 2007, and resulted in an increase in operating disbursements and other financing uses of approximately \$1,260,000, and an increase in operating receipts and other financing sources of \$623,000.

DEBT ADMINISTRATION

At June 30, 2007, the City had approximately \$4,647,000 in bonds and other long-term debt outstanding, compared to approximately \$5,055,000 last year, as shown below.

Outstanding Debt at Year-End
(Expressed in Thousands)

	June 30,	
	2007	2006
General obligation bonds	\$ 2,985	\$ 3,300
Urban renewal tax increment financing revenue bonds	1,605	1,680
Revenue bonds	57	75
Total	<u>\$ 4,647</u>	<u>\$ 5,055</u>

Debt decreased as a result of scheduled debt payments.

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 \$2,985,000 is significantly below its constitutional debt limit of \$8,808,148.

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 2008 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, Teresa Wheeler, 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, 2007

	<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	\$1,294,472	\$ 235,377	\$ 18,884	\$ -
Public works	787,181	28	454,874	-
Health and social services	21,497	-	-	-
Culture and recreation	204,863	113,786	20,276	-
Community and economic development	224,922	-	-	-
General government	354,334	13,281	-	50,000
Debt service	<u>696,125</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$3,583,394</u>	<u>\$ 362,472</u>	<u>\$ 494,034</u>	<u>\$ 50,000</u>
Business type activities:				
Sewer revenue	\$ 197,259	\$ 344,718	\$ -	\$ -
Sanitation/Recycling	189,784	207,395	-	-
Other	<u>20,392</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$ 407,435</u>	<u>\$ 552,113</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$3,990,829</u>	<u>\$ 914,585</u>	<u>\$ 494,034</u>	<u>\$ 50,000</u>

(Continued)

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (1,040,211)	\$ -	\$ (1,040,211)
(332,279)	-	(332,279)
(21,497)	-	(21,497)
(70,801)	-	(70,801)
(224,922)	-	(224,922)
(291,053)	-	(291,053)
<u>(696,125)</u>	<u>-</u>	<u>(696,125)</u>
<u>\$ (2,676,888)</u>	<u>\$ -</u>	<u>\$ (2,676,888)</u>
\$ -	\$ 147,459	\$ 147,459
-	17,611	17,611
<u>-</u>	<u>(20,392)</u>	<u>(20,392)</u>
<u>\$ -</u>	<u>\$ 144,678</u>	<u>\$ 144,678</u>
<u>\$ (2,676,888)</u>	<u>\$ 144,678</u>	<u>\$ (2,532,210)</u>

CITY OF EVANSDALE, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

General Receipts:

Property and other city 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

 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 purposes
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>
\$ 645,551	\$ -	\$ 645,551
190,498	-	190,498
39,244	-	39,244
453,129	-	453,129
70,696	-	70,696
98,759	-	98,759
298,593	-	298,593
<u>73,904</u>	<u>(73,904)</u>	<u>-</u>
<u>\$ 1,870,374</u>	<u>\$ (73,904)</u>	<u>\$ 1,796,470</u>
\$ (806,514)	\$ 70,774	\$ (735,740)
<u>2,174,418</u>	<u>139,217</u>	<u>2,313,635</u>
<u>\$ 1,367,904</u>	<u>\$ 209,991</u>	<u>\$ 1,577,895</u>
\$ 98,917	\$ -	\$ 98,917
63,775	-	63,775
(61,437)	70,223	8,786
388,782	-	388,782
<u>877,867</u>	<u>139,768</u>	<u>1,017,635</u>
<u>\$ 1,367,904</u>	<u>\$ 209,991</u>	<u>\$ 1,577,895</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, 2007

	<u>General</u>	<u>Special</u>	
		<u>Road Use</u>	<u>Employee</u>
		<u>Tax</u>	<u>Benefits</u>
RECEIPTS:			
Property tax	\$ 458,822	\$ -	\$ 112,735
Tax increment financing	-	-	-
Other city tax	258,919	-	53,293
Licenses and permits	77,563	-	-
Use of money and property	67,947	-	19,517
Intergovernmental	237,192	377,219	-
Charges for service	264,813	-	-
Miscellaneous	60,691	-	42,283
Total receipts	<u>\$1,425,947</u>	<u>\$ 377,219</u>	<u>\$ 227,828</u>
DISBURSEMENTS:			
Operating:			
Public safety	\$1,079,271	\$ -	\$ 195,168
Public works	178,764	608,417	-
Health and social services	21,497	-	-
Culture and recreation	193,435	-	10,741
Community and economic development	-	-	-
General government	198,230	-	82,468
Debt service	-	-	-
Total disbursements	<u>\$1,671,197</u>	<u>\$ 608,417</u>	<u>\$ 288,377</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (245,250)</u>	<u>\$ (231,198)</u>	<u>\$ (60,549)</u>
Other financing sources (uses):			
Operating transfers in	\$ 149,480	\$ -	\$ 41,246
Operating transfers out	(75,000)	-	-
Total other financing sources (uses)	<u>\$ 74,480</u>	<u>\$ -</u>	<u>\$ 41,246</u>
Net change in cash balances	\$ (170,770)	\$ (231,198)	\$ (19,303)
Cash balances beginning of year	<u>1,048,637</u>	<u>330,115</u>	<u>18,202</u>
Cash balances end of year	<u>\$ 877,867</u>	<u>\$ 98,917</u>	<u>\$ (1,101)</u>
Cash Basis Fund Balances:			
Unreserved:			
General fund	\$ 877,867	\$ -	\$ -
Special revenue funds	-	98,917	(1,101)
Debt service	-	-	-
Capital project funds	-	-	-
Total cash basis fund balances	<u>\$ 877,867</u>	<u>\$ 98,917</u>	<u>\$ (1,101)</u>

See Notes to Financial Statements.

Revenue		Debt Service	Other Nonmajor Governmental Funds	Total
Police Retirement	Home Acres TIF			
\$ -	\$ -	\$ 39,244	\$ -	\$ 610,801
-	74,023	-	116,475	190,498
-	-	-	214,911	527,123
-	-	-	3,824	81,387
-	15,533	-	2,247	105,244
-	-	-	-	614,411
-	-	-	-	264,813
-	30,000	40,075	135,650	308,699
<u>\$ -</u>	<u>\$ 119,556</u>	<u>\$ 79,319</u>	<u>\$ 473,107</u>	<u>\$ 2,702,976</u>
\$ -	\$ -	\$ -	\$ 20,033	\$ 1,294,472
-	-	-	-	787,181
-	-	-	-	21,497
-	-	-	687	204,863
-	70,043	-	154,879	224,922
-	-	-	73,636	354,334
-	152,985	473,140	70,000	696,125
<u>\$ -</u>	<u>\$ 223,028</u>	<u>\$ 473,140</u>	<u>\$ 319,235</u>	<u>\$ 3,583,394</u>
\$ -	\$ (103,472)	\$ (393,821)	\$ 153,872	\$ (880,418)
\$ -	\$ -	\$ 332,384	\$ 25,439	\$ 548,549
-	-	-	(399,645)	(474,645)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 332,384</u>	<u>\$ (374,206)</u>	<u>\$ 73,904</u>
\$ -	\$ (103,472)	\$ (61,437)	\$ (220,334)	\$ (806,514)
300,000	167,247	-	310,217	2,174,418
<u>\$ 300,000</u>	<u>\$ 63,775</u>	<u>\$ (61,437)</u>	<u>\$ 89,883</u>	<u>\$ 1,367,904</u>
\$ -	\$ -	\$ -	\$ -	\$ 877,867
300,000	63,775	-	78,602	540,193
-	-	(61,437)	-	(61,437)
-	-	-	11,281	11,281
<u>\$ 300,000</u>	<u>\$ 63,775</u>	<u>\$ (61,437)</u>	<u>\$ 89,883</u>	<u>\$ 1,367,904</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, 2007

	<u>Enterprise Funds</u>			<u>Total</u>
	<u>Sewer Revenue</u>	<u>Sanitation/ Recycling</u>	<u>Other Nonmajor Enterprise Funds</u>	
Operating receipts:				
Charges for service	\$ 344,718	\$ 207,395	\$ -	\$ 552,113
Operating disbursements:				
Business type activities	<u>197,259</u>	<u>189,784</u>	<u>-</u>	<u>387,043</u>
Excess of operating receipts over operating disbursements	\$ 147,459	\$ 17,611	\$ -	\$ 165,070
Non-operating disbursements:				
Debt service	<u>-</u>	<u>-</u>	<u>(20,392)</u>	<u>(20,392)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 147,459</u>	<u>\$ 17,611</u>	<u>\$ (20,392)</u>	<u>\$ 144,678</u>
Other financing sources (uses):				
Operating transfers in	\$ -	\$ -	\$ 20,720	\$ 20,720
Operating transfers out	<u>(94,612)</u>	<u>-</u>	<u>(12)</u>	<u>(94,624)</u>
Total other financing sources (uses)	<u>\$ (94,612)</u>	<u>\$ -</u>	<u>\$ 20,708</u>	<u>\$ (73,904)</u>
Net change in cash balances	\$ 52,847	\$ 17,611	\$ 316	\$ 70,774
Cash balances beginning of year	<u>35,637</u>	<u>33,673</u>	<u>69,907</u>	<u>139,217</u>
Cash balances end of year	<u>\$ 88,484</u>	<u>\$ 51,284</u>	<u>\$ 70,223</u>	<u>\$ 209,991</u>
Cash Basis Fund Balances:				
Reserved for debt service	\$ -	\$ -	\$ 70,223	\$ 70,223
Unreserved	<u>88,484</u>	<u>51,284</u>	<u>-</u>	<u>139,768</u>
Total cash basis fund balances	<u>\$ 88,484</u>	<u>\$ 51,284</u>	<u>\$ 70,223</u>	<u>\$ 209,991</u>

See Notes to Financial Statements.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(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, 2007

(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 service.

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 not meeting 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, 2007

(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 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. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the debt service function.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(2) Cash and Investments

The City's deposits in banks at June 30, 2007 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 \$41,159 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) to 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 May 17, 2006		Issued June 1, 2001		Issued June 1, 2002	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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`	100,000	22,000	55,000	13,268	50,000	33,342	30,000	22,170
2013-2017	400,000	44,000	265,000	28,150	290,000	125,702	175,000	86,675
2018-2022	-	-	-	-	285,000	40,015	220,000	36,692
Total	<u>\$1,120,000</u>	<u>\$212,740</u>	<u>\$530,000</u>	<u>\$115,363</u>	<u>\$805,000</u>	<u>\$355,992</u>	<u>\$530,000</u>	<u>\$247,717</u>

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(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
2008	\$ 18,000	\$ 2,066	\$ 75,000	\$ 73,935	\$ 413,000	\$ 216,548
2009	19,000	1,416	80,000	70,185	434,000	197,979
2010	20,000	726	85,000	67,225	330,000	179,421
2011	-	-	85,000	63,825	320,000	165,228
2012	-	-	90,000	60,340	325,000	151,120
2013-2017	-	-	525,000	238,750	1,655,000	523,277
2018-2022	-	-	665,000	102,510	1,170,000	179,217
Total	<u>\$ 57,000</u>	<u>\$ 4,208</u>	<u>\$1,605,000</u>	<u>\$676,770</u>	<u>\$4,647,000</u>	<u>\$1,612,790</u>

The urban renewal tax increment financing revenue bonds 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 Special Revenue Home Acres TIF 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, 2007

(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, 7155 Lake Drive, West Des Moines, Iowa 50263.

