



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE January 23, 2004

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Auditor of State David A. Vaudt today released an audit report on the City of Johnston, Iowa.

The City's revenues totaled \$16,546,393 for the year ended June 30, 2003, a 9 percent increase from 2002. The revenues included \$4,746,228 in property tax, \$4,261,942 in tax increment financing revenue, \$460,251 in licenses and permits, \$1,077,389 from other governments, \$3,101,483 in charges for service and \$109,796 in interest on investments. The City also received general obligation bond proceeds of \$4,599,174 that are reported as other financing sources.

Expenditures/expenses for the year totaled \$15,574,251, a 4 percent decrease from the prior year. Expenditures included \$3,187,030 for capital projects, \$3,085,438 for debt service and \$1,841,218 for community and economic development. Expenses for business type activities totaled \$2,877,799.

A copy of the audit report is available for review in the Office of Auditor of State and the City Administrator's office.

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CITY OF JOHNSTON
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2003

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City of Johnston

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bob O'Hollearn	Mayor	Resigned July 13, 2003
Brian Laurenzo (appointed)	Mayor	Nov 2003
Brian Laurenzo	Mayor Pro tem	Jul 2003
Paula Dierenfeld	Council Member	Jan 2004
John Temple	Council Member	Jan 2004
Russell Underwood	Council Member	Jan 2006
Mike Wilson	Council Member	Jan 2006
James P. Sanders	Administrator	Indefinite
Margaret A. Sharp	Finance Director	Indefinite
Stephanie L. Reynolds	City Clerk	Indefinite
J. Russell Hixson	Attorney	Indefinite



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of the City of Johnston Iowa, as of and for the year ended June 30, 2003. These general purpose financial statements are the responsibility of the City of Johnston's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Des Moines Metropolitan Wastewater Reclamation Authority, a joint venture. The City of Johnston's financial statements include a joint venture equity interest of \$4,148,871 and a liability for revenue bonds/notes issued by the joint venture of \$606,136 as of June 30, 2003, and an increase in the investment in joint venture of \$15,418 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the joint venture in the proprietary fund type, is based solely on the report of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Johnston at June 30, 2003 and the results of its operations and its cash flows of its proprietary fund types for the year then ended in conformity with U.S. generally accepted accounting principles. Also, the Comparison of Receipts, Disbursements and Changes in Balances - Actual to Budget (Cash Basis) present fairly, in all material respects, the cash transactions and the legally adopted budget of the governmental fund types, expendable trust and enterprise funds of the City of Johnston for the year ended June 30, 2003.

As discussed in Note 21 to the financial statements, the City of Johnston intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the year ending June 30, 2004. The effects of these statements are expected to significantly impact the presentation of the City's financial statements and related notes in the year of implementation. The revised requirements include the use of the economic resources measurement focus and full accrual accounting, as well as an analytical overview of the City's financial activities in the Management's Discussion and Analysis introduction to the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated October 2, 2003 on our consideration of the City of Johnston's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 19, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general purpose financial statements taken as a whole.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 2, 2003

General Purpose Financial Statements

City of Johnston
 Combined Balance Sheet
 All Fund Types and Account Groups

June 30, 2003

	Governmental Fund		
	General	Special Revenue	Debt Service
Assets and Other Debits			
Cash and pooled investments	\$ 964,982	4,545,127	484,752
Cash and investments held by the Library Foundation	-	-	-
Receivables:			
Property tax:			
Current year	15,034	13,643	7,168
Succeeding year	3,506,000	3,013,000	1,922,000
Special assessments	-	-	1,015,781
Customer accounts	-	-	-
Unbilled usage	-	-	-
Accrued interest	767	1,916	184
Accounts	56,877	360	-
Due from other governments	84,422	52,957	-
Due from other funds (note 7)	-	196	-
Inventories	-	-	-
Prepaid insurance	92,282	-	-
Restricted assets:			
Cash and pooled investments	-	-	-
Special assessments receivable	-	-	-
Accrued interest receivable	-	-	-
Accounts receivable	-	-	-
Advances to other funds (note 7)	1,000	-	-
Property and equipment (note 3)	-	-	-
Construction in progress	-	-	-
Accumulated depreciation	-	-	-
Investment in joint venture (note 5)	-	-	-
Bond issuance costs	-	-	-
Other debits:			
Amount to be provided for the payment of general long-term debt	-	-	-
Total assets and other debits	\$ 4,721,364	7,627,199	3,429,885

Types	Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)	
	Enterprise	Internal Service		General Fixed Assets	General Long-Term Debt		
Capital Projects	1,724,294	2,968,401	80,969	506,618	-	-	11,275,143
	-	-	-	204,935	-	-	204,935
	-	-	-	-	-	-	35,845
	-	-	-	-	-	-	8,441,000
53,790	-	-	-	-	-	-	1,069,571
	-	265,600	-	-	-	-	265,600
	-	176,157	-	-	-	-	176,157
785	-	1,585	-	294	-	-	5,531
	-	59,863	-	4,396	-	-	121,496
70,985	-	41,519	-	-	-	-	249,883
	-	-	-	-	-	-	196
	-	58,737	-	-	-	-	58,737
	-	10,090	-	-	-	-	102,372
	-	1,479,367	-	-	-	-	1,479,367
	-	155,900	-	-	-	-	155,900
	-	796	-	-	-	-	796
	-	2,664	-	-	-	-	2,664
	-	-	-	-	-	-	1,000
	-	23,466,301	-	-	14,437,293	-	37,903,594
	-	2,664,369	-	-	-	-	2,664,369
	-	(3,062,038)	-	-	-	-	(3,062,038)
	-	4,148,871	-	-	-	-	4,148,871
	-	12,011	-	-	-	-	12,011
	-	-	-	-	-	28,713,100	28,713,100
1,849,854	32,450,193	80,969	716,243	14,437,293	28,713,100		94,026,100

City of Johnston
 Combined Balance Sheet
 All Fund Types and Account Groups

June 30, 2003

	Governmental Fund		
	General	Special Revenue	Debt Service
Liabilities			
Accounts payable	\$ 128,435	55,146	-
Salaries and benefits payable	114,188	-	-
Contracts payable	-	-	-
Due to other governments	2,370	-	-
Due to other funds (note 7)	-	196	-
Accrued general obligation bond interest	-	-	-
Current portion of general obligation bonds	-	-	-
General obligation capital loan notes payable (note 6)	-	-	1,078,000
Liabilities payable from restricted assets:			
Customer deposits	-	-	-
Accrued revenue bond/note interest	-	-	-
Current portion of revenue notes	-	-	-
Current portion of revenue bonds	-	-	-
Current portion of Metropolitan Wastewater Reclamation Authority revenue bonds/notes	-	-	-
Deferred revenue:			
Succeeding year property tax	3,506,000	3,013,000	1,922,000
Other	28,045	-	1,005,660
Advances from other funds (note 7)	-	-	-
General obligation bonds/notes payable (note 4)	-	-	-
Revenue bonds/notes payable (note 4)	-	-	-
Des Moines Metropolitan Wastewater Reclamation Authority revenue bonds/notes payable (note 4)	-	-	-
Compensated absences	46,620	-	-
Total liabilities	<u>3,825,658</u>	<u>3,068,342</u>	<u>4,005,660</u>
Fund Equity and Other Credits			
Investment in general fixed assets	-	-	-
Contributed capital	-	-	-
Retained earnings:			
Reserved for:			
Bond retirement	-	-	-
Debt service	-	-	-
Improvements	-	-	-
Unreserved	-	-	-
Fund balances:			
Reserved for:			
Prepaid insurance	92,282	-	-
Advances to other funds	1,000	-	-
Debt service	-	-	(575,775)
Unreserved	802,424	4,558,857	-
Total fund equity and other credits	<u>895,706</u>	<u>4,558,857</u>	<u>(575,775)</u>
Total liabilities, fund equity and other credits	<u>\$ 4,721,364</u>	<u>7,627,199</u>	<u>3,429,885</u>

See notes to financial statements.

