

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

JUNE 30, 2011

- 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 2012
Kenny Loftus	Mayor Pro tem	January 2012
Rick Hibben	Council Member	January 2012
Dick Dewater	Council Member	January 2014
Gene Walker	Council Member	January 2014
Carl Wyant	Council Member	January 2014
Becky Walters	City Clerk	Indefinite
DeAnne Hunter	Deputy Clerk	Indefinite
Craig Ament	Attorney	Indefinite
Danton G. Burkett	Waterworks Trustee	January 2012
Dona R. Rickson	Waterworks Trustee	January 2014
Sharon K. Loftus	Waterworks Trustee	January 2016
Bennie L. Johnson	Waterworks Plant and Distribution Foreman	Retired
Sandra E. Clements	Waterworks Office Manager	Indefinite
Eugene Edler	Waterworks Treasurer	March 9, 2011
Pat Galles	Waterworks Attorney	January 2012



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, 2011, 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.

In my opinion, 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, 2011, 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 28, 2011 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 the internal control over financial reporting or on 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 9 and 29 through 31 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 six years ended June 30, 2010 (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 28, 2011

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, 2011. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities increased 37.3%, or approximately \$1,296,000, from fiscal year 2010 to fiscal year 2011. Property tax, capital grants, contributions and restricted interest and bond proceeds increased approximately \$138,000, \$806,000, and \$708,000, respectively. Operating grants, contributions and restricted interest and unrestricted interest on investments decreased approximately \$463,000 and \$16,000, respectively.

Disbursements of the City's governmental activities increased 42.9%, or approximately \$1,431,000, in fiscal year 2011 from fiscal year 2010. All function disbursements increased, with the exception of general government. Public safety, public works and community and economic development increased approximately \$187,000, \$997,000 and \$219,000, respectively.

The City's total cash basis net assets increased 4.5%, or approximately \$81,000, from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities increased approximately \$149,000 and the assets of the business type activities decreased by approximately \$68,000.

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, and the City's indebtedness.

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 waterworks, sanitary sewer system and sanitation/recycling. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and 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 to provide separate information for the Waterworks, Sewer Revenue and Sanitation/Recycling Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$1,181,000 to approximately \$1,330,000. 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>2011</u>	<u>2010</u>
Receipts:		
Program receipts:		
Charges for service	\$ 334	\$ 317
Operating grants, contributions and restricted interest	738	1,201
Capital grants, contributions and restricted interest	806	-
General receipts:		
Property tax	1,267	1,129
Local option sales tax	515	526
Grants and contributions not restricted to specific purposes	-	1
Unrestricted interest on investments	16	32
Bond proceeds, net	708	-
Bank loan proceeds	68	-
Other general receipts	320	270
Total receipts	<u>\$ 4,772</u>	<u>\$ 3,476</u>
Disbursements:		
Public safety	\$ 1,162	\$ 975
Public works	1,602	605
Health and social services	20	19
Culture and recreation	236	186
Community and economic development	774	555
General government	430	454
Debt service	539	538
Total disbursements	<u>\$ 4,763</u>	<u>\$ 3,332</u>
Change in cash basis net assets before transfers	\$ 9	\$ 144
Transfers, net	<u>140</u>	<u>160</u>
Change in cash basis net assets	\$ 149	\$ 304
Cash basis net assets beginning of year	<u>1,181</u>	<u>877</u>
Cash basis net assets end of year	<u>\$ 1,330</u>	<u>\$ 1,181</u>

The City's total receipts for governmental activities increased 37.3%, or approximately \$1,296,000. The total cost of all programs and services increased approximately \$1,431,000, or 42.9%, with no new programs added this year. The increase in receipts was primarily the result of bond proceeds and capital grants, contributions and restricted interest received in the current year, while the increase in disbursements was a result of increased disbursements in most functions, but primarily public safety, public works and community and economic development, which increased approximately \$187,000, \$997,000 and \$219,000, respectively.

The cost of all governmental activities this year was approximately \$4,763,000 compared to approximately \$3,332,000 last year. However, as shown in the Statement of Activities and Net Assets on pages 10-13, the amount taxpayers ultimately financed for these activities was only approximately \$2,885,000 because some of the cost was paid by those directly benefited from the programs (\$334,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$1,544,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2011 from approximately \$1,518,000 to approximately \$1,878,000 principally due to receiving grant proceeds for road construction.

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

	Year ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service:		
Waterworks	\$ 407	\$ -
Sewer revenue	351	374
Sanitation/Recycling	236	224
Other	17	-
Operating grants, contribution and restricted interest	74	-
Total receipts	\$ 1,085	\$ 598
Disbursements:		
Waterworks	\$ 451	\$ -
Sewer revenue	232	202
Sanitation/Recycling	313	170
Other	18	20
Total disbursements	\$ 1,014	\$ 392
Change in cash basis net assets before transfers	\$ 71	\$ 206
Transfers, net	(140)	(160)
Change in cash basis net assets	\$ (69)	\$ 46
Cash basis net assets beginning of year, as restated	606	180
Cash basis net assets end of year	\$ 537	\$ 226

Total business type activities receipts for the fiscal year were approximately \$1,085,000 compared to approximately \$598,000 last year. This increase was due primarily to waterworks and operating grants, contributions and restricted interest receipts increasing approximately \$407,000 and \$74,000, respectively. The cash balance decreased approximately \$69,000 from the prior year. Total disbursements for the fiscal year increased by 159% to approximately \$1,014,000. The larger increase in receipts and disbursements were primarily the result of the inclusion of the waterworks during the year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Evansdale completed the year, its governmental funds reported a combined fund balance of \$1,330,370, an increase of \$148,895 from last year's total of \$1,181,475. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance increased \$75,197 from the prior year to \$263,894.

The Special Revenue, Road Use Tax Fund cash balance increased \$120,575 to \$166,932 during the fiscal 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 Special Revenue, Home Acres TIF Fund cash balance increased by \$111,189 to \$296,406 during the fiscal year. This increase was attributable to debt payments less than current year tax increment financing receipts. The City intends to use this money to repay TIF debt obligations.

The Special Revenue, Northwest TIF Fund cash balance increased \$126,718 to \$209,491 during the fiscal year due to project costs less than tax increment financing receipts.

The Special Revenue, East Heights TIF Fund cash balance decreased \$152,381 to \$(87,395) due to construction projects during the year.

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

The Capital Projects, Street Fund cash balance decreased \$13,087 from the prior year to \$121,983. The City had significant construction costs during the year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Waterworks Fund cash balance decreased by \$5,091 to \$303,216, due primarily to debt service payments.

The Enterprise, Sewer Revenue Fund cash balance increased by \$15,838 to \$76,672, due primarily to an increase in charges for service.

The Enterprise, Sanitation/Recycling Fund cash balance decreased by \$48,589 to \$86,254, due primarily to an increase in operating disbursements.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 31, 2011, resulting in an increase in operating disbursements of \$1,197,062, and an increase in operating receipts and other financing sources of \$1,338,219.

The City exceeded the amounts budgeted in the community and economic development function prior to amendment.

DEBT ADMINISTRATION

At June 30, 2011, the City had approximately \$4,271,000 in bonds, notes and other long-term debt outstanding, compared to approximately \$3,869,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)

	June 30,	
	2011	2010
General obligation bonds and notes	\$ 2,835	\$ 2,400
Urban renewal tax increment financing revenue bonds	1,280	1,365
Capital leases	88	104
Bank loan agreement	68	-
Total	<u>\$ 4,271</u>	<u>\$ 3,869</u>

Debt increased as a result of issuing general obligation bonds for numerous street projects and a bank loan to help finance the purchase of an ambulance.

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 bond and notes of approximately \$2,991,000 and tax increment financing debt of \$1,280,000 is significantly below its constitutional debt limit of \$10,280,103.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Evansdale's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and fees charged for various City activities. One of those factors is the economy.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Becky Walters, City Clerk, 123 North Evans Road, Evansdale, Iowa 50707.

CITY OF EVANSDALE, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Disbursements</u>	<u>Program Receipts</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$1,162,243	\$ 216,689	\$ 79,721	\$ -
Public works	1,602,296	-	519,651	718,270
Health and social services	20,256	-	-	-
Culture and recreation	235,863	100,699	23,667	-
Community and economic development	773,567	-	34,800	88,084
General government	430,371	16,910	79,954	-
Debt service	<u>539,111</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$4,763,707</u>	<u>\$ 334,298</u>	<u>\$ 737,793</u>	<u>\$ 806,354</u>
Business type activities:				
Waterworks	\$ 450,676	\$ 406,873	\$ 38,712	\$ -
Sewer revenue	231,624	350,770	7,018	-
Sanitation/Recycling	313,493	236,484	28,420	-
Other	<u>17,706</u>	<u>17,329</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$1,013,499</u>	<u>\$1,011,456</u>	<u>\$ 74,150</u>	<u>\$ -</u>
Total	<u>\$5,777,206</u>	<u>\$1,345,754</u>	<u>\$ 811,943</u>	<u>\$ 806,354</u>

(Continued)

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (865,833)	\$ -	\$ (865,833)
(364,375)	-	(364,375)
(20,256)	-	(20,256)
(111,497)	-	(111,497)
(650,683)	-	(650,683)
(333,507)	-	(333,507)
<u>(539,111)</u>	<u>-</u>	<u>(539,111)</u>
<u>\$ (2,885,262)</u>	<u>\$ -</u>	<u>\$ (2,885,262)</u>
\$ -	\$ (5,091)	\$ (5,091)
-	126,164	126,164
-	(48,589)	(48,589)
<u>-</u>	<u>(377)</u>	<u>(377)</u>
<u>\$ -</u>	<u>\$ 72,107</u>	<u>\$ 72,107</u>
<u>\$ (2,885,262)</u>	<u>\$ 72,107</u>	<u>\$ (2,813,155)</u>

CITY OF EVANSDALE, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

General Receipts and Transfers:

Property and other city tax levied for:
 General purposes
 Debt service
Tax increment financing
Local option sales tax
Unrestricted interest on investments
Bond proceeds, net
Bank loan proceeds
Miscellaneous
Transfers

 Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:
 Expendable:
 Streets
 Urban renewal purposes
 Debt service
 Other purposes
Committed for customer deposits
Assigned for various
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>
\$ 708,419	\$ -	\$ 708,419
31,708	-	31,708
527,155	-	527,155
514,998	-	514,998
16,193	-	16,193
707,515	-	707,515
67,797	-	67,797
319,909	-	319,909
<u>140,463</u>	<u>(140,463)</u>	<u>-</u>
<u>\$ 3,034,157</u>	<u>\$ (140,463)</u>	<u>\$ 2,893,694</u>
\$ 148,895	\$ (68,356)	\$ 80,539
<u>1,181,475</u>	<u>605,596</u>	<u>1,787,071</u>
<u>\$ 1,330,370</u>	<u>\$ 537,240</u>	<u>\$ 1,867,610</u>
\$ 166,932	\$ -	\$ 166,932
505,897	-	505,897
74,186	-	74,186
380,333	-	380,333
-	71,098	71,098
159,470	-	159,470
<u>43,552</u>	<u>466,142</u>	<u>509,694</u>
<u>\$ 1,330,370</u>	<u>\$ 537,240</u>	<u>\$ 1,867,610</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, 2011

	<u>General</u>	<u>Special</u>		
		<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>	<u>Home Acres TIF</u>
RECEIPTS:				
Property tax	\$ 425,054	\$ -	\$ -	\$ -
Tax increment financing	-	-	-	298,203
Other city tax	81,160	-	514,998	-
Licenses and permits	50,114	-	-	-
Use of money and property	26,345	-	-	-
Intergovernmental	215,010	424,902	-	-
Charges for service	261,967	-	-	-
Miscellaneous	228,008	-	-	-
Total receipts	<u>\$1,287,658</u>	<u>\$ 424,902</u>	<u>\$ 514,998</u>	<u>\$ 298,203</u>
DISBURSEMENTS:				
Operating:				
Public safety	\$ 925,918	\$ -	\$ -	\$ -
Public works	-	304,327	-	-
Health and social services	20,256	-	-	-
Culture and recreation	223,617	-	-	-
Community and economic development	-	-	-	37,739
General government	298,467	-	-	-
Debt service	-	-	-	149,275
Total disbursements	<u>\$1,468,258</u>	<u>\$ 304,327</u>	<u>\$ -</u>	<u>\$ 187,014</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (180,600)</u>	<u>\$ 120,575</u>	<u>\$ 514,998</u>	<u>\$ 111,189</u>
Other financing sources (uses):				
Bank loan proceeds	\$ 67,797	\$ -	\$ -	\$ -
Bond proceeds	-	-	-	-
Bond discount	-	-	-	-
Operating transfers in	188,000	-	-	100,000
Operating transfers out	-	-	(514,998)	(100,000)
Total other financing sources (uses)	<u>\$ 255,797</u>	<u>\$ -</u>	<u>\$ (514,998)</u>	<u>\$ -</u>
Net change in cash balances	\$ 75,197	\$ 120,575	\$ -	\$ 111,189
Cash balances beginning of year, as restated	<u>188,697</u>	<u>46,357</u>	<u>-</u>	<u>185,217</u>
Cash balances end of year	<u>\$ 263,894</u>	<u>\$ 166,932</u>	<u>\$ -</u>	<u>\$ 296,406</u>
Cash Basis Fund Balances:				
Restricted for:				
Urban renewal purposes	\$ -	\$ -	\$ -	\$ 296,406
Debt service	-	-	-	-
Streets	-	166,932	-	-
Other purposes	-	-	-	-
Assigned for capital projects	-	-	-	-
Unassigned	<u>263,894</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 263,894</u>	<u>\$ 166,932</u>	<u>\$ -</u>	<u>\$ 296,406</u>

See Notes to Financial Statements.

Revenue		Capital Projects			
Northwest TIF	East Heights TIF	Police Retirement	Street	Nonmajor	Total
\$ -	\$ -	\$ -	\$ -	\$ 233,913	\$ 658,967
179,422	49,530	-	-	-	527,155
-	-	-	-	-	596,158
-	-	-	-	-	50,114
-	-	-	-	-	26,345
-	-	-	742,322	88,084	1,470,318
-	-	-	-	-	261,967
-	-	-	8,665	169,130	405,803
<u>\$ 179,422</u>	<u>\$ 49,530</u>	<u>\$ -</u>	<u>\$ 750,987</u>	<u>\$ 491,127</u>	<u>\$ 3,996,827</u>
\$ -	\$ -	\$ -	\$ -	\$ 236,325	\$ 1,162,243
-	-	-	1,297,969	-	1,602,296
-	-	-	-	-	20,256
-	-	-	-	12,246	235,863
10,327	500,676	-	-	224,825	773,567
-	-	-	-	131,904	430,371
-	-	-	-	389,836	539,111
<u>\$ 10,327</u>	<u>\$ 500,676</u>	<u>\$ -</u>	<u>\$ 1,297,969</u>	<u>\$ 995,136</u>	<u>\$ 4,763,707</u>
\$ 169,095	\$ (451,146)	\$ -	\$ (546,982)	\$ (504,009)	\$ (766,880)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67,797
-	431,516	-	278,484	-	710,000
-	(1,516)	-	(969)	-	(2,485)
155,000	170,000	-	257,499	384,693	1,255,192
(197,377)	(301,235)	-	(1,119)	-	(1,114,729)
<u>\$ (42,377)</u>	<u>\$ 298,765</u>	<u>\$ -</u>	<u>\$ 533,895</u>	<u>\$ 384,693</u>	<u>\$ 915,775</u>
\$ 126,718	\$ (152,381)	\$ -	\$ (13,087)	\$ (119,316)	\$ 148,895
82,773	64,986	300,000	135,070	178,375	1,181,475
<u>\$ 209,491</u>	<u>\$ (87,395)</u>	<u>\$ 300,000</u>	<u>\$ 121,983</u>	<u>\$ 59,059</u>	<u>\$ 1,330,370</u>
\$ 209,491	\$ -	\$ -	\$ -	\$ -	\$ 505,897
-	-	-	-	74,186	74,186
-	-	-	-	-	166,932
-	-	300,000	-	80,333	380,333
-	-	-	121,983	37,487	159,470
-	(87,395)	-	-	(132,947)	43,552
<u>\$ 209,491</u>	<u>\$ (87,395)</u>	<u>\$ 300,000</u>	<u>\$ 121,983</u>	<u>\$ 59,059</u>	<u>\$ 1,330,370</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, 2011

	<u>Enterprise</u>				<u>Total</u>
	<u>Waterworks</u>	<u>Sewer Revenue</u>	<u>Sanitation/ Recycling</u>	<u>Nonmajor</u>	
Operating receipts:					
Charges for service	\$ 373,958	\$ 350,398	\$ 213,453	\$ 17,329	\$ 955,138
Miscellaneous	32,915	372	23,031	-	56,318
Total operating receipts	\$ 406,873	\$ 350,770	\$ 236,484	\$ 17,329	\$1,011,456
Operating disbursements:					
Business type activities	323,131	231,624	313,493	17,706	885,954
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ 83,742	\$ 119,146	\$ (77,009)	\$ (377)	\$ 125,502
Non-operating receipts (disbursements):					
Intergovernmental	\$ 38,712	\$ 7,018	\$ 28,420	\$ -	\$ 74,150
Debt service	(127,545)	-	-	-	(127,545)
Net non-operating receipts (disbursements)	\$ (88,833)	\$ 7,018	\$ 28,420	\$ -	\$ (53,395)
Excess (deficiency) of receipts over (under) disbursements	\$ (5,091)	\$ 126,164	\$ (48,589)	\$ (377)	\$ 72,107
Other financing sources (uses):					
Operating transfers in	\$ -	\$ 30,137	\$ -	\$ -	\$ 30,137
Operating transfers out	-	(140,463)	-	(30,137)	(170,600)
Total other financing sources(uses)	\$ -	\$ (110,326)	\$ -	\$ (30,137)	\$ (140,463)
Net change in cash balances	\$ (5,091)	\$ 15,838	\$ (48,589)	\$ (30,514)	\$ (68,356)
Cash balances beginning of year, as restated	308,307	60,834	134,843	101,612	605,596
Cash balances end of year	<u>\$ 303,216</u>	<u>\$ 76,672</u>	<u>\$ 86,254</u>	<u>\$ 71,098</u>	<u>\$ 537,240</u>
Cash Basis Fund Balances:					
Committed for customer deposits	\$ -	\$ -	\$ -	\$ 71,098	\$ 71,098
Unrestricted	303,216	76,672	86,254	-	466,142
Total cash basis fund balances	<u>\$ 303,216</u>	<u>\$ 76,672</u>	<u>\$ 86,254</u>	<u>\$ 71,098</u>	<u>\$ 537,240</u>

See Notes to Financial Statements.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(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 water, sewer and sanitation/recycling 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.

Blended Component Unit

The Evansdale Municipal Waterworks and Evansdale Volunteer Fire Department Association are entities which are legally separate from the City, but are so intertwined with the City that they are, in substance, part of the City. The Evansdale Municipal Waterworks has been established pursuant to Chapter 388 of the Code of Iowa for operation of the city waterworks. Although the municipal waterworks is legally separate from the City, its operations are budgeted with, and reported with the City's Proprietary Fund Types.

The Evansdale Volunteer Fire Department Association is reported as part of the City and blended as part of the General 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, 2011

(1) Summary of Significant Accounting Policies - continued

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the 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 the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City.

Expendable 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 categories. 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.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(1) Summary of Significant Accounting Policies - continued

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.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies 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 Local Option Sales Tax Fund is used to account for local option sales tax receipts and disbursements.

The Home Acres TIF Fund, Northwest TIF Fund and East Heights TIF Fund are used to account for tax increment financing receipts and debt payments for the TIF districts.

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

The Capital Projects, Street Fund is used to account for receipts and disbursements of the street improvement projects.

The City reports the following major proprietary funds:

The Enterprise, Waterworks Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Revenue Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

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

C. Measurement Focus and 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.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(1) Summary of Significant Accounting Policies - continued

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

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. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the community and economic development function prior to amendment.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2011 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.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(2) **Cash and Pooled Investments** - continued

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 and urban renewal tax increment financing revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Urban Renewal Tax Increment Financing (TIF) Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 345,000	\$106,753	\$ 90,000	\$ 60,340	\$ 435,000	\$ 167,093
2013	360,000	96,103	95,000	56,560	455,000	152,663
2014	370,000	84,322	100,000	52,475	470,000	136,797
2015	380,000	71,503	105,000	48,075	485,000	119,578
2016	385,000	57,753	110,000	43,350	495,000	101,103
2017-2021	945,000	132,047	635,000	133,550	1,580,000	265,597
2022	50,000	2,700	145,000	7,250	195,000	9,950
Total	<u>\$2,835,000</u>	<u>\$551,181</u>	<u>\$1,280,000</u>	<u>\$401,600</u>	<u>\$4,115,000</u>	<u>\$ 952,781</u>

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 \$1,681,600, payable through June 2022. For the current year, principal and interest paid and total TIF receipts were \$148,825 and \$298,203, respectively.

Bank Loan Agreement

On March 1, 2011, the City entered into a loan agreement with a local bank for \$67,797 to finance the purchase of an ambulance. The loan bears an interest rate of 1.95% per annum and was to be repaid within one year. During the year ended June 30, 2011, no payments were made on the loan. The unpaid balance on the loan agreement at June 30, 2011 was \$67,797.

**CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

(4) Capital Leases

The City leases equipment on a capital lease basis. The following is a schedule, by years, of future payments required under the leases:

<u>Year ended June 30,</u>	
2012	\$ 16,370
2013	16,371
2014	16,370
2015	16,371
2016	16,370
2017	<u>16,371</u>
Total minimum lease payments	\$ 98,223
Amounts representing interest	<u>10,412</u>
Present value of net minimum Lease payments	 <u>\$ 87,811</u>

(5) 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 which 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 9.40% 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 contributions to the Plan for the years ended June 30, 2011, 2010 and 2009 were \$60,077, \$56,340 and \$53,260, respectively, which exceeded the required contribution 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 4.50% of their annual covered salary and the City is required to contribute 6.95% 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, 2011, 2010 and 2009 were \$41,863, \$40,461 and \$36,271, respectively, equal to the required contributions for each year.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(6) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 20 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Cedar Valley Community Health Care. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$367 for single coverage and \$1,194 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$142,492 and plan members eligible for benefits contributed \$24,447 to the plan.

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, comp time 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, and casual days payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 38,363
Comp time	9,953
Casual days	1,025
Total	<u>\$ 49,341</u>

This liability has been computed based on rates of pay in effect at June 30, 2011.

(8) 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, 2011, no repayments had been made, leaving a balance of \$281,054.

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, 2011, no payments had been made, leaving a balance of \$26,693.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(8) 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, 2011, no repayments had been made, leaving a balance of \$25,700.

During the year ended June 30, 2011, the General Fund loaned \$85,000 to the Special Revenue Fund, East Heights Tax Increment Financing District for the purpose of completing site work for the industrial park. During the year ended June 30, 2011, the balance was repaid.

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 with interest rates ranging from 4.30% to 4.40%. On March 24, 2009, the Waterworks and the City of Evansdale refinanced the outstanding debt and added \$66,920. The new interest rates range from 1.75% to 3.30% per annum. During the year ended June 30, 2011, a payment of \$110,000 was made, leaving a balance of \$541,920.

(9) 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.

(10) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 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 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(10) Risk Management - continued

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2011 were \$57,125.

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. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 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, 2011, 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 casualty 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, 2011

(11) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 103,000
	Northwest TIF	85,000
		<u>\$ 188,000</u>
Special Revenue:	Special Revenue:	
Tort Liability	Local Option Sales Tax	<u>\$ 39,990</u>
Dental Insurance	Local Option Sales Tax	<u>\$ 14,988</u>
Employee Benefits	Local Option Sales Tax	<u>\$ 99,521</u>
Special Revenue:	Special Revenue:	
Home Acres TIF	East Heights TIF	<u>\$ 100,000</u>
East Heights TIF	Home Acres TIF	\$ 100,000
	Northwest TIF	70,000
		<u>\$ 170,000</u>
Northwest TIF	East Heights TIF	<u>\$ 155,000</u>
Debt Service	Special Revenue:	
	East Heights TIF	\$ 46,235
	Northwest TIF	42,377
	Capital Projects:	
	Street	1,119
	Enterprise:	
	Sewer Revenue	140,463
		<u>\$ 230,194</u>
Capital Projects:	Special Revenue:	
Street	Local Option Sales Tax	<u>\$ 257,499</u>
Enterprise:	Enterprise:	
Sewer Revenue	Sewer Sinking	\$ 137
	Sewer Depreciation	30,000
		<u>\$ 30,137</u>
Total		<u>\$1,285,329</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, 2011

(12) Industrial Development Revenue Bonds

The City has issued a total of \$17,025,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$8,634,312 is outstanding at June 30, 2011. The bonds and related interest are payable solely from the revenues generated by these entities, and the bond principal and interest do not constitute liabilities of the City.

(13) Deficit Balances

The Special Revenue, East Heights TIF Fund had a deficit balance of \$87,395 at June 30, 2011. The deficit will be eliminated upon a receipt of tax increment financing funds.

The Special Revenue, Flood Demolition Fund, Flood Buyout Fund and CDBG Flood Buyout Fund had deficit balances of \$21,405, \$27,846 and \$83,696 respectively at June 30, 2011. The deficit balances were a result of flood project costs incurred prior to availability of funds. The deficits will be eliminated upon receipt of state grants.

(14) Commitments

At June 30, 2011, the following commitments had been made:

<u>Project</u>	<u>Total Contract</u>	<u>Costs Incurred To Date</u>
Technology Park Phase IV	\$ 40,618	\$ 38,275
Dubuque Road	963,651	931,987
Doris Drive Extension	<u>253,383</u>	<u>205,648</u>
Total	<u>\$1,257,652</u>	<u>\$1,175,910</u>

(15) Subsequent Events

On August 5, 2011, the City authorized the purchase of a new police car not to exceed \$31,080.

On September 20, 2011, the City approved the purchase of a F-250 truck for the Waste Water Department not to exceed \$27,310.

On October 18, 2011, the City approved the purchase of a John Deere loader, plow, wing and components in the amount of \$29,981 for the public works department.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(16) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>General</u>	<u>Special Revenue</u>			<u>Capital</u>
		<u>Permit Escrow</u>	<u>Library Memorials</u>	<u>Volunteer Fire Department</u>	<u>Projects</u>
					<u>Street</u>
Balances June 30, 2010, as previously reported	\$304,498	\$ 7,627	\$ 207	\$ 11,435	\$ -
Change in fund type classification per implementation of GASB Statement No. 54	<u>(115,801)</u>	<u>(7,627)</u>	<u>(207)</u>	<u>(11,435)</u>	<u>135,070</u>
Balances July 1, 2010, as restated	<u>\$188,697</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$135,070</u>

(17) Restatement of Proprietary Funds Beginning Balances

Effective July 1, 2010, the Evansdale Municipal Waterworks is combined with the City of Evansdale Proprietary Funds. The effect of the inclusion of these funds are as follows:

	<u>Waterworks</u>	<u>Water Deposit</u>	<u>Sewer Deposit</u>	<u>Garbage Deposit</u>
Balances June 30, 2010, as previously reported	\$ -	\$ -	\$ -	\$ -
Balances per Evansdale Municipal Waterworks	<u>308,307</u>	<u>29,632</u>	<u>25,986</u>	<u>15,857</u>
Balances July 1, 2010, as restated	<u>\$308,307</u>	<u>\$29,632</u>	<u>\$25,986</u>	<u>\$15,857</u>

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, 2011

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds Not Required <u>To Be Budgeted</u>
RECEIPTS:			
Property tax	\$ 658,967	\$ -	\$ -
Tax increment financing	527,155	-	-
Other city tax	596,158	-	-
Licenses and permits	50,114	-	-
Use of money and property	26,345	-	412
Intergovernmental	1,470,318	74,150	-
Charges for service	261,967	955,138	-
Miscellaneous	405,803	56,318	13,173
Total receipts	<u>\$ 3,996,827</u>	<u>\$1,085,606</u>	<u>\$ 13,585</u>
DISBURSEMENTS:			
Public safety	\$ 1,162,243	\$ -	\$ 10,387
Public works	1,602,296	-	-
Health and social services	20,256	-	-
Culture and recreation	235,863	-	-
Community and economic development	773,567	-	-
General government	430,371	-	-
Debt service	539,111	-	-
Business type activities	-	1,013,499	-
Total disbursements	<u>\$ 4,763,707</u>	<u>\$1,013,499</u>	<u>\$ 10,387</u>
Excess (deficiency) of receipts over (under) disbursements	\$ (766,880)	\$ 72,107	\$ 3,198
Other financing sources, net	<u>915,775</u>	<u>(140,463)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 148,895	\$ (68,356)	\$ 3,198
Balances beginning of year	<u>1,181,475</u>	<u>605,596</u>	<u>11,435</u>
Balances end of year	<u>\$ 1,330,370</u>	<u>\$ 537,240</u>	<u>\$ 14,633</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>	
\$ 658,967	\$ 646,463	\$ 646,463	\$ 12,504
527,155	524,875	524,875	2,280
596,158	516,819	516,819	79,339
50,114	57,350	57,350	(7,236)
25,933	50,325	50,325	(24,392)
1,544,468	2,586,166	3,100,618	(1,556,150)
1,217,105	1,307,012	1,355,466	(138,361)
448,948	305,750	305,750	143,198
<u>\$ 5,068,848</u>	<u>\$ 5,994,760</u>	<u>\$ 6,557,666</u>	<u>\$(1,488,818)</u>
\$ 1,151,856	\$ 968,723	\$ 1,196,965	\$ 45,109
1,602,296	2,373,353	2,373,353	771,057
20,256	23,243	23,243	2,987
235,863	205,423	243,423	7,560
773,567	344,000	1,119,047	345,480
430,371	598,628	598,628	168,257
539,111	541,805	541,805	2,694
1,013,499	996,183	1,151,956	138,457
<u>\$ 5,766,819</u>	<u>\$ 6,051,358</u>	<u>\$ 7,248,420</u>	<u>\$ 1,481,601</u>
\$ (697,971)	\$ (56,598)	\$ (690,754)	\$ (7,217)
<u>775,312</u>	<u>-</u>	<u>775,313</u>	<u>(1)</u>
\$ 77,341	\$ (56,598)	\$ 84,559	\$ (7,218)
<u>1,775,636</u>	<u>701,897</u>	<u>701,897</u>	<u>1,073,739</u>
<u>\$ 1,852,977</u>	<u>\$ 645,299</u>	<u>\$ 786,456</u>	<u>\$ 1,066,521</u>

CITY OF EVANSDALE, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
JUNE 30, 2011

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 Fund.

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. 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, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds and the 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 \$1,197,062. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the community and economic development function prior to 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, 2011

	<u>Special</u>		
	<u>Tort Liability</u>	<u>Employee Benefits</u>	<u>CDBG Flood Buyout</u>
RECEIPTS:			
Property tax	\$ -	\$ 202,205	\$ -
Intergovernmental	-	-	62,540
Miscellaneous	4,553	36,582	-
Total receipts	<u>\$ 4,553</u>	<u>\$ 238,787</u>	<u>\$ 62,540</u>
DISBURSEMENTS:			
Operating:			
Public safety	\$ -	\$ 232,683	\$ -
Culture and recreation	-	11,150	-
Community and economic development	-	-	146,236
General government	50,632	80,567	-
Debt service	-	-	-
Total disbursements	<u>\$ 50,632</u>	<u>\$ 324,400</u>	<u>\$ 146,236</u>
Deficiency of receipts under disbursements	\$ (46,079)	\$ (85,613)	\$ (83,696)
Operating transfers in	<u>39,990</u>	<u>99,521</u>	<u>-</u>
Net change in cash balances	\$ (6,089)	\$ 13,908	\$ (83,696)
Cash balances beginning of year, as restated	<u>6,856</u>	<u>7,384</u>	<u>-</u>
Cash balances end of year	<u>\$ 767</u>	<u>\$ 21,292</u>	<u>\$ (83,696)</u>
Cash Basis Fund Balances:			
Restricted for:			
Debt service	\$ -	\$ -	\$ -
Other	767	21,292	-
Assigned for capital projects	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>(83,696)</u>
Total cash basis fund balances	<u>\$ 767</u>	<u>\$ 21,292</u>	<u>\$ (83,696)</u>

See Accompanying Independent Auditor's Report.

Revenue					Capital Projects	
Property Tax Relief Surplus	Dental Insurance	Flood Demolition	Flood Buyout	Debt Service	2007 G.O. Bond Sale	Total
\$ -	\$ -	\$ -	\$ -	\$ 31,708	\$ -	\$ 233,913
-	-	15,338	10,206	-	-	88,084
-	-	-	-	127,995	-	169,130
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,338</u>	<u>\$ 10,206</u>	<u>\$159,703</u>	<u>\$ -</u>	<u>\$ 491,127</u>
\$ -	\$ 3,642	\$ -	\$ -	\$ -	\$ -	\$ 236,325
-	1,096	-	-	-	-	12,246
-	-	34,199	44,390	-	-	224,825
-	705	-	-	-	-	131,904
-	-	-	-	389,836	-	389,836
<u>\$ -</u>	<u>\$ 5,443</u>	<u>\$ 34,199</u>	<u>\$ 44,390</u>	<u>\$389,836</u>	<u>\$ -</u>	<u>\$ 995,136</u>
\$ -	\$ (5,443)	\$ (18,861)	\$ (34,184)	\$ (230,133)	\$ -	\$ (504,009)
-	14,988	-	-	230,194	-	384,693
\$ -	\$ 9,545	\$ (18,861)	\$ (34,184)	\$ 61	\$ -	\$ (119,316)
56,114	(7,385)	(2,544)	6,338	74,125	37,487	178,375
<u>\$ 56,114</u>	<u>\$ 2,160</u>	<u>\$ (21,405)</u>	<u>\$ (27,846)</u>	<u>\$ 74,186</u>	<u>\$ 37,487</u>	<u>\$ 59,059</u>
\$ -	\$ -	\$ -	\$ -	\$ 74,186	\$ -	\$ 74,186
56,114	2,160	-	-	-	-	80,333
-	-	-	-	-	37,487	37,487
-	-	(21,405)	(27,846)	-	-	(132,947)
<u>\$ 56,114</u>	<u>\$ 2,160</u>	<u>\$ (21,405)</u>	<u>\$ (27,846)</u>	<u>\$ 74,186</u>	<u>\$ 37,487</u>	<u>\$ 59,059</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, 2011

	<u>Water Deposit</u>	<u>Enterprise Sewer Deposit</u>	<u>Sewer Sinking</u>
Operating receipts:			
Charges for services	\$ 7,297	\$ 6,282	\$ -
Operating disbursements:			
Business type activities	<u>7,374</u>	<u>6,442</u>	<u>-</u>
Deficiency of operating receipts under operating disbursements	\$ (77)	\$ (160)	\$ -
Operating transfers out	<u>-</u>	<u>-</u>	<u>(137)</u>
Net change in cash balances	\$ (77)	\$ (160)	\$ (137)
Cash balances beginning of year, as restated	<u>29,632</u>	<u>25,986</u>	<u>137</u>
Cash balances end of year	<u>\$ 29,555</u>	<u>\$ 25,826</u>	<u>\$ -</u>
Cash Basis Fund Balances:			
Restricted for customer deposits	<u>\$ 29,555</u>	<u>\$ 25,826</u>	<u>\$ -</u>

See Accompanying Independent Auditor's Report.

<u>Sewer Depreciation</u>	<u>Garbage Deposit</u>	<u>Total</u>
\$ -	\$ 3,750	\$ 17,329
<u>-</u>	<u>3,890</u>	<u>17,706</u>
\$ -	\$ (140)	\$ (377)
<u>(30,000)</u>	<u>-</u>	<u>(30,137)</u>
\$ (30,000)	\$ (140)	\$ (30,514)
<u>30,000</u>	<u>15,857</u>	<u>101,612</u>
<u>\$ -</u>	<u>\$ 15,717</u>	<u>\$ 71,098</u>
<u>\$ -</u>	<u>\$ 15,717</u>	<u>\$ 71,098</u>

CITY OF EVANSDALE, IOWA
 SCHEDULE OF INDEBTEDNESS
 YEAR ENDED JUNE 30, 2011

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds and Notes:			
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 Economic Development	05/17/06	3.80 - 4.25	580,000
	11/01/07	4.00	300,000
Essential Corporate Purpose	04/22/09	1.75 - 3.30	770,000
	09/16/10	1.00 - 2.90	710,000
Revenue Bonds:			
Urban Renewal Tax Increment Financing (TIF)	12/01/02	3.70 - 5.10%	\$1,820,000
Capital Lease:			
John Deere Loader	06/05/10	3.25%	\$ 103,900
Bank Loan Agreement:			
Ambulance	03/01/11	1.95%	\$ 67,797
 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>
\$ 675,000	\$ -	\$ 50,000	\$ 625,000	\$ 35,893	\$ -
455,000	-	30,000	425,000	23,670	-
375,000	-	55,000	320,000	15,440	-
240,000	-	30,000	210,000	9,440	-
655,000	-	110,000	545,000	17,545	-
-	710,000	-	710,000	10,149	-
<u>\$2,400,000</u>	<u>\$710,000</u>	<u>\$ 275,000</u>	<u>\$2,835,000</u>	<u>\$112,137</u>	<u>\$ -</u>
\$1,365,000	\$ -	\$ 85,000	\$1,280,000	\$ 63,825	\$ -
\$ 103,900	\$ -	\$ 16,090	\$ 87,810	\$ 281	\$ -
\$ -	\$ 67,797	\$ -	\$ 67,797	\$ -	\$ -
<u>\$3,868,900</u>	<u>\$777,797</u>	<u>\$ 376,090</u>	<u>\$4,270,607</u>	<u>\$176,243</u>	<u>\$ -</u>

CITY OF EVANSDALE, IOWA
BOND AND NOTE MATURITIES
JUNE 30, 2011

GENERAL OBLIGATION

Year Ending June 30,	<u>Sewer Improvements</u> <u>Issued June 1, 2001</u>		<u>Sewer Improvements</u> <u>Issued June 1, 2002</u>		<u>Essential</u> <u>Corporate Purpose</u> <u>Issued May 17, 2006</u>	
	Interest		Interest		Interest	
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
2012	5.10%	\$ 50,000	5.00%	\$ 30,000	4.00%	\$ 55,000
2013	5.10	50,000	5.00	30,000	4.10	65,000
2014	5.20	55,000	5.05	35,000	4.15	65,000
2015	5.25	60,000	5.10	35,000	4.20	65,000
2016	5.30	60,000	5.15	35,000	4.25	70,000
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>\$625,000</u>		<u>\$425,000</u>		<u>\$ 320,000</u>

REVENUE BONDS

Year Ending June 30,	<u>Urban Renewal Tax Increment</u> <u>Issued December 1, 2002</u>	
	Interest	
	<u>Rates</u>	<u>Amount</u>
2012	4.20%	\$ 90,000
2013	4.30	95,000
2014	4.40	100,000
2015	4.50	105,000
2016	4.60	110,000
2017	4.70	115,000
2018	4.80	120,000
2019	4.90	125,000
2020	5.00	135,000
2021	5.00	140,000
2022	5.00	145,000
Total		<u>\$1,280,000</u>

See Accompanying Independent Auditor's Report.

B O N D S A N D N O T E S

Economic Development		Essential Corporate Purpose		Essential Corporate Purpose		
Issued November 1, 2007		Issued April 22, 2009		Issued September 16, 2010		
Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount	Total
3.90%	\$ 30,000	2.30%	\$ 110,000	1.00%	\$ 70,000	\$ 345,000
3.90	35,000	2.60	110,000	1.20	70,000	360,000
3.90	35,000	2.80	110,000	1.50	70,000	370,000
4.00	35,000	3.10	110,000	1.70	75,000	380,000
4.00	35,000	3.30	105,000	1.90	80,000	385,000
4.00	40,000		-	2.20	85,000	230,000
	-		-	2.50	85,000	190,000
	-		-	2.75	85,000	195,000
	-		-	2.90	90,000	210,000
	-		-		-	120,000
	-		-		-	50,000
	<u>\$210,000</u>		<u>\$ 545,000</u>		<u>\$710,000</u>	<u>\$2,835,000</u>

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Receipts:				
Property tax	\$ 658,967	\$ 722,822	\$ 654,598	\$ 606,490
Tax increment financing	527,155	357,693	330,353	299,649
Other city tax	596,158	574,534	604,838	589,386
Licenses and permits	50,114	53,730	42,231	53,233
Use of money and property	26,345	43,373	30,414	68,169
Intergovernmental	1,470,318	1,203,268	912,046	496,354
Charges for service	261,967	236,937	239,148	226,418
Miscellaneous	405,803	284,497	291,731	278,595
Total	<u>\$3,996,827</u>	<u>\$3,476,854</u>	<u>\$3,105,359</u>	<u>\$2,618,294</u>
Disbursements:				
Operating:				
Public safety	\$1,162,243	\$ 974,691	\$ 927,839	\$ 974,757
Public works	1,602,296	605,309	478,549	584,970
Health and social services	20,256	19,519	19,053	21,314
Culture and recreation	235,863	185,530	432,144	264,105
Community and economic development	773,567	555,335	103,335	475,785
General government	430,371	453,568	909,356	366,144
Debt service	539,111	537,626	1,355,659	618,420
Capital projects	-	-	-	-
Total	<u>\$4,763,707</u>	<u>\$3,331,578</u>	<u>\$4,225,935</u>	<u>\$3,305,495</u>

See Accompanying Independent Auditor's Report.

<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 610,801	\$ 578,551	\$ 569,168
190,498	279,310	282,272
527,123	538,262	501,678
81,387	117,366	59,117
105,244	58,713	65,182
614,411	588,435	497,156
264,813	215,150	206,744
<u>308,699</u>	<u>373,041</u>	<u>460,550</u>
<u>\$2,702,976</u>	<u>\$2,748,828</u>	<u>\$2,641,867</u>
\$1,294,472	\$1,030,127	\$ 697,738
787,181	651,404	620,329
21,497	15,802	17,206
204,863	166,675	136,971
224,922	214,340	146,235
354,334	322,565	531,116
696,125	704,896	666,103
<u>-</u>	<u>-</u>	<u>1,059,402</u>
<u>\$3,583,394</u>	<u>\$3,105,809</u>	<u>\$3,875,100</u>



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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, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued my report thereon dated November 28, 2011. My report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses and other deficiencies I consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Evansdale's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying Schedule of Findings as items (A), (B), (C) and (D) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in the accompanying Schedule of Findings as item (E) to be a significant deficiency.

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 which 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, 2011 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, and 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 28, 2011

CITY OF EVANSDALE, IOWA
Schedule of Findings
Year Ended June 30, 2011

Findings Related to the Financial Statements:

INTERNAL CONTROL 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) Segregation of Duties - 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 authorized individual for review and countersignature.

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

Conclusion - Response accepted.

CITY OF EVANSDALE, IOWA
Schedule of Findings
Year Ended June 30, 2011

Findings Related to the Financial Statements: - continued

- (D) Preparation of Financial Statements - The City does not have an internal control system designed to provide for the preparation of the financial statements in accordance with an other comprehensive basis of accounting, nor has management identified risks related to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements. Therefore, as an auditor, I was requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for a governmental entity similar in population to the City. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation - I recognize that with a limited number of office employees, preparation of the financial statements is difficult. However, I recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances.

Response - The City will continue to review and monitor procedures currently in place and evaluate the risks to be accepted in preparation of the financial statements.

Conclusion - Response accepted.

- (E) Waterworks Utility Receipts - Utility receipts do not always identify collections as cash versus check.

Recommendation - To provide additional control over the proper recording of all collections, the Waterworks should identify all collections as cash versus check on each receipt.

Response - We have established procedures to ensure all cash collections are properly identified as "cash".

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

- 1) Certified Budget - Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the community and economic development function prior to 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."

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

Response - The budget will be amended in the future.

Conclusion - Response accepted.

CITY OF EVANSDALE, IOWA
 Schedule of Findings
 Year Ended June 30, 2011

Other Findings Related to Required Statutory Reporting: - continued

- (2) Questionable Disbursements - Evansdale Volunteer Fire Department Association - I noted certain disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Peterson & Tietz Florist	Flower arrangements for gifts/memorials	\$ 249
Longhorn	Gift certificate	50
Red Lobster	Gift certificate	50
Cedar Valley Hospice	Gift/memorial	<u>40</u>
Total		<u>\$ 389</u>

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation - The Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

Response - We will investigate this further.

Conclusion - Response accepted.

- (3) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- (4) Business Transactions - No business transactions between the City and City officials or employees were noted. Business transactions between the City of Evansdale and the Evansdale Municipal Waterworks officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Donna Frickson, Waterworks Trustee Owner of Frickson Backhoe and Trucking	Maintenance	\$9,725

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with Frickson Backhoe and Trucking may represent a conflict of interest since total transactions were over \$1,500 during the fiscal year.

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

CITY OF EVANSDALE, IOWA
Schedule of Findings
Year Ended June 30, 2011

Other Findings Related to Required Statutory Reporting: - continued

Response - We will do this.

Conclusion - Response accepted.

- (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.

Although minutes of the Waterworks Board of Trustees were published, they were not published immediately following the meeting as required by Chapter 388.4(4) of the Code of Iowa.

Recommendation - The Waterworks should publish minutes as required by the Code of Iowa.

Response - We will publish minutes as required.

Conclusion - Response accepted.

- (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) Financial Condition - The Special Revenue, East Heights TIF, Flood Demolition, Flood Buyout and CDBG Flood Buyout Funds had deficit balances of \$87,395, \$21,405, \$27,846 and \$83,696, respectively, at June 30, 2011.

Recommendation - The City should monitor these accounts and investigate alternatives to eliminate the deficits in order to return them to a sound financial condition.

Response - These accounts will be monitored in the future.

Conclusion - Response accepted.