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, 2007, 2006 and 2005 were \$64,350, \$66,451 and \$57,106, 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 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, 2007, 2006 and 2005 were \$38,757, \$38,130 and 30,132, 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, 2007, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 34,345
Sick leave	13,117
Comp time	7,280
Casual days	2,228
Total	<u>\$ 56,970</u>

This liability has been computed based on rates of pay in effect at June 30, 2007.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(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, 2007, 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, 2007, a payment of \$30,000 was made, leaving a balance of \$14,103.

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, 2007, a payment of \$40,000 was made, leaving a balance of \$26,693.

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. As of June 30, 2007, no repayments had been made, leaving a balance of \$25,700.

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, 2007, a payment of \$65,000 was made, leaving a balance of \$840,000.

(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, 2007, \$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. The City believes payment for this obligation will not be received. As a result, the City considers this loan to be uncollectible.

**CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

(7) Economic Development Loans - continued

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, 2007, the following construction commitments had been made:

<u>Project</u>	<u>Total Contract</u>	<u>Costs Incurred to Date</u>
Community Response Center	\$1,672,199	\$1,667,199
2006 Grand Boulevard Project	24,875	24,875
Technology/Digital Drives	239,320	78,191
McCoy Road Overlay	114,375	-
2007 Central Avenue Sidewalk	40,401	-
Deerwood Campground	107,303	-
Sidewalk Project	4,833	-
	<u>\$2,203,306</u>	<u>\$1,770,265</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 556 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.

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.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(9) Risk Management - continued

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 contributions to the Pool for the year ended June 30, 2007 were \$55,208.

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 \$3,000,000 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 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, 2007, 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.

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.

CITY OF EVANSDALE, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2007

(10) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Permit Escrow	\$ 17,215
	Local Option Sales Tax	132,265
		<u>\$ 149,480</u>
Special Revenue:	Special Revenue:	
Tort Liability	Local Option Sales Tax	\$ 15,439
Employee Benefits	Local Option Sales Tax	41,246
		<u>\$ 56,685</u>
Debt Service	General	\$ 65,000
	Special Revenue:	
	East Heights TIF	40,000
	Capital Projects:	
	1999 G.O. Bond Sale	153,480
	Enterprise:	
	Sewer Revenue	73,892
	2001 Sewer Bond	12
		<u>\$ 332,384</u>
Capital Projects:	General	\$ 10,000
1999 G.O. Bond Sale		
Enterprise:	Enterprise:	
Sewer Sinking	Sewer Revenue	<u>\$ 20,720</u>
Total		<u>\$ 569,269</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 \$8,787 during the year ended June 30, 2007.

(12) **Deficit Balances**

The Special Revenue, Tort Liability Fund had a deficit balance of \$394 at June 30, 2007. The deficit balance was a result of costs incurred prior to availability of funds. The deficit will be eliminated upon future receipts.

The Special Revenue, Employee Benefits Fund had a deficit balance of \$1,101 at June 30, 2007. The deficit balance was a result of costs incurred prior to availability of funds. The deficit will be eliminated upon future receipts.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(12) **Deficit Balances** - continued

The Special Revenue, Northwest TIF Fund had a deficit balance of \$1,905 at June 30, 2007. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon future receipts.

The Special Revenue, East Heights TIF Fund had a deficit balance of \$34,679 at June 30, 2007. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon future receipts.

The Special Revenue, Severance Pay Fund had a deficit balance of \$13,815 at June 30, 2007. The deficit balance was a result of costs incurred prior to availability of funds. The deficit will be eliminated upon future transfers.

The Debt Service Fund had a deficit balance of \$61,437 at June 30, 2007. The deficit balance was a result of costs incurred prior to availability of funds. The deficit will be eliminated upon future transfers.

(13) **Industrial Development Revenue Bonds**

The City has issued a total of \$3,000,000 of Museum Facility Revenue Bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the revenues generated by the museum, and the bond principal and interest do not constitute liabilities of the City. The bonds outstanding at June 30, 2007 were \$3,000,000.

(14) **Subsequent Events**

On September 4, 2007, the City approved the 2007 Doris Drive repairs for \$26,970. On September 18, 2007, the City approved the purchase of a copier for \$5,989. On September 12, 2007, the City issued \$525,000 in Facility Revenue bonds for the North Star Community Services, Inc. Project. The bonds are issued by the City pursuant to Chapter 419 of the Code of Iowa, and the bond principal and interest do not constitute liabilities of the City.

The City has been named defendant in a lawsuit filed November 27, 2007. 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, 2007

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds Not Required <u>To Be Budgeted</u>
RECEIPTS:			
Property tax	\$ 610,801	\$ -	\$ -
Tax increment financing	190,498	-	-
Other city tax	527,123	-	-
Licenses and permits	81,387	-	-
Use of money and property	105,244	-	246
Intergovernmental	614,411	-	-
Charges for service	264,813	552,113	-
Special assessments	-	-	-
Miscellaneous	308,699	-	21,784
Total receipts	<u>\$ 2,702,976</u>	<u>\$ 552,113</u>	<u>\$ 22,030</u>
DISBURSEMENTS:			
Public safety	\$ 1,294,472	\$ -	\$ 17,832
Public works	787,181	-	-
Health and social services	21,497	-	-
Culture and recreation	204,863	-	-
Community and economic development	224,922	-	-
General government	354,334	-	-
Debt service	696,125	20,392	-
Business type activities	-	387,043	-
Total disbursements	<u>\$ 3,583,394</u>	<u>\$ 407,435</u>	<u>\$ 17,832</u>
Excess (deficiency) of receipts over (under) disbursements	\$ (880,418)	\$ 144,678	\$ 4,198
Other financing sources, net	<u>73,904</u>	<u>(73,904)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ (806,514)	\$ 70,774	\$ 4,198
Balances beginning of year	<u>2,174,418</u>	<u>139,217</u>	<u>17,129</u>
Balances end of year	<u>\$ 1,367,904</u>	<u>\$ 209,991</u>	<u>\$ 21,327</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>	
\$ 610,801	\$ 603,051	\$ 603,194	\$ 7,607
190,498	195,000	195,000	(4,502)
527,123	530,078	530,078	(2,955)
81,387	70,025	70,025	11,362
104,998	77,325	93,300	11,698
614,411	596,215	783,750	(169,339)
816,926	1,173,960	1,224,210	(407,284)
-	1,500	1,500	(1,500)
286,915	108,302	109,382	177,533
<u>\$ 3,233,059</u>	<u>\$ 3,355,456</u>	<u>\$ 3,610,439</u>	<u>\$ (377,380)</u>
\$ 1,276,640	\$ 1,274,981	\$ 1,346,376	\$ 69,736
787,181	580,771	852,986	65,805
21,497	18,943	24,218	2,721
204,863	178,273	228,073	23,210
224,922	141,871	260,601	35,679
354,334	333,091	377,406	23,072
716,517	590,473	626,125	(90,392)
387,043	883,352	911,152	524,109
<u>\$ 3,972,997</u>	<u>\$ 4,001,755</u>	<u>\$ 4,626,937</u>	<u>\$ 653,940</u>
\$ (739,938)	\$ (646,299)	\$ (1,016,498)	\$ 276,560
<u>-</u>	<u>307,000</u>	<u>35,760</u>	<u>(35,760)</u>
\$ (739,938)	\$ (339,299)	\$ (980,738)	\$ 240,800
<u>2,296,506</u>	<u>1,743,464</u>	<u>1,743,464</u>	<u>553,042</u>
<u>\$ 1,556,568</u>	<u>\$ 1,404,165</u>	<u>\$ 762,726</u>	<u>\$ 793,842</u>

CITY OF EVANSDALE, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
JUNE 30, 2007

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 \$622,924 and increased budgeted disbursements by \$1,264,363. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the debt service function.

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, 2007

	Special	
	Tort Liability	Northwest TIF
RECEIPTS:		
Tax increment financing	\$ -	\$ 1,255
Other city tax	25,961	-
Licenses and permits	-	-
Use of money and property	-	-
Miscellaneous	8,106	-
Total receipts	\$ 34,067	\$ 1,255
DISBURSEMENTS:		
Operating:		
Public safety	\$ -	\$ -
Culture and recreation	-	-
Community and economic development	-	84,565
General government	50,193	-
Debt service	-	-
Total disbursements	\$ 50,193	\$ 84,565
Excess (deficiency) of receipts over (under) disbursements	\$ (16,126)	\$ (83,310)
Other financing sources (uses):		
Operating transfers in	\$ 15,439	\$ -
Operating transfers out	-	-
Total other financing sources (uses)	\$ 15,439	\$ -
Net change in cash balances	\$ (687)	\$ (83,310)
Cash balances beginning of year	293	81,405
Cash balances end of year	\$ (394)	\$ (1,905)
Cash Basis Fund Balances:		
Unreserved:		
Special Revenue	\$ (394)	\$ (1,905)
Capital Projects	-	-
Total cash basis fund balances	\$ (394)	\$ (1,905)

(Continued)

Revenue					
East Heights TIF	Volunteer Fire Department	Local Option Sales Tax	Property Tax Relief Surplus	Permit Escrow	Dental Insurance
\$ 115,220	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	188,950	-	-	-
-	-	-	-	3,824	-
-	246	-	-	-	-
-	21,784	-	-	-	960
<u>\$ 115,220</u>	<u>\$ 22,030</u>	<u>\$ 188,950</u>	<u>\$ -</u>	<u>\$ 3,824</u>	<u>\$ 960</u>
\$ -	\$ 17,832	\$ -	\$ -	\$ -	\$ 2,201
-	-	-	-	-	687
70,314	-	-	-	-	-
-	-	-	-	-	5,224
70,000	-	-	-	-	-
<u>\$ 140,314</u>	<u>\$ 17,832</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,112</u>
\$ (25,094)	\$ 4,198	\$ 188,950	\$ -	\$ 3,824	\$ (7,152)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(40,000)	-	(188,950)	-	(17,215)	-
<u>\$ (40,000)</u>	<u>\$ -</u>	<u>\$ (188,950)</u>	<u>\$ -</u>	<u>\$ (17,215)</u>	<u>\$ -</u>
\$ (65,094)	\$ 4,198	\$ -	\$ -	\$ (13,391)	\$ (7,152)
30,415	17,129	-	100,543	18,692	9,169
<u>\$ (34,679)</u>	<u>\$ 21,327</u>	<u>\$ -</u>	<u>\$ 100,543</u>	<u>\$ 5,301</u>	<u>\$ 2,017</u>
\$ (34,679)	\$ 21,327	\$ -	\$ 100,543	\$ 5,301	\$ 2,017
-	-	-	-	-	-
<u>\$ (34,679)</u>	<u>\$ 21,327</u>	<u>\$ -</u>	<u>\$ 100,543</u>	<u>\$ 5,301</u>	<u>\$ 2,017</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, 2007

	<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	<u>\$ -</u>	<u>\$ -</u>
DISBURSEMENTS:		
Operating:		
Public safety	\$ -	\$ -
Culture and recreation	-	-
Community and economic development	-	-
General government	18,219	-
Debt service	-	-
Total disbursements	<u>\$ 18,219</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (18,219)</u>	<u>\$ -</u>
Other financing sources (uses):		
Operating transfers in	\$ -	\$ -
Operating transfers out	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>
Net change in cash balances	\$ (18,219)	\$ -
Cash balances beginning of year	<u>4,404</u>	<u>207</u>
Cash balances end of year	<u>\$ (13,815)</u>	<u>\$ 207</u>
Cash Basis Fund Balances:		
Unreserved:		
Special Revenue	\$ (13,815)	\$ 207
Capital Projects	-	-
Total cash basis fund balances	<u>\$ (13,815)</u>	<u>\$ 207</u>

See Accompanying Independent Auditor's Report.

<u>Capital Projects</u>	
<u>1999 G.O. Bond Sale</u>	<u>Total</u>
\$ -	\$ 116,475
-	214,911
-	3,824
2,001	2,247
104,800	135,650
<u>\$ 106,801</u>	<u>\$ 473,107</u>
\$ -	\$ 20,033
-	687
-	154,879
-	73,636
-	70,000
<u>\$ -</u>	<u>\$ 319,235</u>
<u>\$ 106,801</u>	<u>\$ 153,872</u>
\$ 10,000	\$ 25,439
(153,480)	(399,645)
<u>\$ (143,480)</u>	<u>\$ (374,206)</u>
\$ (36,679)	\$ (220,334)
<u>47,960</u>	<u>310,217</u>
<u>\$ 11,281</u>	<u>\$ 89,883</u>
\$ -	\$ 78,602
11,281	11,281
<u>11,281</u>	<u>11,281</u>
<u>\$ 11,281</u>	<u>\$ 89,883</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, 2007

	<u>Enterprise</u>			<u>Total</u>
	<u>Sewer Sinking</u>	<u>Sewer Depreciation</u>	<u>2001 Sewer Bond</u>	
Non-operating receipts (disbursements):				
Debt service	\$ (20,392)	\$ -	\$ -	\$ (20,392)
Other financing sources (uses):				
Operating transfers in	\$ 20,720	\$ -	\$ -	\$ 20,720
Operating transfers out	<u>-</u>	<u>-</u>	<u>(12)</u>	<u>(12)</u>
Total other financing sources (uses)	<u>\$ 20,720</u>	<u>\$ -</u>	<u>\$ (12)</u>	<u>\$ 20,708</u>
Net change in cash balances	\$ 328	\$ -	\$ (12)	\$ 316
Cash balances beginning of year	<u>20,808</u>	<u>49,087</u>	<u>12</u>	<u>69,907</u>
Cash balances end of year	<u>\$ 21,136</u>	<u>\$ 49,087</u>	<u>\$ -</u>	<u>\$ 70,223</u>
Cash Basis Fund Balances:				
Reserved for debt service	<u>\$ 21,136</u>	<u>\$ 49,087</u>	<u>\$ -</u>	<u>\$ 70,223</u>
Total cash basis fund balances	<u>\$ 21,136</u>	<u>\$ 49,087</u>	<u>\$ -</u>	<u>\$ 70,223</u>

See Accompanying Independent Auditor's Report.

CITY OF EVANSDALE, IOWA
 SCHEDULE OF INDEBTEDNESS
 YEAR ENDED JUNE 30, 2007

<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>
\$1,320,000	\$ -	\$200,000	\$1,120,000	\$ 58,080	\$ -
845,000	-	40,000	805,000	44,437	-
555,000	-	25,000	530,000	28,670	-
580,000	-	50,000	530,000	25,253	-
<u>\$3,300,000</u>	<u>\$ -</u>	<u>\$315,000</u>	<u>\$2,985,000</u>	<u>\$156,440</u>	<u>\$ -</u>
\$ 75,000	\$ -	\$ 18,000	\$ 57,000	\$ 2,392	\$ -
1,680,000	-	75,000	1,605,000	77,843	-
<u>\$1,755,000</u>	<u>\$ -</u>	<u>\$ 93,000</u>	<u>\$1,662,000</u>	<u>\$ 80,235</u>	<u>\$ -</u>
<u>\$5,055,000</u>	<u>\$ -</u>	<u>\$408,000</u>	<u>\$4,647,000</u>	<u>\$236,675</u>	<u>\$ -</u>

CITY OF EVANSDALE, IOWA
BOND AND NOTE MATURITIES
JUNE 30, 2007

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		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
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>\$1,120,000</u>		<u>\$805,000</u>		<u>\$530,000</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		Interest		Total
	Rates	Amount	Rates	Amount	
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>\$ 57,000</u>		<u>\$1,605,000</u>	<u>\$1,662,000</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	\$ 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>\$530,000</u>	<u>\$2,985,000</u>

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Receipts:				
Property tax	\$ 610,801	\$ 578,551	\$ 569,168	\$ 490,884
Tax increment financing	190,498	279,310	282,272	270,467
Other city tax	527,123	538,262	501,678	491,925
Licenses and permits	81,387	117,366	59,117	63,897
Use of money and property	105,244	58,713	65,182	74,314
Intergovernmental	614,411	588,435	497,156	479,590
Charges for service	264,813	215,150	206,744	153,436
Miscellaneous	<u>308,699</u>	<u>373,041</u>	<u>460,550</u>	<u>336,330</u>
Total	<u>\$2,702,976</u>	<u>\$2,748,828</u>	<u>\$2,641,867</u>	<u>\$2,360,843</u>
Disbursements:				
Operating:				
Public safety	\$1,294,472	\$1,030,127	\$ 697,738	\$ 655,670
Public works	787,181	651,404	620,329	465,173
Health and social services	21,497	15,802	17,206	12,208
Culture and recreation	204,863	166,675	136,971	165,960
Community and economic development	224,922	214,340	146,235	93,609
General government	354,334	322,565	531,116	494,686
Debt service	696,125	704,896	666,103	512,659
Capital projects	<u>-</u>	<u>-</u>	<u>1,059,402</u>	<u>857,560</u>
Total	<u>\$3,583,394</u>	<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, 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, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued my report thereon dated October 30, 2007. My report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions 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 as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the City of Evansdale's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Evansdale's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies and other deficiencies I consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Evansdale's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Evansdale's financial statements that is more than inconsequential will not be prevented or detected by the City of Evansdale's internal control. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Evansdale's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe items II-A-07, II-B-07 and II-C-07 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, 2007 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.

The City of Evansdale's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the City's responses, I did not audit the City of Evansdale's responses and, accordingly, I express no opinion on them.

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.



October 30, 2007

CITY OF EVANSDALE, IOWA
Schedule of Findings
Year Ended June 30, 2007

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) Significant deficiencies 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:

SIGNIFICANT DEFICIENCIES:

II-A-07 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-07 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, 2007

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

II-C-07 Countersignature of Checks - The City requires checks to be signed by two authorized individuals. I noted one check 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.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Part III: Findings and Questioned Costs for Federal Awards:

Not applicable

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-07 Certified Budget - Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

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

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

Conclusion - Response accepted.

IV-B-07 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-07 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

CITY OF EVANSDALE, IOWA
Schedule of Findings
Year Ended June 30, 2007

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

IV-D-07 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	\$8,787

In accordance with Chapter 362.5(10) of the Code of Iowa, this transaction may represent a conflict of interest since the total transactions were over \$1,500 during the fiscal year.

Recommendation - The City should consult legal counsel to determine the disposition of this matter.

Response - We will do this.

Conclusion - Response accepted.

IV-E-07 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 the coverage is adequate for current operations.

IV-F-07 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

IV-G-07 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-07 Financial Condition - The Special Revenue Funds, Tort Liability, Employee Benefits, Northwest TIF, East Heights TIF, Severance Pay and the Debt Service Fund had deficit balances at June 30, 2007 of \$394, \$1,101, \$1,905, \$34,679, \$13,815 and \$61,437, respectively.

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

Response - These deficits will be eliminated.

Conclusion - Response accepted.