Types	Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)	
	Enterprise	Internal Service		General Fixed Assets	General Long-Term Debt		
Capital Projects	140,471	33,599	1,829	300	-	-	359,780
	-	10,028	-	-	-	-	124,216
	22,664	-	-	-	-	-	22,664
	-	105,756	-	-	-	-	108,126
	-	-	-	-	-	-	196
	-	6,376	-	-	-	-	6,376
	-	110,000	-	-	-	-	110,000
	-	392,000	-	-	-	-	1,470,000
	-	9,975	-	-	-	-	9,975
	-	25,645	-	-	-	-	25,645
	-	96,000	-	-	-	-	96,000
	-	70,000	-	-	-	-	70,000
	-	81,874	-	-	-	-	81,874
	-	-	-	-	-	-	8,441,000
	53,790	-	-	-	-	-	1,087,495
	-	-	1,000	-	-	-	1,000
	-	1,423,538	-	-	-	28,575,000	29,998,538
	-	6,449,850	-	-	-	-	6,449,850
	-	524,262	-	-	-	-	524,262
	-	8,477	-	-	-	138,100	193,197
	216,925	9,347,380	2,829	300	-	28,713,100	49,180,194
	-	-	-	-	14,437,293	-	14,437,293
	-	14,703,768	-	-	-	-	14,703,768
	-	661,613	-	-	-	-	661,613
	-	197,377	-	-	-	-	197,377
	-	383,568	-	-	-	-	383,568
	-	7,156,487	78,140	-	-	-	7,234,627
	-	-	-	-	-	-	92,282
	-	-	-	-	-	-	1,000
	-	-	-	-	-	-	(575,775)
	1,632,929	-	-	715,943	-	-	7,710,153
	1,632,929	23,102,813	78,140	715,943	14,437,293	-	44,845,906
	1,849,854	32,450,193	80,969	716,243	14,437,293	28,713,100	94,026,100

City of Johnston

Combined Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
All Governmental Fund Types and Expendable Trust Funds

Year ended June 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Revenues:			
Property tax	\$ 3,117,305	-	1,628,923
Tax increment financing revenue	-	4,261,942	-
Other city tax	516,075	-	101,134
Licenses and permits	443,106	-	-
Use of money and property	25,229	29,026	8,838
Intergovernmental	220,290	702,363	3,000
Charges for service	115,055	24,487	-
Special assessments	-	-	564,850
Miscellaneous	140,962	820	6,723
Total revenues	<u>4,578,022</u>	<u>5,018,638</u>	<u>2,313,468</u>
Expenditures:			
Public safety	1,181,364	81,499	-
Public works	638,363	533,949	-
Health and social services	50,566	-	-
Culture and recreation	1,142,672	-	-
Community and economic development	564,489	1,227,408	-
General government	889,667	-	-
Debt service	-	-	3,085,438
Capital projects	-	-	-
Total expenditures	<u>4,467,121</u>	<u>1,842,856</u>	<u>3,085,438</u>
Excess (deficiency) of revenues over (under) expenditures	<u>110,901</u>	<u>3,175,782</u>	<u>(771,970)</u>
Other financing sources (uses):			
Sale of general fixed assets	300	-	-
General obligation bond proceeds (net of \$55,826 discount)	-	-	-
Operating transfers in	98,600	-	1,009,862
Operating transfers out	(210,733)	(896,026)	-
Total other financing sources (uses)	<u>(111,833)</u>	<u>(896,026)</u>	<u>1,009,862</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(932)	2,279,756	237,892
Fund balances (deficit) beginning of year	873,463	2,279,101	(813,667)
Increase in reserve for prepaid insurance	23,175	-	-
Fund balances (deficit) end of year	<u>\$ 895,706</u>	<u>4,558,857</u>	<u>(575,775)</u>

See notes to financial statements.

Capital Projects	Fiduciary Fund Type Expendable Trust	Total (Memorandum Only)
-	-	4,746,228
-	-	4,261,942
-	-	617,209
-	17,145	460,251
16,553	8,558	88,204
151,736	-	1,077,389
-	-	139,542
13,726	-	578,576
60,369	210,696	419,570
242,384	236,399	12,388,911
-	-	1,262,863
-	-	1,172,312
-	-	50,566
-	64,686	1,207,358
25,241	24,080	1,841,218
-	-	889,667
-	-	3,085,438
3,187,030	-	3,187,030
3,212,271	88,766	12,696,452
(2,969,887)	147,633	(307,541)
-	-	300
4,599,174	-	4,599,174
153,847	-	1,262,309
(117,126)	(38,424)	(1,262,309)
4,635,895	(38,424)	4,599,474
1,666,008	109,209	4,291,933
(33,079)	606,734	2,912,552
-	-	23,175
1,632,929	715,943	7,227,660

City of Johnston

City of Johnston

Combined Statement of Revenues, Expenses
and Changes in Retained Earnings

Proprietary Fund Types

Year ended June 30, 2003

	Enterprise	Internal Service	Total (Memorandum Only)
Operating revenues:			
Intergovernmental	\$ 15,519	-	15,519
Charges for service	2,961,941	-	2,961,941
Miscellaneous	326,625	91,067	417,692
Total operating revenues	<u>3,304,085</u>	<u>91,067</u>	<u>3,395,152</u>
Operating expenses:			
Business type activities:			
Operations	1,697,367	-	1,697,367
Capital outlay	282,341	-	282,341
Depreciation	438,692	-	438,692
Medical claims	-	44,996	44,996
Total operating expenses	<u>2,418,400</u>	<u>44,996</u>	<u>2,463,396</u>
Operating income	<u>885,685</u>	<u>46,071</u>	<u>931,756</u>
Non-operating revenues (expenses):			
Interest on investments	38,676	-	38,676
Interest expense	(407,132)	-	(407,132)
Loss on disposal of equipment	(6,196)	-	(6,196)
Service connection fees	291,238	-	291,238
Capital assets contributed	410,117	-	410,117
Miscellaneous revenues	6,881	-	6,881
Increase in joint venture equity	15,418	-	15,418
Total non-operating revenues (expenses)	<u>349,002</u>	<u>-</u>	<u>349,002</u>
Net income	1,234,687	46,071	1,280,758
Retained earnings beginning of year	<u>7,164,358</u>	<u>32,069</u>	<u>7,196,427</u>
Retained earnings end of year	<u>\$ 8,399,045</u>	<u>78,140</u>	<u>8,477,185</u>

See notes to financial statements.

Exhibit D

City of Johnston
Combined Statement of Cash Flows
Proprietary Fund Types
Year ended June 30, 2003

	Enterprise	Internal Service	Total (Memorandum Only)
Cash flows from operating activities:			
Operating income	\$ 885,685	46,071	931,756
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	438,692	-	438,692
(Increase) in customer accounts, unbilled usage and other accounts receivable	(661)	-	(661)
(Increase) in due from other governments	(15,519)	-	(15,519)
Decrease in inventories, at cost	60,596	-	60,596
(Increase) in prepaid insurance	(3,017)	-	(3,017)
(Decrease) in accounts and contracts payable, excluding payables for assets capitalized	(117,777)	(2,877)	(120,654)
Decrease in salaries and benefits payable	(1,191)	-	(1,191)
Increase in due to other governments	402	-	402
Increase in accrued compensated absences	797	-	797
Increase in customer deposits	1,920	-	1,920
Total adjustments	364,242	(2,877)	361,365
Net cash provided by operating activities	1,249,927	43,194	1,293,121
Cash flows from capital and related financing activities:			
Special assessments	34,876	-	34,876
Service connection fees	291,238	-	291,238
Purchase of property and equipment	(523,080)	-	(523,080)
Des Moines Metropolitan Wastewater Reclamation Authority refund	37,816	-	37,816
Principal paid on revenue bonds and notes	(161,000)	-	(161,000)
Interest paid on revenue bonds and notes	(322,650)	-	(322,650)
Principal paid on general obligation bonds	(100,000)	-	(100,000)
Interest paid on general obligation bonds	(82,507)	-	(82,507)
Principal and interest paid on Des Moines Metropolitan Wastewater Reclamation Authority debt	(114,036)	-	(114,036)
Net cash used by capital and related financing activities	(939,343)	-	(939,343)

City of Johnston
 Combined Statement of Cash Flows
 Proprietary Fund Types
 Year ended June 30, 2003

	Enterprise	Internal Service	Total (Memorandum Only)
Cash flows from investing activities:			
Interest on investments	40,253	-	40,253
Net increase in cash and cash equivalents	350,837	43,194	394,031
Cash and cash equivalents beginning of year	4,096,931	37,775	4,134,706
Cash and cash equivalents end of year	<u>\$4,447,768</u>	<u>80,969</u>	<u>4,528,737</u>
Reconciliation of cash and cash equivalents to specific assets included on Combined Balance Sheet:			
Current assets:			
Cash and investments	\$2,968,401	80,969	3,049,370
Restricted assets:			
Cash and investments	<u>1,479,367</u>	<u>-</u>	<u>1,479,367</u>
Cash and cash equivalents end of year	<u>\$4,447,768</u>	<u>80,969</u>	<u>4,528,737</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2003, capital assets of \$22,150 and \$1,161 were contributed to the Enterprise, Water and Sewer Funds, respectively, from the Capital Projects, NW 62nd Avenue West of Merle Hay Road Fund.

During the year ended June 30, 2003, developers contributed water main and sanitary sewer extensions totaling \$152,236 and \$234,570, respectively, to the Enterprise, Water Utility and Sewer Utility Funds.

See notes to financial statements.

City of Johnston

Comparison of Receipts, Disbursements
and Changes in Balances - Actual to Budget (Cash Basis)
All Governmental Fund Types, Expendable Trust Funds
and Enterprise Funds

Year ended June 30, 2003

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property tax	\$ 4,754,781	-
Tax increment financing collections	4,283,001	-
Other city tax	622,742	-
Licenses and permits	465,995	-
Use of money and property	130,226	2,040
Intergovernmental	1,023,315	-
Charges for service	3,410,333	-
Special assessments	609,633	-
Miscellaneous	783,749	79,938
Total receipts	<u>16,083,775</u>	<u>81,978</u>
Disbursements:		
Public safety	1,262,979	-
Public works	1,181,179	-
Health and social services	20,654	-
Culture and recreation	1,203,446	59,129
Community and economic development	1,829,715	-
General government	890,104	-
Debt service	3,268,155	-
Capital projects	3,619,339	-
Business type activities	3,162,371	-
Total disbursements	<u>16,437,942</u>	<u>59,129</u>
Excess (deficiency) of receipts over (under) disbursements	(354,167)	22,849
Other financing sources, net	<u>4,599,474</u>	-
Excess of receipts and other financing sources over disbursements and other financing uses	4,245,307	22,849
Balance beginning of year	<u>8,633,169</u>	<u>182,086</u>
Balance end of year	<u>\$ 12,878,476</u>	<u>204,935</u>

See notes to financial statements.

Net	Amended Budget	Variance - Favorable (Unfavorable)	Net as % of Amended Budget
4,754,781	4,749,490	5,291	100%
4,283,001	4,265,470	17,531	100%
622,742	664,098	(41,356)	94%
465,995	370,135	95,860	126%
128,186	228,075	(99,889)	56%
1,023,314	1,089,832	(66,518)	94%
3,410,333	3,588,530	(178,197)	95%
609,633	608,349	1,284	100%
703,811	219,343	484,468	321%
<u>16,001,796</u>	<u>15,783,322</u>	<u>218,474</u>	<u>101%</u>
1,262,979	1,337,733	74,754	94%
1,181,179	1,402,688	221,509	84%
20,654	64,529	43,875	32%
1,144,317	1,218,025	73,708	94%
1,829,715	1,925,012	95,297	95%
890,104	924,800	34,696	96%
3,268,155	3,268,656	501	100%
3,619,339	4,645,022	1,025,683	78%
3,162,371	3,237,478	75,107	98%
<u>16,378,813</u>	<u>18,023,943</u>	<u>1,645,130</u>	<u>91%</u>
(377,017)	(2,240,621)		
<u>4,599,474</u>	<u>4,605,897</u>		
4,222,457	2,365,276		
<u>8,451,083</u>	<u>8,451,081</u>		
<u>12,673,540</u>	<u>10,816,357</u>		

City of Johnston

Notes to Financial Statements

June 30, 2003

(1) Summary of Significant Accounting Policies

The City of Johnston is a political subdivision of the State of Iowa located in Polk County. It was first incorporated in 1969 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 administrative services.

The financial statements of the City of Johnston have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

A. Reporting Entity

For financial reporting purposes, the City of Johnston has included all funds, organizations, account groups, 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 Johnston (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit – The Johnston Public Library Foundation 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 Foundation is reported as part of the City and blended as an Expendable Trust Fund. This Foundation has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Johnston Public Library. These donations are used to purchase items which are not included in the City's budget.

Joint Venture – The City also participates in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) (formerly the Des Moines Area Integrated Community Area Wastewater Facilities Project). The WRA, a joint venture, was developed as the result of an agreement between the City of Des Moines and surrounding municipalities.

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: Polk County Assessor’s Conference Board, the Metro Waste Authority, Polk County Emergency Management Commission and Polk County Joint E911 Service Board.

The City also participates in the Des Moines Area Transportation Planning Commission, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa.

B. Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. The various funds and account groups and their designated purposes are as follows:

Governmental Funds

General Fund – The General Fund is the general operating fund of the City. All general tax revenues and other revenues that are 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 expenses, the fixed charges and the capital improvement costs that are not paid through other funds.

Special Revenue Funds – The Special Revenue Funds are utilized to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Debt Service Funds – The Debt Service Funds are utilized to account for the payment of interest and principal on the City's general obligation long-term debt.

Capital Projects Funds – The Capital Projects Funds are utilized to account for resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

Proprietary Funds

Enterprise Funds – The Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

Internal Service Funds – The Internal Service Funds are utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

Fiduciary Funds

Trust Funds – The Trust Funds are used to account for monies and properties received and held by the City in a trustee capacity. These include Expendable Trust Funds which are accounted for in essentially the same manner as Governmental Funds.

Account Groups

General Fixed Assets – This account group is established to account for all City general fixed assets, except for infrastructure fixed assets (e.g., streets, bridges, sidewalks, curbs and gutters and storm drainage systems) and property and equipment accounted for in Proprietary Funds.

General Long-Term Debt – This account group is established to account for long-term debt of the City. Long-term debt expected to be financed from Governmental Funds are accounted for in this account group, not in the Governmental Funds.

C. Measurement Focus

Governmental Funds and Expendable Trust Funds are accounted for on a spending or “financial flow” measurement focus. This means only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available spendable resources.” Governmental Fund and Expendable Trust Fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Proprietary Funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means all assets and all liabilities, whether current or non-current, associated with their activity are included on their balance sheets. Their reported fund equity, net total assets, is segregated into contributed capital and retained earnings components. Proprietary Fund operating statements present increases (revenues) and decreases (expenses) in net total assets.

In reporting the financial activity of its Proprietary Funds, the City applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds and Expendable Trust Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments), charges for service and interest associated with the current fiscal period are all considered to be susceptible to accrual under the modified accrual basis and so have been recognized as revenues of the current period. Revenues from licenses and permits, fines and forfeitures, refunds and reimbursements and other miscellaneous sources are generally recognized when they are received in cash as they are generally not measurable until actually received.

All Proprietary Funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

E. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the combined balance sheet:

Cash, Pooled Investments, and Cash Equivalents – The cash balances of most City funds are pooled in interest-bearing cash accounts and invested in certificates of deposit or in the Iowa Public Agency Investment Trust. Interest on the pooled cash accounts and investments is recognized as revenue when earned and recorded in the General Fund and other funds as provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax receivable in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2003. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2001 assessed property valuations; is for the tax accrual period July 1, 2002 through June 30, 2003 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March, 2002.

Special Assessments Receivable – Special assessments receivable represents the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than ten nor more than twenty annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other tax.

Customer Accounts and Unbilled Usage Receivable – Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due from and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2003, balances of interfund amounts receivable or payable have been recorded.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Proprietary Fund inventories of materials and supplies are valued at cost, using the first-in/first-out (FIFO) method.

Property and Equipment

General Fixed Assets – General fixed assets are recorded as expenditures in the Governmental Funds and are capitalized (recorded and accounted for) in the General Fixed Assets Account Group. Assets in this account group are recorded at historical cost. Assets acquired by gift are accounted for at the asset's fair market value at the date of the gift. The General Fixed Assets Account Group excludes public domain or "infrastructure" general fixed assets such as roads, bridges, curbs, gutters, streets, sidewalks and similar assets that are immovable and of value only to the government.

In accordance with standards set forth by the Governmental Accounting Standards Board, depreciation expense is not recorded on the balance sheet for general fixed assets. At the time an asset is removed from service, the cost is removed from the General Fixed Assets Account Group. Maintenance and repair are recorded as expenditures in the Governmental Funds as incurred and are not capitalized. During the year ended June 30, 2003, no interest costs were capitalized since there were no qualifying assets other than infrastructure and it is the City's policy not to capitalize infrastructure.

Proprietary Fund – Proprietary Fund property and equipment is accounted for at original cost. Contributed fixed assets are recorded at estimated fair market value at the time received.

Depreciation of all exhaustible fixed assets used by Proprietary Funds is charged as an expense against operations.

Accumulated depreciation is reported on Proprietary Fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water mains	50-100 years
Sanitary sewer system	50 years
Appurtenances	50 years
Equipment	5-20 years

Depreciation expense for the year ended June 30, 2003 was \$192,932 for the Water Utility and \$245,760 for the Sewer Utility.

The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Interest is capitalized on qualified Proprietary Fund assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. During the year ended June 30, 2003, no interest costs were capitalized since there were no qualifying assets.

Restricted Assets – Funds set aside for payment of Enterprise Fund revenue bonds and notes are classified as restricted assets since their use is restricted by applicable bond and note indentures. Other restricted assets include cash and investments held by the City and in trust for future Enterprise Fund construction costs, customer deposits restricted for application to unpaid customer accounts or for refund to customers, and special assessments receivable.

Bond Discounts and Issuance Costs – Bond discounts and issuance costs associated with revenue bonds and general obligation bonds payable from Enterprise Funds are deferred and amortized over the term of the bonds using the straight-line method. Bond discounts are deducted from the bonds outstanding and unamortized issuance costs are presented as other assets.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the City and payments for services which will be remitted to other governments.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable, special assessments receivable and other receivables not collected within sixty days after year end.

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation and compensatory leave hours for subsequent use or for payment upon termination, death or retirement. For Proprietary Funds, these accumulations are recorded as liabilities and expenses for the year earned. Amounts representing the cost of compensated absences expected to be liquidated currently are recorded as liabilities of the Governmental Funds. A liability has been recorded in the General Long-Term Debt Account Group representing the City's commitment to fund non-current compensated absences. This liability has been computed based on rates of pay in effect at June 30, 2003.

Unreserved Retained Earnings – The unreserved retained earnings of the Internal Service Fund, Health Deductible Claims is designated for anticipated future catastrophic losses to the City.

F. Budgets and Budgetary Accounting

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 the blended component unit and Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end. During the year ended June 30, 2003, the City Council approved one amendment to the budget.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions, not by fund. These 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.

Exhibit E is a comparison of cash basis receipts, disbursements and changes in balances with the cash basis budget, which is legally controlled by function, not fund type. Operations and ending fund balances on the cash and modified accrual basis have been reconciled as follows:

	Governmental Fund Types					
	General			Special Revenue		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 4,611,393	(33,371)	4,578,022	5,045,769	(27,131)	5,018,638
Expenditures	4,435,873	31,248	4,467,121	1,843,508	(652)	1,842,856
Net	175,520	(64,619)	110,901	3,202,261	(26,479)	3,175,782
Other financing sources (uses)	(111,833)	-	(111,833)	(896,026)	-	(896,026)
Beginning fund balances	901,295	(27,832)	873,463	2,238,892	40,209	2,279,101
Increase in reserve for prepaids	-	23,175	23,175	-	-	-
Ending fund balances	\$ 964,982	(69,276)	895,706	4,545,127	13,730	4,558,857

	Governmental Fund Types					
	Debt Service			Capital Projects		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 2,314,834	(1,366)	2,313,468	173,923	68,461	242,384
Expenditures	3,268,155	(182,717)	3,085,438	3,639,269	(426,998)	3,212,271
Net	(953,321)	181,351	(771,970)	(3,465,346)	495,459	(2,969,887)
Other financing sources (uses)	1,192,580	(182,718)	1,009,862	4,635,895	-	4,635,895
Beginning fund balances	245,493	(1,059,160)	(813,667)	553,745	(586,824)	(33,079)
Increase in reserve for prepaids	-	-	-	-	-	-
Ending fund balances	\$ 484,752	(1,060,527)	(575,775)	1,724,294	(91,365)	1,632,929

	Fiduciary Fund Type					
	Expendable Trust			Total		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 241,930	(5,531)	236,399	12,387,849	1,062	12,388,911
Expenditures	88,766	-	88,766	13,275,571	(579,119)	12,696,452
Net	153,164	(5,531)	147,633	(887,722)	580,181	(307,541)
Other financing sources (uses)	(38,424)	-	(38,424)	4,782,192	(182,718)	4,599,474
Beginning fund balances	596,813	9,921	606,734	4,536,238	(1,623,686)	2,912,552
Increase in reserve for prepaids	-	-	-	-	23,175	23,175
Ending fund balances	\$ 711,553	4,390	715,943	8,430,708	(1,203,048)	7,227,660

	Proprietary Fund Type		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 3,695,926	370,489	4,066,415
Expenses	3,162,371	(330,643)	2,831,728
Net	533,555	701,132	1,234,687
Other financing sources (uses)	(182,718)	182,718	-
Beginning retained earnings	4,096,931	3,067,427	7,164,358
Ending retained earnings	\$ 4,447,768	3,951,277	8,399,045

G. Total (Memorandum Only)

The total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2003 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$11,173,687 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Property and Equipment

A summary of changes in property and equipment comprising general fixed assets for the year ended June 30, 2003 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land	\$ 2,453,771	297,322	-	2,751,093
Buildings	7,113,378	45,655	-	7,159,033
Equipment	3,719,561	834,228	(26,622)	4,527,167
Total	\$ 13,286,710	1,177,205	(26,622)	14,437,293

(4) Long-Term Debt

General obligation bonds/notes:

General obligation bonds/notes have been issued for both general government and proprietary activities. The portion of unmatured general obligation bonds/notes accounted for in the General Long-Term Debt Account Group and serviced by the Debt Service Fund totaled \$28,575,000 as of June 30, 2003. The portion of unmatured general obligation bonds/notes expected to be repaid from proprietary revenues and accounted for in the Enterprise Funds totaled \$1,540,000 as of June 30, 2003. In compliance with statutory requirements, funds pledged and available in the Enterprise Funds to service general obligation bonds are recorded as reimbursements to the Debt Service Fund in the City's accounting system. General obligation bonds/notes bear interest with rates ranging from 2.00% to 9.00% and mature in varying annual amounts ranging from \$15,000 to \$905,000, with final maturities due in the year ending June 30, 2017.

Revenue bonds/notes:

Three issues of unmatured revenue bonds/notes totaling \$6,697,000 are outstanding as of June 30, 2003. These bonds/notes bear interest at rates ranging from 4.30% to 5.40% and mature in varying annual amounts ranging from \$50,000 to \$470,000, with the final maturities due in the year ending June 30, 2021.

The resolutions providing for the issuance of the water revenue bonds and the sewer revenue capital loan notes issued under a loan agreement between the City of Johnston, the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank include the following provisions:

- (a) The bonds and notes will only be redeemed from the future earnings of the enterprise activity and the bond and note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue sinking accounts for the purpose of making the bond and note principal and interest payments when due.

- (c) Additional monthly transfers shall be made to separate water and sewer reserve accounts until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying bond and note principal and interest payments when insufficient money is available in the sinking accounts.
- (d) Additional monthly transfers of \$500 to separate water and sewer improvement accounts shall be made until balances of \$10,000 each have been accumulated. These accounts are restricted for the purpose of paying bond and note principal and interest payments when insufficient money is available in the sinking and reserve accounts and to pay the cost of extraordinary maintenance expenses or repair, renewals and replacements not included in the annual budget and for capital improvements to the system.
- (e) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bonds and notes falling due in the same year.

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

Year ending June 30,	General		General Obligation		Sewer Revenue		Water		Total	
	Obligation Bonds		Capital Loan Notes		Capital Loan Notes		Revenue Bonds			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 2,140,000	1,322,446	76,000	29,073	96,000	54,608	120,000	260,408	2,432,000	1,666,535
2005	2,260,000	1,234,418	82,000	24,319	100,000	50,174	155,000	254,792	2,597,000	1,563,703
2006	2,415,000	1,140,435	68,000	19,164	105,000	45,554	185,000	247,602	2,773,000	1,452,755
2007	2,370,000	1,036,039	74,000	15,287	109,000	40,702	220,000	238,943	2,773,000	1,330,971
2008	2,400,000	932,504	75,000	11,029	115,000	35,666	240,000	228,667	2,830,000	1,207,866
2009	2,380,000	826,240	26,000	6,700	120,000	30,354	255,000	217,388	2,781,000	1,080,682
2010	2,500,000	719,772	28,000	5,498	125,000	24,810	270,000	205,312	2,923,000	955,392
2011	2,655,000	606,990	29,000	4,204	131,000	19,034	280,000	192,533	3,095,000	822,761
2012	2,780,000	485,464	30,000	2,864	137,000	12,982	295,000	179,267	3,242,000	680,577
2013	2,310,000	356,313	32,000	1,478	144,000	6,652	310,000	165,253	2,796,000	529,696
2014	2,045,000	249,539	-	-	-	-	335,000	150,412	2,380,000	399,951
2015	1,995,000	152,704	-	-	-	-	345,000	135,338	2,340,000	288,042
2016	915,000	56,298	-	-	-	-	370,000	119,812	1,285,000	176,110
2017	430,000	16,985	-	-	-	-	385,000	102,700	815,000	119,685
2018	-	-	-	-	-	-	405,000	84,605	405,000	84,605
2019	-	-	-	-	-	-	425,000	65,368	425,000	65,368
2020	-	-	-	-	-	-	450,000	44,967	450,000	44,967
2021	-	-	-	-	-	-	470,000	23,030	470,000	23,030
Total	\$ 29,595,000	9,136,147	520,000	119,616	1,182,000	320,536	5,515,000	2,916,397	36,812,000	12,492,696

Des Moines Metropolitan Wastewater Reclamation Authority Bonds/Notes

The Des Moines Metropolitan Wastewater Reclamation Authority (WRA), (formerly the Integrated Community Area (ICA), as an autonomous entity, was developed as the result of a joint venture agreement between the City of Des Moines and surrounding municipalities established for the primary purpose of planning, constructing, operating and managing sewer related facilities in order to solve the adjoining municipalities waste water problems. The City of Des Moines was designated as the operating agency for the ICA and, as such, is responsible for accounting for all expenditures relating to these projects.

The WRA issues long-term debt and the City of Johnston is responsible for a portion of the debt issued and will annually pay a portion of the bonds/notes and interest due. A

schedule of the City's portion of future principal and interest payments for that debt is as follows:

Year ending June 30,	Des Moines Metropolitan Wastewater Reclamation Authority Revenue Bonds/Notes		
	Principal	Interest	Total
	2004	\$ 81,874	28,107
2005	53,874	24,291	78,165
2006	56,377	21,785	78,162
2007	58,910	19,163	78,073
2008	61,847	16,421	78,268
2009	64,588	13,544	78,132
2010	68,068	10,527	78,595
2011	61,948	7,372	69,320
2012	55,121	4,492	59,613
2013	8,587	1,931	10,518
2014	8,966	1,547	10,513
2015	9,346	1,147	10,493
2016	9,772	728	10,500
2017	3,358	291	3,649
2018	3,500	148	3,648
Total	\$ 606,136	151,494	757,630

During the year ended June 30, 2003, the City paid \$114,036 for principal and interest pursuant to this agreement. The WRA plans to issue more bonds/notes in the future.

A summary of changes in long-term debt for the year ended June 30, 2003 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year
Reported in the General Long-Term Debt Account Group:				
General obligation bonds/notes:				
Essential corporate purpose	\$ 22,695,000	4,655,000	1,345,000	26,005,000
Refunding	2,375,000	-	325,000	2,050,000
Capital loan notes	595,000	-	75,000	520,000
	25,665,000	4,655,000	1,745,000	28,575,000
Compensated absences	118,666	19,434	-	138,100
Total	\$ 25,783,666	4,674,434	1,745,000	28,713,100

	Balance Beginning of Year	Additions	Reductions	Balance End of Year
Reported in Proprietary Fund Type - Enterprise Funds:				
Water revenue bonds	\$ 5,502,605	1,245	70,000	5,433,850 (1)
Sewer revenue capital loan notes	1,273,000	-	91,000	1,182,000
General Obligation Bonds	1,632,820	718	100,000	1,533,538 (2)
Metropolitan Wastewater Reclamation Authority bonds/notes	689,944	-	83,808	606,136
Total	\$ 9,098,369	1,963	344,808	8,755,524

(1) Bonds were sold at a discount; unamortized discount at June 30, 2003 totaled \$81,150.

(2) Bonds were sold at a discount; unamortized discount at June 30, 2003 totaled \$6,462.

(5) Investment in Joint Venture

The City is a member of the Des Moines Metropolitan Wastewater Reclamation Authority (WRA), a joint venture established in accordance with the provisions of Chapter 28E of the Code of Iowa for the purpose of planning, constructing, operating, and managing sewer-related facilities in order to solve members' waste water problems. Pursuant to the joint venture agreement, the City of Des Moines is the operating agency and, as such, provides the management and each member participates in governing the joint venture. Each WRA member participates at varying percentages in each project phase based on the member's respective benefit. More than 60 percent of the total program cost of \$225,000,000 was funded by state and federal grants. The City's share of the project has been funded through a combination of general obligation bonds, sewer revenue bonds, and several financing agreements with the WRA based on specific construction phases of the project.

The City retains an ownership interest in the project based on existing contributions of capital during phases of the project. The City's interest at June 30, 2003 is approximately 1.53 percent. The City is accounting for its investment in the joint venture under the "equity method" of accounting. Under the equity method of accounting, the investment in the joint venture is recorded at cost and is adjusted annually for the City's share of the joint venture's net income or loss.

The WRA is operated on a cost reimbursement basis whereby participating communities share in the costs of operations as set forth in the WRA Agreements. Contract payments made to the WRA for operations and maintenance by the City for the year ended June 30, 2003 totaled \$209,070.

Selected information of the WRA as of and for the year ended June 30, 2003 is as follows:

Results of operations:	
Operating revenues	\$ 9,729,765
Operating loss	(5,939,144)
Non-operating income	5,629,748
Net income	511,778
Financial position:	
Total assets	\$ 276,483,768
Total liabilities	5,315,720
Retained earnings	271,168,048

The financial statements for the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) can be obtained from the operating agency, the City of Des Moines.

(6) General Obligation Capital Loan Notes

On May 15, 2003, the City issued \$1,470,000 in general obligation capital loan notes to pay the costs of retiring general obligation capital loan notes, Series 1998A. The notes bear interest at 2.35% per annum and mature on June 1, 2004. The notes will be repaid through issuance of long-term general obligation and/or revenue debt. Due to their short-term nature, the notes have been recorded as a liability of the Debt Service Fund and the Enterprise, Sewer Fund.

(7) Interfund Assets/Liabilities

The detail of interfund receivables, payables and advances at June 30, 2003 is as follows:

Due To/Due From Other Funds:

Receivable Fund	Payable Fund	Amount
Special Revenue:	Special Revenue:	
Urban Renewal Tax	Urban Renewal Tax	<u>\$ 196</u>
Increment Financing	Increment Financing	
Project #1	Project #4	

Advances To/From Other Funds:

Receivable Fund	Payable Fund	Amount
General	Internal Service:	
	Health Deductible Claims	<u>\$ 1,000</u>

(8) Development Agreements

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental tax paid by the developer in exchange for the construction of buildings and certain infrastructure improvements made by the developers. Certain agreements also require the developer to certify specific employment requirements are met. The total to be paid by the City under the agreements is not to exceed \$11,744,791.

The City has rebated a total of \$2,486,688 of incremental tax under the agreements. The outstanding balance of the agreements at June 30, 2003 was \$9,258,103.

(9) Forgivable Loans

The City has entered into four private development agreements for urban renewal projects. The agreements provide the City will make forgivable loans to developers in exchange for the construction of certain minimum improvements located within the City's TIF districts. The loans are amortized and are to be forgiven in annual amounts provided the developers comply with all requirements stipulated within the agreements. At June 30, 2003, the City had loaned \$382,570 under the agreements and forgiven \$136,500 of the loans, leaving a balance of \$246,070.

(10) Pension and Retirement Benefits

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.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual payroll except for police employees, in which case the percentages are 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2003, 2002, and 2001, were \$143,465, \$132,275, and \$117,529, respectively, equal to the required contributions for each year.

(11) Contingent Liability for Sick Leave

All full-time City employees accumulate sick leave hours for subsequent use. The accumulation of sick leave hours for employees hired after April 1, 1986 does not vest. Employees hired prior to April 1, 1986, but not having ten years of continuous service on April 1, 1986, are vested in proportion to their years of service as of April 1, 1986, with the remainder unvested. These unvested benefits are not recognized as a liability until used by the employee. The City's approximate contingent liability for the unvested sick leave as of June 30, 2003 for the Governmental Funds is \$358,000. This contingent liability has been computed based on rates of pay in effect at June 30, 2003.

(12) Service Agreements

The City has agreements with the following governmental entities to provide services for its citizens:

Agreement	Purpose
City of Urbandale	Library services
Polk County Fire District Number 1	Fire services
Johnston Community School District	Community education program
Polk County	Roadway maintenance

(13) Industrial Development Revenue Bonds

The City has issued a total of \$3,930,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$1,115,000 is outstanding at June 30, 2003. The bonds and related interest are payable solely from the revenues received by tenants of the properties and the bond principal and interest do not constitute liabilities of the City.

(14) Commitments

The City has entered into a street construction contract totaling \$2,369,211. As of June 30, 2003, costs of \$91,475 had been incurred against this contract. The remaining \$2,277,736 will be paid as work on this project progresses. The project will primarily be funded through the issuance of general obligation bonds.

(15) Deficit Fund Balances

The Special Revenue, Urban Renewal Tax Increment Financing Projects #4 Fund had a deficit balance of \$1,536 at June 30, 2003. The deficit balance was a result of economic development costs incurred prior to availability of funds. The deficit will be eliminated through the collection of tax increment financing revenues.

The Debt Service, Urban Renewal Tax Increment Financing Debt #1 Fund had a deficit balance of \$734,586 at June 30, 2003. The deficit balance was a result of recording a liability for the general obligation capital loan notes issued during the year ended June 30, 2002. The notes mature in June 2004 and will be repaid through the issuance of long-term general obligation and/or revenue debt.

The Capital Projects, NW 62nd Avenue West of Merle Hay Road Fund had a deficit balance of \$27,906 at June 30, 2003. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated through the issuance of general obligation debt.

(16) Risk Management

The City of Johnston is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductible and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. No significant reductions in insurance have occurred.

The Internal Service, Health Deductible Claims Fund was established to account for the partial self funding of the City's health insurance benefit plan. The plan is funded by the City and is administered by Seabury and Smith, Inc. The agreement is subject to automatic renewal. The City assumes liability for deductibles up to \$800 per individual for single coverage and \$1,600 per family for family coverage.

Monthly payments of service fees and plan contributions to the Internal Service, Health Deductible Claims Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Seabury and Smith, Inc. from the Internal Service, Health Deductible Claims Fund. The City did not make a contribution to the fund for the year ended June 30, 2003.

Amounts payable from the Internal Service, Health Deductible Claims Fund at June 30, 2003 total \$1,829, which is for reported but not paid claims. In accordance with House File 647, Chapter 509A.15 of the Code of Iowa, and with approval from the State Commissioner of Insurance, the City's health insurance plan qualifies as a mini-self-funded plan and is exempt from the requirements to have an annual actuarial opinion. Therefore, a liability for claims incurred but not reported (IBNR) was estimated but not actuarially determined. Information on a reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2002	\$ 4,706
Incurred claims	22,988
Payments on claims during the fiscal year	<u>25,865</u>
Unpaid claims at June 30, 2003	<u>\$ 1,829</u>

(17) Segment Information for Enterprise Funds

The City maintains two Enterprise Funds which provide water and sewer services. The funds are set up to operate primarily from proceeds of user charges. Segment information for the year ended June 30, 2003 is as follows:

	Water	Sewer	Total
Results of operations:			
Operating revenues	\$ 2,311,185	992,900	3,304,085
Operating expenses:			
Depreciation	192,932	245,760	438,692
Other	1,483,795	495,913	1,979,708
	<u>1,676,727</u>	<u>741,673</u>	<u>2,418,400</u>
Operating income	634,458	251,227	885,685
Non-operating revenue (expense), net	(32,602)	381,604	349,002
Net income	<u>\$ 601,856</u>	<u>632,831</u>	<u>1,234,687</u>
Financial position:			
Total assets	\$ 15,356,670	17,093,523	32,450,193
Net working capital	1,839,697	1,076,019	2,915,716
Property and equipment, net	12,451,891	10,616,741	23,068,632
Investment in joint venture	-	4,148,871	4,148,871
Revenue notes payable	-	1,182,000	1,182,000
Revenue bonds payable	5,433,850	-	5,433,850
General obligation bonds payable	-	1,533,538	1,533,538
General obligation capital loan notes payable	-	392,000	392,000
Des Moines Metropolitan Wastewater Reclamation Authority revenue bonds/notes payable	-	606,136	606,136
Retained earnings	3,297,566	5,101,479	8,399,045
Contributed capital	6,452,645	8,251,123	14,703,768
Total fund equity	<u>\$ 9,750,211</u>	<u>13,352,602</u>	<u>23,102,813</u>

(18) Pending Litigation

The City is a defendant in a lawsuit. The probability and amount of loss, if any, is indeterminable.

(19) Subsequent Event

In September 2003, the City approved issuing \$1,250,000 of sewer revenue refunding and \$275,000 of general obligation refunding bonds. The proceeds will be used to refund outstanding bond obligations. The refunding bonds will not be issued until December 2003 when the current debt to be refunded is called.

(20) Misappropriated Funds

A report dated April 14, 2003 was issued by the Office of Auditor of State on a special investigation of the City for the period July 1, 1999 through February 17, 2003. The special investigation identified \$13,353 of misappropriated funds. The table below summarizes the identified misappropriated amounts:

Purchases from Rick's Tire Service for which the City did not receive goods or services	\$ 11,359
Equipment, supplies, materials and labor that appear to have been for the personal benefit of the former Public Works Coordinator	<u>1,994</u>
Total	<u><u>\$ 13,353</u></u>

The former Public Works Department Coordinator has plead guilty to bribery and theft and has been ordered to repay the City \$16,595, an amount that includes approximately \$5,000 in audit fees.

(21) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the year ending June 30, 2004. The effects are expected to significantly impact the presentation of governmental financial statements in the year of implementation. The revised requirements include using the economic resources measurement focus and full accrual accounting. Also, the revised minimum reporting requirements include Management’s Discussion and Analysis to introduce the financial statements and to provide an analytical overview of the City’s financial activities.

Supplemental Information

Schedule 1

City of Johnston

Statement of Revenues, Expenditures and Changes in Fund Balance

General Fund

Year ended June 30, 2003

Revenues:	
Property tax	<u>\$ 3,117,305</u>
Other city tax:	
Utility tax replacement excise tax	261,598
Hotel/motel tax	<u>254,477</u>
	<u>516,075</u>
Licenses and permits:	
Beer and liquor	7,435
Cigarette	975
Building and construction	430,223
Miscellaneous	<u>4,473</u>
	<u>443,106</u>
Use of money and property:	
Interest on investments	10,720
Rent	<u>14,509</u>
	<u>25,229</u>
Intergovernmental:	
State allocation	84,071
Bank franchise tax	17,700
Library state grants	12,393
County contribution	57,558
State and community highway safety grant	11,271
Community commitment grant	34,979
Miscellaneous	<u>2,318</u>
	<u>220,290</u>
Charges for service:	
Subdivision fees	68,502
Plat review fees	16,668
Library	15,621
Police	840
Planning and zoning application fees	5,655
Fire	3,068
Miscellaneous	<u>4,701</u>
	<u>115,055</u>
Miscellaneous:	
Court fines	66,825
Refunds and reimbursements	51,163
Crown point reimbursements	10,739
Miscellaneous	<u>12,235</u>
	<u>140,962</u>
Total revenues	<u>4,578,022</u>

City of Johnston

Statement of Revenues, Expenditures and Changes in Fund Balance

General Fund

Year ended June 30, 2003

Expenditures:	
Public safety:	
Police	989,693
Fire department	172,480
Emergency management	14,821
Animal control	4,370
	<u>1,181,364</u>
Public works:	
Traffic control and safety	27,164
Recycling	75,690
Roads, bridges and sidewalks	528,459
Solid waste	7,050
	<u>638,363</u>
Health and social services:	
Welfare assistance	14,098
Water, air, and mosquito control	9,800
Transit	26,668
	<u>50,566</u>
Culture and recreation:	
Parks	248,197
Crown point	102,457
Cultural affairs	91,474
Playgrounds and recreation	46,138
Library services	654,406
	<u>1,142,672</u>
Community and economic development:	
Economic development	43,162
Planning and zoning	414,807
Building and housing	106,520
	<u>564,489</u>
General government:	
Mayor and council	16,011
City administrator	463,177
Financial administration	202,707
Legal services	37,444
City hall	170,328
	<u>889,667</u>
Total expenditures	<u>4,467,121</u>
Excess of revenues over expenditures	<u>110,901</u>

Schedule 1

City of Johnston

Statement of Revenues, Expenditures and Changes in Fund Balance

General Fund

Year ended June 30, 2003

Other financing sources (uses):	
Sale of general fixed assets	300
Operating transfers in (out):	
Capital Projects:	
Project Development	(30,000)
Park and Trail Improvements	(148,933)
Equipment Replacement Reserve	28,376
Expendable Trust:	
Senior Citizens	(1,800)
Library	70,224
Community Improvement	(30,000)
Total other financing sources (uses)	<u>(111,833)</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses	(932)
Fund balance beginning of year	873,463
Increase in reserve for prepaid insurance	<u>23,175</u>
Fund balance end of year	<u>\$ 895,706</u>

See accompanying independent auditor's report.

City of Johnston

City of Johnston
Combining Balance Sheet
Special Revenue Funds
June 30, 2003

	Road Use Tax	Urban Renewal Tax Increment Financing Projects #1	Urban Renewal Tax Increment Financing Projects #2
Assets			
Cash and pooled investments	\$ 494,120	1,854,037	971,412
Receivables:			
Property tax:			
Current year	-	13,643	-
Succeeding year	-	745,000	909,000
Accrued interest	-	832	466
Accounts	-	-	-
Due from other governments	52,957	-	-
Due from other funds	-	196	-
Total assets	\$ 547,077	2,613,708	1,880,878
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 36,141	17,665	-
Due to other funds	-	-	-
Deferred revenue:			
Succeeding year property tax	-	745,000	909,000
Total liabilities	36,141	762,665	909,000
Fund equity:			
Unreserved fund balance (deficit)	510,936	1,851,043	971,878
Total liabilities and fund equity	\$ 547,077	2,613,708	1,880,878

See accompanying independent auditor's report.

Urban Renewal Tax Increment Financing Projects #3	Urban Renewal Tax Increment Financing Projects #4	Police	Law Enforcement Block Grant	Total
1,149,387	-	72,032	4,139	4,545,127
-	-	-	-	13,643
1,355,000	4,000	-	-	3,013,000
573	-	43	2	1,916
-	-	-	360	360
-	-	-	-	52,957
-	-	-	-	196
<u>2,504,960</u>	<u>4,000</u>	<u>72,075</u>	<u>4,501</u>	<u>7,627,199</u>
-	1,340	-	-	55,146
-	196	-	-	196
<u>1,355,000</u>	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>3,013,000</u>
<u>1,355,000</u>	<u>5,536</u>	<u>-</u>	<u>-</u>	<u>3,068,342</u>
<u>1,149,960</u>	<u>(1,536)</u>	<u>72,075</u>	<u>4,501</u>	<u>4,558,857</u>
<u>2,504,960</u>	<u>4,000</u>	<u>72,075</u>	<u>4,501</u>	<u>7,627,199</u>

City of Johnston

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (Deficit)

Special Revenue Funds

Year ended June 30, 2003

	Road Use Tax	Urban Renewal Tax Increment Financing Projects #1	Urban Renewal Tax Increment Financing Projects #2
Revenues:			
Tax increment financing revenue	\$ -	1,252,379	1,304,508
Use of money and property:			
Interest on investments	-	11,655	5,074
Intergovernmental:			
Road use tax allocation	698,313	-	-
Law enforcement block grant	-	-	-
	698,313	-	-
Charges for service:			
Fines and forfeitures	-	-	-
Miscellaneous	-	-	-
Total revenues	698,313	1,264,034	1,309,582
Expenditures:			
Public safety:			
Police	-	-	-
Public works:			
Roads, bridges and sidewalks	355,979	-	-
Street lighting	171,448	-	-
Traffic control and safety	6,522	-	-
	533,949	-	-
Community and economic development:			
Economic development	-	25,619	363,373
Total expenditures	533,949	25,619	363,373
Excess (deficiency) of revenues over (under) expenditures	164,364	1,238,415	946,209

Urban Renewal Tax Increment Financing Projects #3	Urban Renewal Tax Increment Financing Projects #4	Police	Law Enforcement Block Grant	Total
1,705,055	-	-	-	4,261,942
11,484	-	776	37	29,026
-	-	-	-	698,313
-	-	-	4,050	4,050
-	-	-	4,050	702,363
-	-	24,487	-	24,487
-	-	-	820	820
1,716,539	-	25,263	4,907	5,018,638
-	-	74,588	6,911	81,499
-	-	-	-	355,979
-	-	-	-	171,448
-	-	-	-	6,522
-	-	-	-	533,949
836,880	1,536	-	-	1,227,408
836,880	1,536	74,588	6,911	1,842,856
879,659	(1,536)	(49,325)	(2,004)	3,175,782

City of Johnston

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (Deficit)

Special Revenue Funds

Year ended June 30, 2003

	Road Use Tax	Urban Renewal Tax Increment Financing Projects #1	Urban Renewal Tax Increment Financing Projects #2
Other financing uses:			
Operating transfers out:			
Debt Service:			
Urban Renewal Tax Increment Financing Debt #1	-	(359,836)	-
Urban Renewal Tax Increment Financing Debt #2	-	-	(120,892)
Urban Renewal Tax Increment Financing Debt #3	-	-	-
Total other financing uses	-	(359,836)	(120,892)
Excess (deficiency) of revenues over (under) expenditures other financing uses	164,364	878,579	825,317
Fund balances beginning of year	346,572	972,464	146,561
Fund balances (deficit) end of year	\$510,936	1,851,043	971,878

See accompanying independent auditor's report.

Urban Renewal Tax Increment Financing Projects #3	Urban Renewal Tax Increment Financing Projects #4	Police	Law Enforcement Block Grant	Total
-	-	-	-	(359,836)
-	-	-	-	(120,892)
(415,298)	-	-	-	(415,298)
(415,298)	-	-	-	(896,026)
464,361	(1,536)	(49,325)	(2,004)	2,279,756
685,599	-	121,400	6,505	2,279,101
1,149,960	(1,536)	72,075	4,501	4,558,857

Schedule 4

City of Johnston
Combining Balance Sheet

Debt Service Funds

June 30, 2003

	General Obligation	Urban Renewal Tax Increment Financing Debt #1	Urban Renewal Tax Increment Financing Debt #2	Urban Renewal Tax Increment Financing Debt #3	Total
Assets					
Cash and pooled investments	\$ 401,291	80,409	240	2,812	484,752
Receivables:					
Property tax:					
Current year	7,168	-	-	-	7,168
Succeeding year	1,922,000	-	-	-	1,922,000
Special assessments	793,255	222,526	-	-	1,015,781
Accrued interest	179	5	-	-	184
Total assets	\$ 3,123,893	302,940	240	2,812	3,429,885
Liabilities and Fund Equity					
Liabilities:					
Deferred revenue:					
Succeeding year property tax	\$ 1,922,000	-	-	-	1,922,000
Other	783,134	222,526	-	-	1,005,660
General obligation capital loan notes payable	263,000	815,000	-	-	1,078,000
Total liabilities	2,968,134	1,037,526	-	-	4,005,660
Fund equity:					
Fund balances (deficit):					
Reserved for debt service	155,759	(734,586)	240	2,812	(575,775)
Total liabilities and fund equity	\$ 3,123,893	302,940	240	2,812	3,429,885

See accompanying independent auditor's report.

City of Johnston

Schedule 5

City of Johnston

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (Deficit)

Debt Service Funds

Year ended June 30, 2003

	General Obligation	Urban Renewal Tax Increment Financing Debt #1	Urban Renewal Tax Increment Financing Debt #2	Urban Renewal Tax Increment Financing Debt #3	Total
Revenues:					
Property tax	\$1,628,923	-	-	-	1,628,923
Other city tax:					
Utility tax replacement excise tax	101,134	-	-	-	101,134
Use of money and property:					
Interest on investments	7,196	1,047	131	464	8,838
Intergovernmental:					
State allocation	3,000	-	-	-	3,000
Special assessments	446,248	118,602	-	-	564,850
Miscellaneous:					
Accrued interest on bonds sold	6,723	-	-	-	6,723
Total revenues	2,193,224	119,649	131	464	2,313,468
Expenditures:					
Debt service:					
Principal retirement	1,170,000	275,000	75,000	225,000	1,745,000
Interest	917,040	182,938	46,966	189,639	1,336,583
Other	2,441	751	306	357	3,855
Total expenditures	2,089,481	458,689	122,272	414,996	3,085,438
Excess (deficiency) of revenues over (under) expenditures	103,743	(339,040)	(122,141)	(414,532)	(771,970)

City of Johnston

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (Deficit)

Debt Service Funds

Year ended June 30, 2003

	Urban Renewal Tax Increment General Obligation	Urban Renewal Tax Increment Financing Debt #1	Urban Renewal Tax Increment Financing Debt #2	Urban Renewal Tax Increment Financing Debt #3	Total
Other financing sources:					
Operating transfers in:					
Special Revenue:					
Urban Renewal Tax					
Increment Financing Projects #1	-	359,836	-	-	359,836
Urban Renewal Tax					
Increment Financing Projects #2	-	-	120,892	-	120,892
Urban Renewal Tax					
Increment Financing Projects #3	-	-	-	415,298	415,298
Capital Projects:					
NW 62nd Avenue West of					
Merle Hay Road	100,843	-	-	-	100,843
NW Beaver 66th Avenue					
Intersection	12,993	-	-	-	12,993
Total other financing sources	113,836	359,836	120,892	415,298	1,009,862
Excess (deficiency) of revenues and other financing sources over (under) expenditures	217,579	20,796	(1,249)	766	237,892
Fund balances (deficit) beginning of year	(61,820)	(755,382)	1,489	2,046	(813,667)
Fund balances (deficit) end of year	\$ 155,759	(734,586)	240	2,812	(575,775)

See accompanying independent auditor's report.

City of Johnston
Combining Balance Sheet
Capital Projects Funds
June 30, 2003

	Sidewalk Construction	Project Development	Johnston Greenbelt
Assets			
Cash and pooled investments	\$ 39,269	34,841	16,421
Receivables:			
Special assessments	31,435	-	-
Accrued interest	22	21	9
Due from other governments	-	-	-
	-	-	-
Total assets	\$ 70,726	34,862	16,430
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 1,028	5,312	-
Contracts payable	-	-	-
Deferred revenue	31,435	-	-
Total liabilities	32,463	5,312	-
Fund equity:			
Unreserved fund balance (deficit)	38,263	29,550	16,430
Total liabilities and fund equity	\$ 70,726	34,862	16,430

NW 62nd Avenue West of Merle Hay Road	Assessment Reserve	Library Construction	N.W. Beaver 66th Avenue Intersection
1,779	82,170	25,443	8,248
-	22,355	-	-
82	49	18	12
-	-	-	-
<u>1,861</u>	<u>104,574</u>	<u>25,461</u>	<u>8,260</u>
9,847	-	-	-
19,920	-	-	-
	22,355	-	-
<u>29,767</u>	<u>22,355</u>	-	-
(27,906)	82,219	25,461	8,260
<u>1,861</u>	<u>104,574</u>	<u>25,461</u>	<u>8,260</u>

City of Johnston
Combining Balance Sheet
Capital Projects Funds
June 30, 2003

	Park and Trail Improve- ments	Merle Hay Road 1998 - I-80 to Winwood Dr.	Equipment Replacement Reserve
Assets			
Cash and pooled investments	221,898	69,766	40,138
Receivables:			
Special assessments	-	-	-
Accrued interest	97	37	22
Due from other governments	-	-	-
Total assets	221,995	69,803	40,160
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	-	186	-
Contracts payable	-	-	-
Deferred revenue	-	-	-
Total liabilities	-	186	-
Fund equity:			
Unreserved fund balance (deficit)	221,995	69,617	40,160
Total liabilities and fund equity	221,995	69,803	40,160

See accompanying independent auditor's report.

NW Beaver Street Improvement	Total
1,184,321	1,724,294
-	53,790
416	785
70,985	70,985
<u>1,255,722</u>	<u>1,849,854</u>

124,098	140,471
2,744	22,664
-	53,790
<u>126,842</u>	<u>216,925</u>

<u>1,128,880</u>	<u>1,632,929</u>
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<u>1,255,722</u>	<u>1,849,854</u>
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City of Johnston

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (Deficit)

Capital Projects Funds

Year ended June 30, 2003

	Sidewalk Construc- tion	Project Develop- ment	Johnston Greenbelt
Revenues:			
Use of money and property:			
Interest on investments	\$ 233	160	88
Intergovernmental:			
Highway planning and construction grant	-	-	-
Reimbursements from other governments	-	-	-
Special assessments	9,292	-	-
Miscellaneous:			
Refunds and reimbursements	-	-	-
Donations	-	-	-
Miscellaneous	-	-	-
Total revenues	9,525	160	88
Expenditures:			
Community and economic development:			
Planning and zoning	-	25,241	-
Capital projects:			
Library	-	-	-
Parks	-	-	-
Street construction	-	-	-
Sidewalks	7,830	-	-
Water	-	-	-
Sewer	-	-	-
Total expenditures	7,830	25,241	-
Excess (deficiency) of revenues over (under) expenditures	1,695	(25,081)	88

NW 62nd Avenue West of Merle Hay Road	Assessment Reserve	Library Construction	N.W. Beaver 66th Avenue Intersection	Park and Trail Improve- ments
2,070	520	672	117	937
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
4,434	-	-	-	-
54,848	-	-	-	-
-	-	-	-	460
-	5,061	-	-	-
54,848	5,061	-	-	460
61,352	5,581	672	117	1,397
-	-	-	-	-
-	-	63,480	-	-
-	-	-	-	88,835
2,598,126	-	-	-	-
-	-	-	-	-
22,150	-	-	-	-
1,161	-	-	-	-
2,621,437	-	63,480	-	88,835
2,621,437	-	63,480	-	88,835
(2,560,085)	5,581	(62,808)	117	(87,438)

City of Johnston

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (Deficit)

Capital Projects Funds

Year ended June 30, 2003

	Merle Hay Road 1998 - I-80 to Winwood Dr.	Equipment Replacement Reserve	NW 54th Avenue and NW 86th Street
Revenues:			
Use of money and property:			
Interest on investments	209	327	-
Intergovernmental:			
Highway planning and construction grant	-	-	-
Reimbursements from other governments	55,265	-	25,486
	55,265	-	25,486
Special assessments	-	-	-
Miscellaneous:			
Refunds and reimbursements	-	-	-
Donations	-	-	-
Miscellaneous	-	-	-
	-	-	-
Total revenues	55,474	327	25,486
Expenditures:			
Community and economic development:			
Planning and zoning	-	-	-
Capital projects:			
Library	-	-	-
Parks	-	-	-
Street construction	10,655	-	289
Sidewalks	-	-	-
Water	-	-	-
Sewer	-	-	-
	10,655	-	289
Total expenditures	10,655	-	289
Excess (deficiency) of revenues over (under) expenditures	44,819	327	25,197

NW Beaver Street Improvement		Total
11,220		16,553
70,985		70,985
-		80,751
70,985		151,736
-		13,726
-		54,848
-		460
-		5,061
-		60,369
82,205		242,384
-		25,241
-		63,480
-		88,835
394,504		3,003,574
-		7,830
-		22,150
-		1,161
394,504		3,187,030
394,504		3,212,271
(312,299)		(2,969,887)

City of Johnston

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (Deficit)

Capital Projects Funds

Year ended June 30, 2003

	Sidewalk Construc- tion	Project Develop- ment	Johnston Greenbelt
Other financing sources (uses):			
General obligation bond proceeds (net of \$55,826 discount)	-	-	-
Operating transfers in (out):			
General	-	30,000	-
Debt Service:			
General Obligation	-	-	-
Capital Projects:			
N.W. Beaver 66th Avenue Intersection	-	-	-
NW 54th Avenue and NW 86th Street	-	-	-
Total other financing sources (uses)	-	30,000	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,695	4,919	88
Fund balances (deficit) beginning of year	36,568	24,631	16,342
Fund balances (deficit) end of year	<u>\$ 38,263</u>	<u>29,550</u>	<u>16,430</u>

NW 62nd Avenue West of Merle Hay Road	Assessment Reserve	Library Construction	N.W. Beaver 66th Avenue Intersection	Park and Trail Improve- ments
3,142,093	-	-	-	-
-	-	-	-	148,933
(100,843)	-	-	(12,993)	-
-	-	-	-	-
-	-	-	(3,290)	-
3,041,250	-	-	(16,283)	148,933
481,165	5,581	(62,808)	(16,166)	61,495
(509,071)	76,638	88,269	24,426	160,500
(27,906)	82,219	25,461	8,260	221,995

City of Johnston

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (Deficit)

Capital Projects Funds

Year ended June 30, 2003

	Merle Hay Road 1998 - I-80 to Winwood Dr.	Equipment Replacement Reserve	NW 54th Avenue and NW 86th Street
Other financing sources (uses):			
General obligation bond proceeds (net of \$55,826 discount)	-	-	-
Operating transfers in (out):			
General	-	(28,376)	-
Debt Service:			
General Obligation	-	-	-
Capital Projects:			
N.W. