

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

JUNE 30, 2009

- 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>
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
Jane Walters	Deputy Clerk	Indefinite
Timothy J. Luce	Attorney	Indefinite



**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, 2009, 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 Water Works, 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 Water Works 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, 2009, 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 November 19, 2009 on my consideration of the City of Evansdale's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 26 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Evansdale's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2008 (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".

November 19, 2009

## 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, 2009. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

Receipts of the City's governmental activities increased 29%, or approximately \$846,000, from fiscal 2008 to fiscal 2009. Local option sales tax, operating grants, contributions and restricted interest and note proceeds increased approximately \$9,000, \$486,000, and \$402,000, respectively. Charges for service, grants and contributions not restricted to specific purposes and unrestricted interest on investment decreased \$55,000, \$70,000 and \$36,000, respectively.

Disbursements of the City's governmental activities increased 28%, or approximately \$921,000, in fiscal 2009 from fiscal 2008. Culture and recreation, general government and debt service disbursements increased approximately \$168,000, \$543,000 and \$738,000, respectively.

The City's total cash basis net assets decreased 19%, or approximately \$245,000, from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities decreased approximately \$282,000 and the assets of the business type activities increased by approximately \$37,000.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

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

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, 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 approximately \$1,159,000 to approximately \$877,000. 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>2009</u>	<u>2008</u>
Receipts:		
Program receipts:		
Charges for service	\$ 272	\$ 327
Operating grants, contributions and restricted interest	912	426
General receipts:		
Property tax	985	986
Local option sales tax	518	509
Grants and contributions not restricted to specific purposes	1	71
Unrestricted interest on investments	30	66
Note proceeds, net	700	298
Other general receipts	389	278
Total receipts	<u>\$ 3,807</u>	<u>\$ 2,961</u>
Disbursements:		
Public safety	\$ 928	\$ 975
Public works	479	585
Health and social services	19	21
Culture and recreation	432	264
Community and economic development	103	476
General government	909	366
Debt service	1,356	618
Total disbursements	<u>\$ 4,226</u>	<u>\$ 3,305</u>
Change in cash basis net assets before transfers	\$ (419)	\$ (344)
Transfers, net	<u>137</u>	<u>135</u>
Change in cash basis net assets	\$ (282)	\$ (209)
Cash basis net assets beginning of year	<u>1,159</u>	<u>1,368</u>
Cash basis net assets end of year	<u>\$ 877</u>	<u>\$ 1,159</u>

The City's total receipts for governmental activities increased by 29%, or approximately \$846,000. The total cost of all programs and services increased by approximately \$921,000, or 28%, with no new programs added this year. The increase in receipts was primarily the result of note proceeds, while the increase in disbursements was a result of increased disbursements in culture and recreation, general government and debt service, which increased approximately \$168,000, \$543,000 and \$738,000, respectively.

The cost of all governmental activities this year was approximately \$4,226,000 compared to approximately \$3,305,000 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 \$3,042,000 because some of the cost was paid by those directly benefited from the programs (\$272,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$912,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$985,000 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>2009</u>	<u>2008</u>
Receipts:		
Program receipts:		
Charges for service:		
Sewer revenue	\$ 352	\$ 322
Sanitation/Recycling	206	194
Total receipts	<u>\$ 558</u>	<u>\$ 516</u>
Disbursements:		
Sewer revenue	\$ 185	\$ 237
Sanitation/Recycling	179	191
Debt service	20	20
Total disbursements	<u>\$ 384</u>	<u>\$ 448</u>
Change in cash basis net assets before transfers	\$ 174	\$ 68
Transfers, net	<u>(137)</u>	<u>(135)</u>
Change in cash basis net assets	\$ 37	\$ (67)
Cash basis net assets beginning of year	<u>143</u>	<u>210</u>
Cash basis net assets end of year	<u>\$ 180</u>	<u>\$ 143</u>

Total business type activities receipts for the fiscal year were approximately \$558,000 compared to approximately \$516,000 last year. This increase was due primarily to an increase in both sewer revenue and sanitation/recycling receipts. The cash balance increased by approximately \$37,000 from the prior year. Total disbursements for the fiscal year decreased by 14% to a total of approximately \$384,000.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Evansdale completed the year, its governmental funds reported a combined fund balance of \$876,614, a decrease of \$282,718 from last year's total of \$1,159,332. 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 \$315,373 from the prior year to \$220,638.

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

The Special Revenue, Home Acres TIF Fund cash balance decreased by \$4,224 to \$111,304 during the fiscal year. This decrease was attributable to debt payments greater than current year tax increment financing receipts. The City intends to use this money to repay TIF debt obligations.

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 \$33,643 from the prior year to \$36,359. The City transferred in additional money to cover their debt service payments, not covered by property tax receipts.

The Capital Projects Fund, 2009 G.O. Bond Sale Fund cash balance remained zero at year end. The bond proceeds received were used to refund an existing bond obligation.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The Sewer Revenue Fund cash balance increased by \$10,318 to \$48,201, due primarily to a decrease in operating disbursements.

The Sanitation/Recycling Fund cash balance increased by \$27,053 to \$81,534.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on April 21, 2009, resulting in an increase in operating disbursements of approximately \$1,900,000, and an increase in operating receipts and other financing sources of \$1,630,000.

**DEBT ADMINISTRATION**

At June 30, 2009, the City had approximately \$4,140,000 in bonds, notes and other long-term debt outstanding, compared to approximately \$4,543,000 last year, as shown below.

**Outstanding Debt at Year-End**  
(Expressed in Thousands)

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
General obligation notes	\$ 2,670	\$ 2,965
Urban renewal tax increment financing revenue bonds	1,450	1,530
Revenue bonds	20	39
Total	<u>\$ 4,140</u>	<u>\$ 4,534</u>

Debt decreased as a result of scheduled debt payments. The City issued general obligation refunding notes in the amount of \$770,000 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 \$4,461,850 is significantly below its constitutional debt limit of \$10,073,177.

**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 2010 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, 2009

	<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>
<b>FUNCTIONS/PROGRAMS:</b>				
Governmental activities:				
Public safety	\$ 927,839	\$ 138,409	\$ 4,981	\$ -
Public works	478,549	-	528,025	-
Health and social services	19,053	-	-	-
Culture and recreation	432,144	100,739	29,856	-
Community and economic development	103,335	-	-	-
General government	909,356	32,946	348,994	-
Debt service	<u>1,355,659</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$4,225,935</u>	<u>\$ 272,094</u>	<u>\$ 911,856</u>	<u>\$ -</u>
Business type activities:				
Sewer revenue	\$ 185,178	\$ 352,773	\$ -	\$ -
Sanitation/Recycling	178,929	205,982	-	-
Other	<u>20,069</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$ 384,176</u>	<u>\$ 558,755</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$4,610,111</u>	<u>\$ 830,849</u>	<u>\$ 911,856</u>	<u>\$ -</u>

(Continued)

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

---

<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
\$ (784,449)	\$ -	\$ (784,449)
49,476	-	49,476
(19,053)	-	(19,053)
(301,549)	-	(301,549)
(103,335)	-	(103,335)
(527,416)	-	(527,416)
<u>(1,355,659)</u>	<u>-</u>	<u>(1,355,659)</u>
<u>\$ (3,041,985)</u>	<u>\$ -</u>	<u>\$ (3,041,985)</u>
\$ -	\$ 167,595	\$ 167,595
-	27,053	27,053
<u>-</u>	<u>(20,069)</u>	<u>(20,069)</u>
<u>\$ -</u>	<u>\$ 174,579</u>	<u>\$ 174,579</u>
<u>\$ (3,041,985)</u>	<u>\$ 174,579</u>	<u>\$ (2,867,406)</u>

CITY OF EVANSDALE, IOWA  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

**General Receipts:**

Property and other city tax levied for:  
    General purposes  
    Debt service  
Tax increment financing  
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>
\$ 613,971	\$ -	\$ 613,971
40,627	-	40,627
330,353	-	330,353
517,983	-	517,983
1,056	-	1,056
30,414	-	30,414
700,000	-	700,000
387,005	-	387,005
650	-	650
<u>137,208</u>	<u>(137,208)</u>	<u>-</u>
<u>\$ 2,759,267</u>	<u>\$ (137,208)</u>	<u>\$ 2,622,059</u>
\$ (282,718)	\$ 37,371	\$ (245,347)
<u>1,159,332</u>	<u>142,863</u>	<u>1,302,195</u>
<u><b>\$ 876,614</b></u>	<u><b>\$ 180,234</b></u>	<u><b>\$ 1,056,848</b></u>
\$ 8,458	\$ -	\$ 8,458
194,746	-	194,746
36,359	50,499	86,858
315,081	-	315,081
<u>321,970</u>	<u>129,735</u>	<u>451,705</u>
<u><b>\$ 876,614</b></u>	<u><b>\$ 180,234</b></u>	<u><b>\$ 1,056,848</b></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, 2009

	<u>General</u>	<u>Special</u>	
		<u>Police Retirement</u>	<u>Home Acres TIF</u>
<b>RECEIPTS:</b>			
Property tax	\$ 478,972	\$ -	\$ -
Tax increment financing	-	-	183,855
Other city tax	86,855	-	-
Licenses and permits	41,030	-	-
Use of money and property	28,496	-	435
Intergovernmental	454,583	-	-
Charges for service	239,148	-	-
Miscellaneous	114,280	-	-
Total receipts	<u>\$1,443,364</u>	<u>\$ -</u>	<u>\$ 184,290</u>
<b>DISBURSEMENTS:</b>			
Operating:			
Public safety	\$ 714,020	\$ -	\$ -
Public works	57,070	-	-
Health and social services	19,053	-	-
Culture and recreation	421,027	-	-
Community and economic development	820	-	38,028
General government	757,805	-	-
Debt service	-	-	150,486
Total disbursements	<u>\$1,969,795</u>	<u>\$ -</u>	<u>\$ 188,514</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (526,431)</u>	<u>\$ -</u>	<u>\$ (4,224)</u>
Other financing sources (uses):			
Note proceeds	\$ -	\$ -	\$ -
Note discount	-	-	-
Note proceeds transfer to water works	-	-	-
Sale of capital assets	650	-	-
Operating transfers in	361,988	-	-
Operating transfers out	(151,580)	-	-
Total other financing sources (uses)	<u>\$ 211,058</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in cash balances	\$ (315,373)	\$ -	\$ (4,224)
Cash balances beginning of year	<u>536,011</u>	<u>300,000</u>	<u>115,528</u>
<b>Cash balances end of year</b>	<b><u>\$ 220,638</u></b>	<b><u>\$ 300,000</u></b>	<b><u>\$ 111,304</u></b>
<b>Cash Basis Fund Balances:</b>			
Reserved for debt service	\$ -	\$ -	\$ -
Unreserved:			
General fund	220,638	-	-
Special revenue funds	-	300,000	111,304
Capital projects fund	-	-	-
Total cash basis fund balances	<u>\$ 220,638</u>	<u>\$ 300,000</u>	<u>\$ 111,304</u>

*See Notes to Financial Statements.*

<u>Revenue</u> <u>Local Option</u> <u>Sales Tax</u>	<u>Debt</u> <u>Service</u>	<u>Capital</u> <u>Projects</u> <u>2009 G.O.</u> <u>Bond Sale</u>	<u>Other</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u>
\$ -	\$ 40,627	\$ -	\$ 134,999	\$ 654,598
-	-	-	146,498	330,353
517,983	-	-	-	604,838
-	-	-	1,201	42,231
-	-	-	1,483	30,414
-	-	-	457,463	912,046
-	-	-	-	239,148
-	-	104,080	73,371	291,731
<u>\$ 517,983</u>	<u>\$ 40,627</u>	<u>\$ 104,080</u>	<u>\$ 815,015</u>	<u>\$ 3,105,359</u>
\$ -	\$ -	\$ -	\$ 213,819	\$ 927,839
-	-	-	421,479	478,549
-	-	-	-	19,053
-	-	-	11,117	432,144
-	-	-	64,487	103,335
-	-	-	151,551	909,356
-	1,205,173	-	-	1,355,659
<u>\$ -</u>	<u>\$ 1,205,173</u>	<u>\$ -</u>	<u>\$ 862,453</u>	<u>\$ 4,225,935</u>
<u>\$ 517,983</u>	<u>\$(1,164,546)</u>	<u>\$ 104,080</u>	<u>\$ (47,438)</u>	<u>\$(1,120,576)</u>
\$ -	\$ -	\$ 770,000	\$ -	\$ 770,000
-	-	(3,091)	-	(3,091)
-	(66,909)	-	-	(66,909)
-	-	-	-	650
-	1,265,098	-	171,574	1,798,660
(517,983)	-	(870,989)	(120,900)	(1,661,452)
<u>\$ (517,983)</u>	<u>\$ 1,198,189</u>	<u>\$(104,080)</u>	<u>\$ 50,674</u>	<u>\$ 837,858</u>
\$ -	\$ 33,643	\$ -	\$ 3,236	\$ (282,718)
-	2,716	-	205,077	1,159,332
<u>\$ -</u>	<u>\$ 36,359</u>	<u>\$ -</u>	<u>\$ 208,313</u>	<u>\$ 876,614</u>
\$ -	\$ 36,359	\$ -	\$ -	\$ 36,359
-	-	-	-	220,638
-	-	-	170,826	582,130
-	-	-	37,487	37,487
<u>\$ -</u>	<u>\$ 36,359</u>	<u>\$ -</u>	<u>\$ 208,313</u>	<u>\$ 876,614</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, 2009

	<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	\$ 352,773	\$ 205,982	\$ -	\$ 558,755
Operating disbursements:				
Business type activities	<u>185,178</u>	<u>178,929</u>	<u>-</u>	<u>364,107</u>
Excess of operating receipts over operating disbursements	\$ 167,595	\$ 27,053	\$ -	\$ 194,648
Non-operating disbursements:				
Debt service	<u>-</u>	<u>-</u>	<u>(20,069)</u>	<u>(20,069)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 167,595</u>	<u>\$ 27,053</u>	<u>\$ (20,069)</u>	<u>\$ 174,579</u>
Other financing sources (uses):				
Operating transfers in	\$ -	\$ -	\$ 20,069	\$ 20,069
Operating transfers out	<u>(157,277)</u>	<u>-</u>	<u>-</u>	<u>(157,277)</u>
Total other financing sources (uses)	<u>\$ (157,277)</u>	<u>\$ -</u>	<u>\$ 20,069</u>	<u>\$ (137,208)</u>
Net change in cash balances	\$ 10,318	\$ 27,053	\$ -	\$ 37,371
Cash balances beginning of year	<u>37,883</u>	<u>54,481</u>	<u>50,499</u>	<u>142,863</u>
<b>Cash balances end of year</b>	<b><u>\$ 48,201</u></b>	<b><u>\$ 81,534</u></b>	<b><u>\$ 50,499</u></b>	<b><u>\$ 180,234</u></b>
<b>Cash Basis Fund Balances:</b>				
Reserved for debt service	\$ -	\$ -	\$ 50,499	\$ 50,499
Unreserved	<u>48,201</u>	<u>81,534</u>	<u>-</u>	<u>129,735</u>
<b>Total cash basis fund balances</b>	<b><u>\$ 48,201</u></b>	<b><u>\$ 81,534</u></b>	<b><u>\$ 50,499</u></b>	<b><u>\$ 180,234</u></b>

*See Notes to Financial Statements.*

CITY OF EVANSDALE, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

(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 Water Works is not presented in these financial statements. It is legally separate from the City, but is financially accountable to the City. The Water Works 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, 2009

(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, 2009

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

The Home Acres TIF Fund is used to account for tax increment financing receipts and debt payments for the Home Acres TIF district.

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 - 2009 G.O. Bond Sale is used to account for the general obligation refunding notes issued during the year.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**CITY OF EVANSDALE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2009 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
2010	\$ 270,000	\$112,926	\$ 85,000	\$ 67,225	\$ 20,000	\$ 726	\$ 375,000	\$ 180,877
2011	275,000	101,988	85,000	63,825	-	-	360,000	165,813
2012	275,000	92,425	90,000	60,340	-	-	365,000	152,765
2013	290,000	82,476	95,000	56,560	-	-	385,000	139,036
2014	300,000	71,534	100,000	52,475	-	-	400,000	124,009
2015-2019	970,000	190,533	575,000	189,725	-	-	1,545,000	380,258
2020-2022	290,000	27,697	420,000	42,500	-	-	710,000	70,197
Total	<u>\$2,670,000</u>	<u>\$679,579</u>	<u>\$1,450,000</u>	<u>\$532,650</u>	<u>\$ 20,000</u>	<u>\$ 726</u>	<u>\$4,140,000</u>	<u>\$1,212,955</u>

CITY OF EVANSDALE, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

(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 \$1,982,650, payable through June 2022. For the current year, principal and interest paid and total TIF receipts were \$150,185 and \$183,855, respectively.

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 \$20,726. For the current year, principal and interest paid and total customer net receipts were \$20,069 and \$167,595, 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, 2009

(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, IA 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, 2009, 2008 and 2007 were \$53,260, \$68,098 and \$64,350, 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 4.10% of their annual covered salary and the City is required to contribute 6.35% 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, 2009, 2008 and 2007 were \$36,271, \$30,632 and \$38,757, respectively, equal to the required contributions for each year.

(5) **Other Postemployment Benefits (OPEB)**

The City implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 18 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

CITY OF EVANSDALE, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

(5) Other Postemployment Benefits (OPEB) - continued

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$389 for single coverage and \$1,193 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2009, the City contributed \$146,271 and plan members eligible for benefits contributed \$9,339 to the plan.

(6) 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, 2009, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 32,290
Comp time	4,581
Casual days	941
Total	<u>\$ 37,812</u>

This liability has been computed based on rates of pay in effect at June 30, 2009.

(7) Loans

Interfund Loan Agreements

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, 2009, 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, 2009, 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, 2009, no payments had been made, leaving a balance of \$26,693.

**CITY OF EVANSDALE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

(7) **Loans** - continued

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, 2009, no repayments had been made, leaving a balance of \$25,700.

Intergovernmental Loan to the Evansdale Municipal Water Works

On March 1, 1999, the City entered into a loan agreement with the Evansdale Municipal Water Works 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, 2009, a payment of \$70,000 was made, leaving a balance of \$705,000.

(8) **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.

(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 577 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.

**CITY OF EVANSDALE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**(9) Risk Management - continued**

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2009 were \$58,257.

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 by the Travelers Insurance Company.

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, 2009, 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.

**(10) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 361,988

**CITY OF EVANSDALE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**(10) Interfund Transfers - continued**

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Tort Liability	Special Revenue: Local Option Sales Tax	\$ 54,759
Employee Benefits	Local Option Sales Tax Tort Liability	\$ 101,236 12,505 <u>113,741</u>
Dental Insurance	Property Tax Relief Surplus	\$ 3,074
Debt Service	General Special Revenue: East Heights TIF  Northwest TIF  Capital Projects: 2009 G.O. Bond Sale Enterprise: Sewer Revenue	\$ 151,580  41,995 63,326  870,989 <u>137,208</u> <u>\$1,265,098</u>
Enterprise: Sewer Sinking	Enterprise: Sewer Revenue	 <u>\$ 20,069</u>
Total		<u>\$1,818,729</u>

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

**(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 \$961,382 is outstanding at June 30, 2009. 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) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$3,450 during the year ended June 30, 2009.

**(13) Subsequent Events**

On July 16, 2009 the Council approved the Technology Park Phase IV project for \$55,677.

On October 6, 2009 the Council approved the 2009 overlay project for \$81,321.

The City is involved in a discrimination claim. The probability of loss, if any, is undeterminable.

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, 2009

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds Not Required <u>To Be Budgeted</u>
<b>RECEIPTS:</b>			
Property tax	\$ 654,598	\$ -	\$ -
Tax increment financing	330,353	-	-
Other city tax	604,838	-	-
Licenses and permits	42,231	-	-
Use of money and property	30,414	-	41
Intergovernmental	912,046	-	-
Charges for service	239,148	558,755	-
Special assessments	-	-	-
Miscellaneous	291,731	-	18,280
Total receipts	<u>\$ 3,105,359</u>	<u>\$ 558,755</u>	<u>\$ 18,321</u>
<b>DISBURSEMENTS:</b>			
Public safety	\$ 927,839	\$ -	\$ 21,738
Public works	478,549	-	-
Health and social services	19,053	-	-
Culture and recreation	432,144	-	-
Community and economic development	103,335	-	-
General government	909,356	-	-
Debt service	1,355,659	-	-
Business type activities	-	384,176	-
Total disbursements	<u>\$ 4,225,935</u>	<u>\$ 384,176</u>	<u>\$ 21,738</u>
Excess (deficiency) of receipts over (under) disbursements	\$(1,120,576)	\$ 174,579	\$ (3,417)
Other financing sources, net	<u>837,858</u>	<u>(137,208)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ (282,718)	\$ 37,371	\$ (3,417)
Balances beginning of year	<u>1,159,332</u>	<u>142,863</u>	<u>18,498</u>
<b>Balances end of year</b>	<u><b>\$ 876,614</b></u>	<u><b>\$ 180,234</b></u>	<u><b>\$ 15,081</b></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>	
\$ 654,598	\$ 644,568	\$ 644,568	\$ 10,030
330,353	338,185	338,185	(7,832)
604,838	564,585	564,585	40,253
42,231	70,600	70,600	(28,369)
30,373	79,825	121,825	(91,452)
912,046	505,661	1,263,103	(351,057)
797,903	1,344,482	1,344,482	(546,579)
-	500	500	(500)
273,451	130,575	962,347	(688,896)
<u>\$ 3,645,793</u>	<u>\$ 3,678,981</u>	<u>\$ 5,310,195</u>	<u>\$ (1,664,402)</u>
\$ 906,101	\$ 933,202	\$ 954,327	\$ 48,226
478,549	522,191	701,559	223,010
19,053	22,743	22,743	3,690
432,144	224,310	460,713	28,569
103,335	164,257	114,257	10,922
909,356	451,441	1,168,441	259,085
1,355,659	584,526	1,384,526	28,867
384,176	995,511	1,005,511	621,335
<u>\$ 4,588,373</u>	<u>\$ 3,898,181</u>	<u>\$ 5,812,077</u>	<u>\$ 1,223,704</u>
\$ (942,580)	\$ (219,200)	\$ (501,882)	\$ (440,698)
<u>700,650</u>	<u>-</u>	<u>-</u>	<u>700,650</u>
\$ (241,930)	\$ (219,200)	\$ (501,882)	\$ 259,952
<u>1,283,697</u>	<u>1,297,841</u>	<u>1,297,841</u>	<u>(14,144)</u>
<u><b>\$ 1,041,767</b></u>	<u><b>\$ 1,078,641</b></u>	<u><b>\$ 795,959</b></u>	<u><b>\$ 245,808</b></u>

CITY OF EVANSDALE, IOWA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
JUNE 30, 2009

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 Enterprise 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 disbursements by \$1,913,896. The budget amendment is reflected in the final budgeted amounts.

Other Supplementary Information

CITY OF EVANSDALE, IOWA  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

	<b>Special</b>		
	<b>Road Use Tax</b>	<b>Tort Liability</b>	<b>Employee Benefits</b>
<b>RECEIPTS:</b>			
Property tax	\$ -	\$ -	\$ 134,999
Tax increment financing	-	-	-
Licenses and permits	-	-	-
Use of money and property	-	-	1,442
Intergovernmental	375,521	-	-
Miscellaneous	-	6,161	48,352
Total receipts	\$ 375,521	\$ 6,161	\$ 184,793
<b>DISBURSEMENTS:</b>			
Operating:			
Public safety	\$ -	\$ -	\$ 190,393
Public works	421,479	-	-
Culture and recreation	-	-	10,652
Community and economic development	-	-	-
General government	-	48,348	100,993
Total disbursements	\$ 421,479	\$ 48,348	\$ 302,038
Excess (deficiency) of receipts over (under) disbursements	\$ (45,958)	\$ (42,187)	\$ (117,245)
Other financing sources (uses):			
Operating transfers in	\$ -	\$ 54,759	\$ 113,741
Operating transfers out	-	(12,505)	-
Total other financing sources (uses)	\$ -	\$ 42,254	\$ 113,741
Net change in cash balances	\$ (45,958)	\$ 67	\$ (3,504)
Cash balances beginning of year	54,416	-	3,504
<b>Cash balances end of year</b>	<b>\$ 8,458</b>	<b>\$ 67</b>	<b>\$ -</b>
<b>Cash Basis Fund Balances:</b>			
Unreserved:			
Special Revenue	\$ 8,458	\$ 67	\$ -
Capital Projects	-	-	-
Total cash basis fund balances	<b>\$ 8,458</b>	<b>\$ 67</b>	<b>\$ -</b>

(Continued)

<b>Revenue</b>					
<b>Northwest TIF</b>	<b>East Heights TIF</b>	<b>Volunteer Fire Department</b>	<b>Property Tax Relief Surplus</b>	<b>Permit Escrow</b>	<b>Dental Insurance</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
92,320	54,178	-	-	-	-
-	-	-	-	1,201	-
-	-	41	-	-	-
81,942	-	-	-	-	-
-	-	18,280	-	-	578
<u>\$ 174,262</u>	<u>\$ 54,178</u>	<u>\$ 18,321</u>	<u>\$ -</u>	<u>\$ 1,201</u>	<u>\$ 578</u>
\$ -	\$ -	\$ 21,738	\$ -	\$ -	\$ 1,688
-	-	-	-	-	-
-	-	-	-	-	465
64,487	-	-	-	-	-
-	-	-	-	-	2,210
<u>\$ 64,487</u>	<u>\$ -</u>	<u>\$ 21,738</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,363</u>
\$ 109,775	\$ 54,178	\$ (3,417)	\$ -	\$ 1,201	\$ (3,785)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,074
(63,326)	(41,995)	-	(3,074)	-	-
<u>\$ (63,326)</u>	<u>\$ (41,995)</u>	<u>\$ -</u>	<u>\$ (3,074)</u>	<u>\$ -</u>	<u>\$ 3,074</u>
\$ 46,449	\$ 12,183	\$ (3,417)	\$ (3,074)	\$ 1,201	\$ (711)
22,932	1,878	18,498	59,188	6,256	711
<u>\$ 69,381</u>	<u>\$ 14,061</u>	<u>\$ 15,081</u>	<u>\$ 56,114</u>	<u>\$ 7,457</u>	<u>\$ -</u>
\$ 69,381	\$ 14,061	\$ 15,081	\$ 56,114	\$ 7,457	\$ -
-	-	-	-	-	-
<u>\$ 69,381</u>	<u>\$ 14,061</u>	<u>\$ 15,081</u>	<u>\$ 56,114</u>	<u>\$ 7,457</u>	<u>\$ -</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, 2009

	<u>Special Revenue</u>	<u>Capital Projects</u>	
	<u>Library Memorials</u>	<u>2007 G.O. Bond Sale</u>	<u>Total</u>
<b>RECEIPTS:</b>			
Property tax	\$ -	\$ -	\$ 134,999
Tax increment financing	-	-	146,498
Licenses and permits	-	-	1,201
Use of money and property	-	-	1,483
Intergovernmental	-	-	457,463
Miscellaneous	-	-	73,371
Total receipts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 815,015</u>
<b>DISBURSEMENTS:</b>			
Operating:			
Public safety	\$ -	\$ -	\$ 213,819
Public works	-	-	421,479
Culture and recreation	-	-	11,117
Community and economic development	-	-	64,487
General government	-	-	151,551
Total disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 862,453</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (47,438)</u>
Other financing sources (uses):			
Operating transfers in	\$ -	\$ -	\$ 171,574
Operating transfers out	-	-	(120,900)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,674</u>
Net change in cash balances	\$ -	\$ -	\$ 3,236
Cash balances beginning of year	<u>207</u>	<u>37,487</u>	<u>205,077</u>
<b>Cash balances end of year</b>	<b><u>\$ 207</u></b>	<b><u>\$ 37,487</u></b>	<b><u>\$ 208,313</u></b>
<b>Cash Basis Fund Balances:</b>			
Unreserved:			
Special Revenue	\$ 207	\$ -	\$ 170,826
Capital Projects	-	37,487	37,487
Total cash basis fund balances	<u>\$ 207</u>	<u>\$ 37,487</u>	<u>\$ 208,313</u>

See Accompanying Independent Auditor's Report.

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, 2009

	<u>Enterprise</u>		
	<u>Sewer Sinking</u>	<u>Sewer Depreciation</u>	<u>Total</u>
Non-operating receipts (disbursements):			
Debt service	\$ (20,069)	\$ -	\$ (20,069)
Other financing sources (uses):			
Operating transfers in	<u>20,069</u>	<u>-</u>	<u>20,069</u>
Net change in cash balances	\$ -	\$ -	\$ -
Cash balances beginning of year	<u>20,499</u>	<u>30,000</u>	<u>50,499</u>
<b>Cash balances end of year</b>	<b><u>\$ 20,499</u></b>	<b><u>\$ 30,000</u></b>	<b><u>\$ 50,499</u></b>
<b>Cash Basis Fund Balances:</b>			
Reserved for debt service	<u>\$ 20,499</u>	<u>\$ 30,000</u>	<u>\$ 50,499</u>
<b>Total cash basis fund balances</b>	<b><u>\$ 20,499</u></b>	<b><u>\$ 30,000</u></b>	<b><u>\$ 50,499</u></b>

*See Accompanying Independent Auditor's Report.*

CITY OF EVANSDALE, IOWA  
 SCHEDULE OF INDEBTEDNESS  
 YEAR ENDED JUNE 30, 2009

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
<b>General Obligation Notes:</b>			
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
Essential Corporate Purpose	04/22/09	1.75 - 3.30	770,000
<b>Revenue Bonds:</b>			
Sewer	04/01/70	3.625%	\$ 417,000
Urban Renewal Tax Increment Financing (TIF)	12/01/02	3.70 - 5.10	1,820,000
 <b>Total indebtedness</b>			

*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>
\$ 915,000	\$ -	\$ 915,000	\$ -	\$ 40,260	\$ -
765,000	-	45,000	720,000	40,438	-
505,000	-	25,000	480,000	26,170	-
480,000	-	50,000	430,000	19,510	-
300,000	-	30,000	270,000	11,720	-
-	770,000	-	770,000	-	-
<u>\$2,965,000</u>	<u>\$770,000</u>	<u>\$1,065,000</u>	<u>\$2,670,000</u>	<u>\$138,098</u>	<u>\$ -</u>
\$ 39,000	\$ -	\$ 19,000	\$ 20,000	\$ 1,069	\$ -
1,530,000	-	80,000	1,450,000	70,185	-
<u>\$1,569,000</u>	<u>\$ -</u>	<u>\$ 99,000</u>	<u>\$1,470,000</u>	<u>\$ 71,254</u>	<u>\$ -</u>
<u><b>\$4,534,000</b></u>	<u><b>\$770,000</b></u>	<u><b>\$1,164,000</b></u>	<u><b>\$4,140,000</b></u>	<u><b>\$209,352</b></u>	<u><b>\$ -</b></u>

CITY OF EVANSDALE, IOWA  
BOND AND NOTE MATURITIES  
JUNE 30, 2009

GENERAL OBLIGATION

Year Ending June 30,	Sewer Improvements		Sewer Improvements	
	Issued June 1, 2001		Issued June 1, 2002	
	Interest		Interest	
	Rates	Amount	Rates	Amount
2010	5.05%	\$ 45,000	5.00%	\$ 25,000
2011	5.10	50,000	5.00	30,000
2012	5.10	50,000	5.00	30,000
2013	5.10	50,000	5.00	30,000
2014	5.20	55,000	5.05	35,000
2015	5.25	60,000	5.10	35,000
2016	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
<b>Total</b>		<b><u>\$720,000</u></b>		<b><u>\$480,000</u></b>

REVENUE BONDS

Year Ending June 30,	Sewer		Urban Renewal Tax Increment		Total
	Issued April 1, 1970		Issued December 1, 2002		
	Interest		Interest		
	Rates	Amount	Rates	Amount	
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
<b>Total</b>		<b><u>\$ 20,000</u></b>		<b><u>\$1,450,000</u></b>	<b><u>\$1,470,000</u></b>

*See Accompanying Independent Auditor's Report.*

## N O T E S

<u>Essential Corporate Purpose Issued May 17, 2006</u>		<u>Economic Development Issued November 1, 2007</u>		<u>Essential Corporate Purpose Issued April 22, 2009</u>		
Interest		Interest		Interest		
<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Total</u>
3.90%	\$ 55,000	3.80%	\$ 30,000	1.75%	\$ 115,000	\$ 270,000
3.95	55,000	3.80	30,000	2.00	110,000	275,000
4.00	55,000	3.90	30,000	2.30	110,000	275,000
4.10	65,000	3.90	35,000	2.60	110,000	290,000
4.15	65,000	3.90	35,000	2.80	110,000	300,000
4.20	65,000	4.00	35,000	3.10	110,000	305,000
4.25	70,000	4.00	35,000	3.30	105,000	305,000
	-	4.00	40,000		-	145,000
	-		-		-	105,000
	-		-		-	110,000
	-		-		-	120,000
	-		-		-	120,000
	-		-		-	50,000
	<u>\$430,000</u>		<u>\$ 270,000</u>		<u>\$ 770,000</u>	<u>\$2,670,000</u>

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Receipts:			
Property tax	\$ 654,598	\$ 606,490	\$ 610,801
Tax increment financing	330,353	299,649	190,498
Other city tax	604,838	589,386	527,123
Licenses and permits	42,231	53,233	81,387
Use of money and property	30,414	68,169	105,244
Intergovernmental	912,046	496,354	614,411
Charges for service	239,148	226,418	264,813
Miscellaneous	291,731	278,595	308,699
<b>Total</b>	<b><u>\$3,105,359</u></b>	<b><u>\$2,618,294</u></b>	<b><u>\$2,702,976</u></b>
Disbursements:			
Operating:			
Public safety	\$ 927,839	\$ 974,757	\$1,294,472
Public works	478,549	584,970	787,181
Health and social services	19,053	21,314	21,497
Culture and recreation	432,144	264,105	204,863
Community and economic development	103,335	475,785	224,922
General government	909,356	366,144	354,334
Debt service	1,355,659	618,420	696,125
Capital projects	-	-	-
<b>Total</b>	<b><u>\$4,225,935</u></b>	<b><u>\$3,305,495</u></b>	<b><u>\$3,583,394</u></b>

*See Accompanying Independent Auditor's Report.*

<u>2006</u>	<u>2005</u>
\$ 578,551	\$ 569,168
279,310	282,272
538,262	501,678
117,366	59,117
58,713	65,182
588,435	497,156
215,150	206,744
<u>373,041</u>	<u>460,550</u>
<b><u>\$2,748,828</u></b>	<b><u>\$2,641,867</u></b>
\$1,030,127	\$ 697,738
651,404	620,329
15,802	17,206
166,675	136,971
214,340	146,235
322,565	531,116
704,896	666,103
<u>-</u>	<u>1,059,402</u>
<b><u>\$3,105,809</u></b>	<b><u>\$3,875,100</u></b>



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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, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued my report thereon dated November 19, 2009. 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 Water Works. 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 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 (A), (B) and (C) 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 the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 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.



November 19, 2009

**CITY OF EVANSDALE, IOWA**  
**Schedule of Findings**  
**Year Ended June 30, 2009**

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

- (A) 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.

- (B) 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.

- (C) 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.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

CITY OF EVANSDALE, IOWA  
Schedule of Findings  
Year Ended June 30, 2009

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget - Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted.
- (2) 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.
- (3) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) 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>
Rick Reuter, Employee, Owner of Reuter Construction	Services	\$3,450

In accordance with Chapter 362.5 (4) of the Code of Iowa, these transactions do not appear to represent a conflict of interest since they were entered into through competitive bidding.

- (5) 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.
- (6) Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.
- (7) 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.
- (8) City Code - The City Code was last re-codified in 2003. Chapter 380.8 of the Code of Iowa states in part, "At least once every five years, a City shall compile a code of ordinances containing all of the City ordinances in effect, except grade ordinances, bond ordinances, zoning ordinances, and ordinances vacating street and alleys."

Recommendation - The City should review this for compliance.

Response - We are in the process of recodification. The Code has been updated and the Council is in the process of reviewing changes.

Conclusion - Response accepted.