

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

JUNE 30, 2008

- Prepared By -

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

CITY OF EVANSDALE, IOWA

TABLE OF CONTENTS

			<u>PAGE</u>
<u>OFFICIALS</u>			1
<u>INDEPENDENT AUDITOR'S REPORT</u>			2-3
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>			4-8
 <u>BASIC FINANCIAL STATEMENTS:</u>			
		<u>Exhibit</u>	
Government-wide Financial Statement:			
Statement of Activities and Net Assets - Cash Basis	A		9-12
Governmental Fund Financial Statement:			
Statement of Cash Receipts, Disbursements and			
Changes in Cash Balances	B		13-14
Proprietary Fund Financial Statement:			
Statement of Cash Receipts, Disbursements and			
Changes in Cash Balances	C		15
Notes to Financial Statements			16-26
 <u>REQUIRED SUPPLEMENTARY INFORMATION:</u>			
Budgetary Comparison Schedule of Receipts, Disbursements and			
Changes in Balances - Budget and Actual (Cash Basis) - All Governmental			
Funds and Proprietary Funds			27-28
Notes to Required Supplementary Information			
- Budgetary Reporting			29
 <u>OTHER SUPPLEMENTARY INFORMATION:</u>			
		<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in			
Cash Balances - Nonmajor Governmental Funds	1		30-33
Schedule of Cash Receipts, Disbursements and Changes in			
Cash Balances - Nonmajor Proprietary Funds	2		34
Schedule of Indebtedness	3		35-36
Bond and Note Maturities	4		37-38
Schedule of Receipts by Source and Disbursements by			
Function - All Governmental Funds	5		39
 <u>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER</u>			
<u>FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS</u>			
<u>BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN</u>			
<u>ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</u>			
			40-41
<u>SCHEDULE OF FINDINGS</u>			42-44

CITY OF EVANSDALE, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
(Before January 2008)		
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 Adamson	City Clerk	January 2008
Linda Ostlie	Deputy Clerk	January 2008
Timothy J. Luce	Attorney	January 2008
(After January 2008)		
Chad Deutsch	Mayor	January 2010
Kenny Loftus	Mayor Pro tem	January 2012
Dick Dewater	Council Member	January 2010
Michelle Smith	Council Member	January 2010
Rick Hibben	Council Member	January 2012
Carl Wyant	Council Member	January 2010
Teresa Adamson	City Clerk	Indefinite
Linda Ostlie	Deputy Clerk	June 2008
Timothy J. Luce	Attorney	Indefinite



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

E-mail: rlp@fi.ai.net

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

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Evansdale, Iowa, as of and for the year ended June 30, 2008, 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, 2008, 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 September 3, 2008 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, 2007 (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".

September 3, 2008

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, 2008. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities increased 9.5%, or approximately \$258,000 from fiscal 2007 to fiscal 2008. Property tax, local option sales tax, and note proceeds increased approximately \$111,000, \$56,000, and \$298,000, respectively. Operating grants, contributions and restricted interest, charges for service and unrestricted interest on investment decreased \$68,000, \$35,000 and \$33,000, respectively.

Disbursements of the City's governmental activities decreased 7.7%, or approximately \$278,000, in fiscal 2008 from fiscal 2007. Culture and recreation and community and economic development disbursements increased approximately \$59,000 and \$251,000, respectively, while public safety, public works and debt service disbursements decreased approximately \$320,000, \$202,000 and \$78,000, respectively.

The City's total cash basis net assets decreased 17.4%, or approximately \$276,000, from June 30, 2007 to June 30, 2008. Of this amount, the assets of the governmental activities decreased approximately \$209,000 and the assets of the business type activities decreased by approximately \$67,000.

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, Police Retirement and Local Option Sales Tax, 3) the Debt Service Fund, and 4) the Capital Projects Funds. 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 \$1,368,000 to \$1,159,000. 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>2008</u>	<u>2007</u>
Receipts:		
Program receipts:		
Charges for service	\$ 327	\$ 362
Operating grants, contributions and restricted interest	426	494
Capital grants, contributions and restricted interest	-	50
General receipts:		
Property tax	986	875
Local option sales tax	509	453
Grants and contributions not restricted to specific purposes	71	71
Unrestricted interest on investments	66	99
Note proceeds, net	298	-
Other general receipts	278	299
Total receipts	<u>\$ 2,961</u>	<u>\$ 2,703</u>
 Disbursements:		
Public safety	\$ 975	\$ 1,295
Public works	585	787
Health and social services	21	21
Culture and recreation	264	205
Community and economic development	476	225
General government	366	354
Debt service	618	696
Total disbursements	<u>\$ 3,305</u>	<u>\$ 3,583</u>
 Change in cash basis net assets before transfers	\$ (344)	\$ (880)
Transfers, net	<u>135</u>	<u>74</u>
 Change in cash basis net assets	\$ (209)	\$ (806)
 Cash basis net assets beginning of year	<u>1,368</u>	<u>2,174</u>
 Cash basis net assets end of year	<u>\$ 1,159</u>	<u>\$ 1,368</u>

The City's total receipts for governmental activities increased by 9.5%, or \$258,000. The total cost of all programs and services decreased by approximately \$278,000, or 7.7%, with no new programs added this year. The increase in receipts was primarily the result of note proceeds, while the decrease in disbursements was a result of decreased disbursements in all categories, with the exception of culture and recreation, community and economic development and debt service, which increased approximately \$59,000, \$251,000 and \$78,000, respectively.

The cost of all governmental activities this year was approximately \$3,305,000 compared to approximately \$3,583,000 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 approximately \$2,553,000 because some of the cost was paid by those directly benefited from the programs (\$327,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$426,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$986,000 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>2008</u>	<u>2007</u>
Receipts:		
Program receipts:		
Charges for service:		
Sewer revenue	\$ 322	\$ 345
Sanitation/Recycling	194	207
Total receipts	<u>\$ 516</u>	<u>\$ 552</u>
Disbursements:		
Sewer revenue	\$ 237	\$ 197
Sanitation/Recycling	191	190
Debt service	20	20
Total disbursements	<u>\$ 448</u>	<u>\$ 407</u>
Change in cash basis net assets before transfers	\$ 68	\$ 145
Transfers, net	<u>(135)</u>	<u>(74)</u>
Change in cash basis net assets	\$ (67)	\$ 71
Cash basis net assets beginning of year	<u>210</u>	<u>139</u>
Cash basis net assets end of year	<u><u>\$ 143</u></u>	<u><u>\$ 210</u></u>

Total business type activities receipts for the fiscal year were approximately \$516,000 compared to approximately \$552,000 last year. This decrease was due primarily to a decrease in both sewer revenue and sanitation/recycling receipts. The cash balance decreased by approximately \$67,000 from the prior year. Total disbursements for the fiscal year increased by 10.0% to a total of approximately \$448,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Evansdale completed the year, its governmental funds reported a combined fund balance of \$1,159,332, a decrease of \$208,572 from last year's total of \$1,367,904. 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 \$341,856 from the prior year to \$536,011.

The Special revenue, Road Use Tax Fund cash balance decreased by \$44,501 to \$54,416 during the fiscal year. This decrease was attributable to road project expenses. The City intends to use this money to upgrade the condition of all City roads.

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

The Special Revenue, Local Option Sales Tax Fund cash balance remained unchanged from the prior year with all receipts transferred out during the fiscal year.

The Debt Service Fund cash balance increased \$64,153 from the prior year to \$2,716. The City transferred in additional money to cover their debt service payments, not covered by property tax receipts.

The Capital Projects Fund, 2007 G.O. Bond Sale Fund cash balance increased \$37,487 from the prior year to \$37,487. The increase was due to bond proceeds received that have not been fully expended.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Sewer Revenue Fund cash balance decreased by \$50,601 to \$37,883, due primarily to an increase in operating transfers out.

The Sanitation/Recycling Fund cash balance slightly increased by \$3,197 to \$54,481.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget twice. Once on May 20, 2008, and once on June 17, 2008, resulting in an increase in operating disbursements of approximately \$705,000, and an increase in operating receipts and other financing sources of \$495,000.

The City exceeded the amounts budgeted in the community and economic development and debt service functions prior to the budget amendment.

DEBT ADMINISTRATION

At June 30, 2008, the City had approximately \$4,534,000 in bonds, notes and other long-term debt outstanding, compared to approximately \$4,647,000 last year, as shown below.

Outstanding Debt at Year-End

(Expressed in Thousands)

	June 30,	
	2008	2007
General obligation notes	\$ 2,965	\$ 2,985
Urban renewal tax increment financing revenue bonds	1,530	1,605
Revenue bonds	39	57
Total	<u>\$ 4,534</u>	<u>\$ 4,647</u>

Debt decreased as a result of scheduled debt payments. The City issued general obligation notes for an economic development project during the fiscal 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 tax increment financing and interfund debt of \$4,816,850 is significantly below its constitutional debt limit of \$9,144,630.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Evansdale elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 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 Adamson, City Clerk, 123 North Evans Road, City of Evansdale, Iowa 50707.

CITY OF EVANSDALE, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

	<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	\$ 974,757	\$ 231,909	\$ 8,204	\$ -
Public works	584,970	997	387,755	-
Health and social services	21,314	-	-	-
Culture and recreation	264,105	82,681	21,676	-
Community and economic development	475,785	-	-	-
General government	366,144	11,622	8,022	-
Debt service	<u>618,420</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$3,305,495</u>	<u>\$ 327,209</u>	<u>\$ 425,657</u>	<u>\$ -</u>
Business type activities:				
Sewer revenue	\$ 237,326	\$ 322,399	\$ -	\$ -
Sanitation/Recycling	190,579	193,776	-	-
Other	<u>19,740</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$ 447,645</u>	<u>\$ 516,175</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$3,753,140</u>	<u>\$ 843,384</u>	<u>\$ 425,657</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>
\$ (734,644)	\$ -	\$ (734,644)
(196,218)	-	(196,218)
(21,314)	-	(21,314)
(159,748)	-	(159,748)
(475,785)	-	(475,785)
(346,500)	-	(346,500)
<u>(618,420)</u>	<u>-</u>	<u>(618,420)</u>
<u>\$ (2,552,629)</u>	<u>\$ -</u>	<u>\$ (2,552,629)</u>
\$ -	\$ 85,073	\$ 85,073
-	3,197	3,197
<u>-</u>	<u>(19,740)</u>	<u>(19,740)</u>
<u>\$ -</u>	<u>\$ 68,530</u>	<u>\$ 68,530</u>
<u>\$ (2,552,629)</u>	<u>\$ 68,530</u>	<u>\$ (2,484,099)</u>

CITY OF EVANSDALE, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

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 purposes
Unrestricted interest on investments
Note proceeds, net
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 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>
\$ 644,466	\$ -	\$ 644,466
299,649	-	299,649
41,956	-	41,956
509,454	-	509,454
70,696	-	70,696
65,667	-	65,667
298,486	-	298,486
233,540	-	233,540
44,485	-	44,485
<u>135,658</u>	<u>(135,658)</u>	<u>-</u>
<u>\$ 2,344,057</u>	<u>\$ (135,658)</u>	<u>\$ 2,208,399</u>
\$ (208,572)	\$ (67,128)	\$ (275,700)
<u>1,367,904</u>	<u>209,991</u>	<u>1,577,895</u>
<u>\$ 1,159,332</u>	<u>\$ 142,863</u>	<u>\$ 1,302,195</u>
\$ 54,416	\$ -	\$ 54,416
140,338	-	140,338
2,716	50,499	53,215
425,851	-	425,851
<u>536,011</u>	<u>92,364</u>	<u>628,375</u>
<u>\$ 1,159,332</u>	<u>\$ 142,863</u>	<u>\$ 1,302,195</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, 2008

	<u>General</u>	<u>Special</u>	
		<u>Road Use Tax</u>	<u>Police Retirement</u>
RECEIPTS:			
Property tax	\$ 445,617	\$ -	\$ -
Tax increment financing	-	-	-
Other city tax	79,932	-	-
Licenses and permits	52,278	-	-
Use of money and property	47,232	-	-
Intergovernmental	108,599	387,755	-
Charges for service	226,418	-	-
Miscellaneous	105,063	-	-
Total receipts	<u>\$1,065,139</u>	<u>\$ 387,755</u>	<u>\$ -</u>
DISBURSEMENTS:			
Operating:			
Public safety	\$ 744,283	\$ -	\$ -
Public works	152,714	432,256	-
Health and social services	21,314	-	-
Culture and recreation	252,279	-	-
Community and economic development	-	-	-
General government	221,396	-	-
Debt service	-	-	-
Total disbursements	<u>\$1,391,986</u>	<u>\$ 432,256</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (326,847)</u>	<u>\$ (44,501)</u>	<u>\$ -</u>
Other financing sources (uses):			
Note proceeds	\$ -	\$ -	\$ -
Note discount	-	-	-
Sale of capital assets	44,485	-	-
Operating transfers in	356,617	-	-
Operating transfers out	(416,111)	-	-
Total other financing sources (uses)	<u>\$ (15,009)</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in cash balances	\$ (341,856)	\$ (44,501)	\$ -
Cash balances beginning of year	<u>877,867</u>	<u>98,917</u>	<u>300,000</u>
Cash balances end of year	<u>\$ 536,011</u>	<u>\$ 54,416</u>	<u>\$ 300,000</u>
Cash Basis Fund Balances:			
Reserved for debt service	\$ -	\$ -	\$ -
Unreserved:			
General fund	536,011	-	-
Special revenue funds	-	54,416	300,000
Capital projects fund	-	-	-
Total cash basis fund balances	<u>\$ 536,011</u>	<u>\$ 54,416</u>	<u>\$ 300,000</u>

See Notes to Financial Statements.

<u>Revenue</u>		<u>Capital Projects</u>	<u>Other Nonmajor</u>	
<u>Local Option Sales Tax</u>	<u>Debt Service</u>	<u>2007 G.O. Bond Sale</u>	<u>Governmental Funds</u>	<u>Total</u>
\$ -	\$ 41,956	\$ -	\$ 118,917	\$ 606,490
-	-	-	299,649	299,649
509,454	-	-	-	589,386
-	-	-	955	53,233
-	-	-	20,937	68,169
-	-	-	-	496,354
-	-	-	-	226,418
-	18,476	-	155,056	278,595
<u>\$ 509,454</u>	<u>\$ 60,432</u>	<u>\$ -</u>	<u>\$ 595,514</u>	<u>\$ 2,618,294</u>
\$ -	\$ -	\$ -	\$ 230,474	\$ 974,757
-	-	-	-	584,970
-	-	-	-	21,314
-	-	-	11,826	264,105
-	-	260,999	214,786	475,785
-	-	-	144,748	366,144
-	462,148	-	156,272	618,420
<u>\$ -</u>	<u>\$ 462,148</u>	<u>\$ 260,999</u>	<u>\$ 758,106</u>	<u>\$ 3,305,495</u>
<u>\$ 509,454</u>	<u>\$ (401,716)</u>	<u>\$ (260,999)</u>	<u>\$ (162,592)</u>	<u>\$ (687,201)</u>
\$ -	\$ -	\$ 300,000	\$ -	\$ 300,000
-	-	(1,514)	-	(1,514)
-	-	-	-	44,485
-	470,404	-	441,232	1,268,253
(509,454)	(4,535)	-	(202,495)	(1,132,595)
<u>\$ (509,454)</u>	<u>\$ 465,869</u>	<u>\$ 298,486</u>	<u>\$ 238,737</u>	<u>\$ 478,629</u>
\$ -	\$ 64,153	\$ 37,487	\$ 76,145	\$ (208,572)
-	(61,437)	-	152,557	1,367,904
<u>\$ -</u>	<u>\$ 2,716</u>	<u>\$ 37,487</u>	<u>\$ 228,702</u>	<u>\$ 1,159,332</u>
\$ -	\$ 2,716	\$ -	\$ -	\$ 2,716
-	-	-	-	536,011
-	-	-	228,702	583,118
-	-	37,487	-	37,487
<u>\$ -</u>	<u>\$ 2,716</u>	<u>\$ 37,487</u>	<u>\$ 228,702</u>	<u>\$ 1,159,332</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, 2008

	<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	\$ 322,399	\$ 193,776	\$ -	\$ 516,175
Operating disbursements:				
Business type activities	<u>237,326</u>	<u>190,579</u>	<u>-</u>	<u>427,905</u>
Excess of operating receipts over operating disbursements	\$ 85,073	\$ 3,197	\$ -	\$ 88,270
Non-operating disbursements:				
Debt service	<u>-</u>	<u>-</u>	<u>(19,740)</u>	<u>(19,740)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 85,073</u>	<u>\$ 3,197</u>	<u>\$ (19,740)</u>	<u>\$ 68,530</u>
Other financing sources (uses):				
Operating transfers in	\$ -	\$ -	\$ 54,432	\$ 54,432
Operating transfers out	<u>(135,674)</u>	<u>-</u>	<u>(54,416)</u>	<u>(190,090)</u>
Total other financing sources (uses)	<u>\$ (135,674)</u>	<u>\$ -</u>	<u>\$ 16</u>	<u>\$ (135,658)</u>
Net change in cash balances	\$ (50,601)	\$ 3,197	\$ (19,724)	\$ (67,128)
Cash balances beginning of year	<u>88,484</u>	<u>51,284</u>	<u>70,223</u>	<u>209,991</u>
Cash balances end of year	<u>\$ 37,883</u>	<u>\$ 54,481</u>	<u>\$ 50,499</u>	<u>\$ 142,863</u>
Cash Basis Fund Balances:				
Reserved for debt service	\$ -	\$ -	\$ 50,499	\$ 50,499
Unreserved	<u>37,883</u>	<u>54,481</u>	<u>-</u>	<u>92,364</u>
Total cash basis fund balances	<u>\$ 37,883</u>	<u>\$ 54,481</u>	<u>\$ 50,499</u>	<u>\$ 142,863</u>

See Notes to Financial Statements.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(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, 2008

(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, Iowa Northland Regional Council of Governments, 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, 2008

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

The Local Option Sales Tax Fund is used to account for local option sales tax receipts and disbursements.

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

The Capital Project fund - 2007 G.O. Bond Sale is used to account for the general obligation economic development note proceeds and disbursements.

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, 2008, disbursements exceeded the original budget prior to amending in the community and economic development and debt service functions.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(2) Cash and Investments

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

Interest Rate Risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) 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.

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Notes		Urban Renewal Tax Increment Financing (TIF) Revenue Bonds		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 335,000	\$138,098	\$ 80,000	\$ 70,185	\$ 19,000	\$ 1,416	\$ 434,000	\$ 209,699
2010	225,000	123,190	85,000	67,225	20,000	726	330,000	191,141
2011	325,000	113,122	85,000	63,825	-	-	410,000	176,947
2012	235,000	99,081	90,000	60,340	-	-	325,000	159,421
2013	245,000	88,430	95,000	56,560	-	-	340,000	144,990
2014-2018	1,200,000	253,206	550,000	215,075	-	-	1,750,000	468,281
2019-2022	400,000	49,398	545,000	69,625	-	-	945,000	119,023
Total	<u>\$2,965,000</u>	<u>\$864,525</u>	<u>\$1,530,000</u>	<u>\$602,835</u>	<u>\$ 39,000</u>	<u>\$ 2,142</u>	<u>\$4,534,000</u>	<u>\$1,469,502</u>

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(3) Bonds and Notes Payable - continued

Urban Renewal Tax Increment Financing Revenue Bonds

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. Total principal and interest remaining on the bonds is \$2,132,835, payable through June 2022. For the current year, principal and interest paid and total TIF receipts were \$148,935 and \$229,161.

Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$417,000 in sewer revenue bonds issued in April 1970. Proceeds from the bonds provided financing for the construction of improvements to the sewer treatment plant. The bonds are payable solely from sewer customer net receipts and are payable through 2010. Annual principal and interest payments on the bonds are expected to require less than 55 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$41,142. For the current year, principal and interest paid and total customer net receipts were \$20,066 and \$85,073, respectively.

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, 2008

(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, Suite 201, West Des Moines, Iowa 50266.

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, 2008, 2007 and 2006 were \$68,098, \$64,350 and \$66,451, 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 3.90% of their annual covered salary and the City is required to contribute 6.05% 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, 2008, 2007 and 2006 were \$30,632, \$38,757 and 38,130, 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, 2008, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 30,772
Comp time	7,017
Casual days	1,920
Total	<u>\$ 39,709</u>

This liability has been computed based on rates of pay in effect at June 30, 2008.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(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, 2008, 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, 2008, no payments were 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, 2008, no payments had been 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, 2008, 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, 2008, a payment of \$65,000 was made, leaving a balance of \$775,000.

(7) Economic Development Loan

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.

CITY OF EVANSDALE, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2008

(8) Commitments

At June 30, 2008, the following construction commitments had been made:

<u>Project</u>	<u>Total Contract</u>	<u>Costs Incurred to Date</u>
Technology/Digital Drives	\$ 270,395	\$ 225,211
Deerwood Campground	107,303	102,506
Street Overlay Project	62,943	-
	<u>\$ 440,641</u>	<u>\$ 327,717</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 563 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 200 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 contributions to the Pool for the year ended June 30, 2008 were \$57,699.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(9) Risk Management - continued

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 \$10,000,000 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, 2008, 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 casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty 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, 2008

(10) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Local Option Sales Tax	\$ 356,617
Special Revenue: Tort Liability	Special Revenue: Local Option Sales Tax	\$ 60,755
Employee Benefits	Local Option Sales Tax Tort Liability Property Tax Relief Surplus	\$ 92,082 20,059 11,000 <u>\$ 123,141</u>
Dental Insurance	Property Tax Relief Surplus	<u>\$ 3,000</u>
Severance Pay	General	<u>\$ 28,131</u>
Northwest TIF	General	<u>\$ 221,670</u>
Debt Service	General Special Revenue: East Heights TIF Northwest TIF Property Tax Relief Surplus	\$ 166,310 5,000 33,941 27,355
	Capital Projects: 1999 G.O. Bond Sale	 102,140
	Enterprise: Sewer Revenue 2001 Sewer Bond	 100,329 35,329 <u>\$ 470,404</u>
Capital Projects: 1999 G.O. Bond Sale	General	<u>\$ 4,535</u>
Enterprise: Sewer Sinking	Enterprise: Sewer Revenue Sewer Depreciation	\$ 16 19,087 <u>\$ 19,103</u>
2001 Sewer Bond	Sewer Revenue	<u>\$ 35,329</u>
Total		<u>\$1,322,685</u>

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

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(11) **Industrial Development Revenue Bonds**

The City has issued a total of \$3,525,000 of industrial revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$1,500,580 is outstanding at June 30, 2008. 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.

(12) **Subsequent Event**

The City is subject to pending litigation involving a former employee. 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, 2008

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Less Funds Not Required To Be Budgeted</u>
RECEIPTS:			
Property tax	\$ 606,490	\$ -	\$ -
Tax increment financing	299,649	-	-
Other city tax	589,386	-	-
Licenses and permits	53,233	-	-
Use of money and property	68,169	-	91
Intergovernmental	496,354	-	-
Charges for service	226,418	516,175	-
Special assessments	-	-	-
Miscellaneous	278,595	-	19,972
Total receipts	<u>\$ 2,618,294</u>	<u>\$ 516,175</u>	<u>\$ 20,063</u>
DISBURSEMENTS:			
Public safety	\$ 974,757	\$ -	\$ 22,892
Public works	584,970	-	-
Health and social services	21,314	-	-
Culture and recreation	264,105	-	-
Community and economic development	475,785	-	-
General government	366,144	-	-
Debt service	618,420	19,740	-
Business type activities	-	427,905	-
Total disbursements	<u>\$ 3,305,495</u>	<u>\$ 447,645</u>	<u>\$ 22,892</u>
Excess (deficiency) of receipts over (under) disbursements	\$ (687,201)	\$ 68,530	\$ (2,829)
Other financing sources, net	<u>478,629</u>	<u>(135,658)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ (208,572)	\$ (67,128)	\$ (2,829)
Balances beginning of year	<u>1,367,904</u>	<u>209,991</u>	<u>21,327</u>
Balances end of year	<u>\$ 1,159,332</u>	<u>\$ 142,863</u>	<u>\$ 18,498</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>	
\$ 606,490	\$ 592,105	\$ 592,105	\$ 14,385
299,649	195,000	195,000	104,649
589,386	534,705	584,705	4,681
53,233	70,625	70,625	(17,392)
68,078	98,825	133,825	(65,747)
496,354	486,825	486,825	9,529
742,593	1,281,641	1,291,641	(549,048)
-	1,000	1,000	(1,000)
258,623	93,650	193,650	64,973
<u>\$ 3,114,406</u>	<u>\$ 3,354,376</u>	<u>\$ 3,549,376</u>	<u>\$ (434,970)</u>
\$ 951,865	\$ 948,914	\$ 986,604	\$ 34,739
584,970	646,880	699,529	114,559
21,314	22,045	22,045	731
264,105	270,067	291,207	27,102
475,785	123,562	541,725	65,940
366,144	350,760	386,405	20,261
638,160	611,483	678,483	40,323
427,905	944,399	1,017,842	589,937
<u>\$ 3,730,248</u>	<u>\$ 3,918,110</u>	<u>\$ 4,623,840</u>	<u>\$ 893,592</u>
\$ (615,842)	\$ (563,734)	\$ (1,074,464)	\$ 458,622
<u>342,971</u>	<u>24,000</u>	<u>324,000</u>	<u>18,971</u>
\$ (272,871)	\$ (539,734)	\$ (750,464)	\$ 477,593
<u>1,556,568</u>	<u>1,817,324</u>	<u>1,817,324</u>	<u>(260,756)</u>
<u>\$ 1,283,697</u>	<u>\$ 1,277,590</u>	<u>\$ 1,066,860</u>	<u>\$ 216,837</u>

CITY OF EVANSDALE, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
JUNE 30, 2008

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, Debt Service and Capital Projects 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. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. 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, two budget amendments increased budgeted disbursements by \$705,730. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the community and economic development and debt service functions prior to the budget amendment.

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, 2008

	Special		
	Tort Liability	Employee Benefits	Home Acres TIF
RECEIPTS:			
Property tax	\$ -	\$ 118,917	\$ -
Tax increment financing	-	-	229,161
Licenses and permits	-	-	-
Use of money and property	-	16,165	1,827
Miscellaneous	8,819	40,474	-
Total receipts	\$ 8,819	\$ 175,556	\$ 230,988
DISBURSEMENTS:			
Operating:			
Public safety	\$ -	\$ 202,889	\$ -
Culture and recreation	-	11,189	-
Community and economic development	-	-	30,000
General government	49,121	80,014	-
Debt service	-	-	149,235
Total disbursements	\$ 49,121	\$ 294,092	\$ 179,235
Excess (deficiency) of receipts over (under) disbursements	\$ (40,302)	\$ (118,536)	\$ 51,753
Other financing sources (uses):			
Operating transfers in	\$ 60,755	\$ 123,141	\$ -
Operating transfers out	(20,059)	-	-
Total other financing sources (uses)	\$ 40,696	\$ 123,141	\$ -
Net change in cash balances	\$ 394	\$ 4,605	\$ 51,753
Cash balances beginning of year	(394)	(1,101)	63,775
Cash balances end of year	\$ -	\$ 3,504	\$ 115,528
Cash Basis Fund Balances:			
Unreserved for Special Revenue	\$ -	\$ 3,504	\$ 115,528
Total cash basis fund balances	\$ -	\$ 3,504	\$ 115,528

(Continued)

Revenue					
Northwest TIF	East Heights TIF	Volunteer Fire Department	Property Tax Relief Surplus	Permit Escrow	Dental Insurance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
28,931	41,557	-	-	-	-
-	-	-	-	955	-
-	-	91	-	-	-
-	-	19,972	-	-	2,321
<u>\$ 28,931</u>	<u>\$ 41,557</u>	<u>\$ 20,063</u>	<u>\$ -</u>	<u>\$ 955</u>	<u>\$ 2,321</u>
\$ -	\$ -	\$ 22,892	\$ -	\$ -	\$ 4,693
-	-	-	-	-	637
184,786	-	-	-	-	-
-	-	-	-	-	1,297
7,037	-	-	-	-	-
<u>\$ 191,823</u>	<u>\$ -</u>	<u>\$ 22,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,627</u>
\$ (162,892)	\$ 41,557	\$ (2,829)	\$ -	\$ 955	\$ (4,306)
\$ 221,670	\$ -	\$ -	\$ -	\$ -	\$ 3,000
(33,941)	(5,000)	-	(41,355)	-	-
<u>\$ 187,729</u>	<u>\$ (5,000)</u>	<u>\$ -</u>	<u>\$ (41,355)</u>	<u>\$ -</u>	<u>\$ 3,000</u>
\$ 24,837	\$ 36,557	\$ (2,829)	\$ (41,355)	\$ 955	\$ (1,306)
(1,905)	(34,679)	21,327	100,543	5,301	2,017
<u>\$ 22,932</u>	<u>\$ 1,878</u>	<u>\$ 18,498</u>	<u>\$ 59,188</u>	<u>\$ 6,256</u>	<u>\$ 711</u>
\$ 22,932	\$ 1,878	\$ 18,498	\$ 59,188	\$ 6,256	\$ 711
<u>\$ 22,932</u>	<u>\$ 1,878</u>	<u>\$ 18,498</u>	<u>\$ 59,188</u>	<u>\$ 6,256</u>	<u>\$ 711</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, 2008

	<u>Special Revenue</u>	
	<u>Severance Pay</u>	<u>Library Memorials</u>
RECEIPTS:		
Property tax	\$ -	\$ -
Tax increment financing	-	-
Licenses and permits	-	-
Use of money and property	-	-
Miscellaneous	-	-
Total receipts	\$ -	\$ -
DISBURSEMENTS:		
Operating:		
Public safety	\$ -	\$ -
Culture and recreation	-	-
Community and economic development	-	-
General government	14,316	-
Debt service	-	-
Total disbursements	\$ 14,316	\$ -
Excess (deficiency) of receipts over (under) disbursements	\$ (14,316)	\$ -
Other financing sources (uses):		
Operating transfers in	\$ 28,131	\$ -
Operating transfers out	-	-
Total other financing sources (uses)	\$ 28,131	\$ -
Net change in cash balances	\$ 13,815	\$ -
Cash balances beginning of year	(13,815)	207
Cash balances end of year	\$ -	\$ 207
Cash Basis Fund Balances:		
Unreserved for Special Revenue	\$ -	\$ 207
Total cash basis fund balances	\$ -	\$ 207

See Accompanying Independent Auditor's Report.

<u>Capital Projects</u>	
<u>1999 G.O. Bond Sale</u>	<u>Total</u>
\$ -	\$ 118,917
-	299,649
-	955
2,854	20,937
83,470	155,056
<u>\$ 86,324</u>	<u>\$ 595,514</u>
\$ -	\$ 230,474
-	11,826
-	214,786
-	144,748
-	156,272
<u>\$ -</u>	<u>\$ 758,106</u>
<u>\$ 86,324</u>	<u>\$ (162,592)</u>
\$ 4,535	\$ 441,232
(102,140)	(202,495)
<u>\$ (97,605)</u>	<u>\$ 238,737</u>
\$ (11,281)	\$ 76,145
<u>11,281</u>	<u>152,557</u>
<u><u>\$ -</u></u>	<u><u>\$ 228,702</u></u>
<u>\$ -</u>	<u>\$ 228,702</u>
<u><u>\$ -</u></u>	<u><u>\$ 228,702</u></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, 2008

	<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	\$ (19,740)	\$ -	\$ -	\$ (19,740)
Other financing sources (uses):				
Operating transfers in	\$ 19,103	\$ -	\$ 35,329	\$ 54,432
Operating transfers out	<u>-</u>	<u>(19,087)</u>	<u>(35,329)</u>	<u>(54,416)</u>
Total other financing sources (uses)	<u>\$ 19,103</u>	<u>\$ (19,087)</u>	<u>\$ -</u>	<u>\$ 16</u>
Net change in cash balances	\$ (637)	\$ (19,087)	\$ -	\$ (19,724)
Cash balances beginning of year	<u>21,136</u>	<u>49,087</u>	<u>-</u>	<u>70,223</u>
Cash balances end of year	<u>\$ 20,499</u>	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 50,499</u>
Cash Basis Fund Balances:				
Reserved for debt service	<u>\$ 20,499</u>	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 50,499</u>
Total cash basis fund balances	<u>\$ 20,499</u>	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 50,499</u>

See Accompanying Independent Auditor's Report.

CITY OF EVANSDALE, IOWA
 SCHEDULE OF INDEBTEDNESS
 YEAR ENDED JUNE 30, 2008

<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
Economic Development	11/01/07	4.00	300,000
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>
\$1,120,000	\$ -	\$205,000	\$ 915,000	\$ 49,280	\$ -
805,000	-	40,000	765,000	42,437	-
530,000	-	25,000	505,000	27,420	-
530,000	-	50,000	480,000	21,410	-
-	300,000	-	300,000	6,837	-
<u>\$2,985,000</u>	<u>\$300,000</u>	<u>\$320,000</u>	<u>\$2,965,000</u>	<u>\$147,384</u>	<u>\$ -</u>
\$ 57,000	\$ -	\$ 18,000	\$ 39,000	\$ 1,740	\$ -
1,605,000	-	75,000	1,530,000	73,935	-
<u>\$1,662,000</u>	<u>\$ -</u>	<u>\$ 93,000</u>	<u>\$1,569,000</u>	<u>\$ 75,675</u>	<u>\$ -</u>
<u>\$4,647,000</u>	<u>\$300,000</u>	<u>\$413,000</u>	<u>\$4,534,000</u>	<u>\$223,059</u>	<u>\$ -</u>

CITY OF EVANSDALE, IOWA
BOND AND NOTE MATURITIES
JUNE 30, 2008

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
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>\$ 915,000</u>		<u>\$765,000</u>		<u>\$505,000</u>

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

Year Ending June 30,	Sewer		Urban Renewal Tax Increment		Total
	Issued April 1, 1970		Issued December 1, 2002		
	Interest	Amount	Interest	Amount	
	Rates	Amount	Rates	Amount	
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>\$ 39,000</u>		<u>\$1,530,000</u>	<u>\$1,569,000</u>

See Accompanying Independent Auditor's Report.

N O T E S

<u>Essential</u>		<u>Economic</u>		
<u>Corporate Purpose</u>		<u>Development</u>		
<u>Issued May 17, 2006</u>		<u>Issued November 1, 2007</u>		
<u>Interest</u>		<u>Interest</u>		
<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Total</u>
3.85%	\$ 50,000		\$ -	\$ 335,000
3.90	55,000		-	225,000
3.95	55,000	4.00%	90,000	325,000
4.00	55,000		-	235,000
4.10	65,000		-	245,000
4.15	65,000	4.00	100,000	355,000
4.20	65,000		-	260,000
4.25	70,000		-	265,000
	-	4.00	110,000	215,000
	-		-	105,000
	-		-	110,000
	-		-	120,000
	-		-	120,000
	-		-	50,000
	<u>\$480,000</u>		<u>\$ 300,000</u>	<u>\$2,965,000</u>

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Receipts:				
Property tax	\$ 606,490	\$ 610,801	\$ 578,551	\$ 569,168
Tax increment financing	299,649	190,498	279,310	282,272
Other city tax	589,386	527,123	538,262	501,678
Licenses and permits	53,233	81,387	117,366	59,117
Use of money and property	68,169	105,244	58,713	65,182
Intergovernmental	496,354	614,411	588,435	497,156
Charges for service	226,418	264,813	215,150	206,744
Miscellaneous	<u>278,595</u>	<u>308,699</u>	<u>373,041</u>	<u>460,550</u>
Total	<u>\$2,618,294</u>	<u>\$2,702,976</u>	<u>\$2,748,828</u>	<u>\$2,641,867</u>
Disbursements:				
Operating:				
Public safety	\$ 974,757	\$1,294,472	\$1,030,127	\$ 697,738
Public works	584,970	787,181	651,404	620,329
Health and social services	21,314	21,497	15,802	17,206
Culture and recreation	264,105	204,863	166,675	136,971
Community and economic development	475,785	224,922	214,340	146,235
General government	366,144	354,334	322,565	531,116
Debt service	618,420	696,125	704,896	666,103
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,059,402</u>
Total	<u>\$3,305,495</u>	<u>\$3,583,394</u>	<u>\$3,105,809</u>	<u>\$3,875,100</u>

See Accompanying Independent Auditor's Report.



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

E-mail: rlp@fiai.net

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

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

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Evansdale, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued my report thereon dated September 3, 2008. 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, including 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-08, II-B-08 and II-C-08 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, 2008 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.



September 3, 2008

CITY OF EVANSDALE, IOWA
Schedule of Findings
Year Ended June 30, 2008

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-08 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-08 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, 2008

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

- II-C-08 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.
- II-D-08 Bank Signature Cards - I noted that the bank signature cards were not current.
- Recommendation - All bank authorized signature cards should be reviewed and updated. Only current City employees, board members, or council members should be authorized signers.
- Response - We will review all signature cards and update them per guidelines recommended.
- Conclusion - Response accepted.
- II-E-08 Petty Cash - Police Department - The City's police department has an established petty cash fund of \$25.00. The amount held is fluctuating due to not handling discrepancies of cash overages/shortages properly.
- Recommendation - To maintain the fund in a generally accepted manner, any overage or shortage should be accounted for as well as petty cash items when the fund is replenished.
- Response - We will keep this up to date.
- Conclusion - Response accepted.
- II-F-08 Payroll Wage Rates - One important aspect of internal accounting control is the proper authorization to support wage rates paid to employees. I noted one employee who was not paid per the salary resolution.
- Recommendation - The City should compensate its employees per the salary resolution. Any raises should be handled correctly by amending the existing salary resolution.
- Response - We will follow the salary resolution.
- Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF EVANSDALE, IOWA
Schedule of Findings
Year Ended June 30, 2008

Part III: Findings and Questioned Costs for Federal Awards:

Not applicable

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-08 Certified Budget - Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the community and economic development and debt service functions prior to the budget amendment. 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." Chapter 384.18 of the Code of Iowa states, in part, that the City budget shall be amended by May 31 of the current fiscal year. The City amended the budget after May 31.

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, and prior to May 31.

Response - We will do this in the future.

Conclusion - Response accepted.

IV-B-08 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-08 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-08 Business Transactions - No business transactions between the City and City officials or employees were noted.

IV-E-08 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-08 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

The Council went into closed session on February 12, 2008. However, the minutes record did not document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly know as the open-meetings law.

Recommendation - The City should comply with Chapter 21 of the Code of Iowa.

Response - We will comply with the Code requirements for closed sessions.

Conclusion - Response accepted.

IV-G-08 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.

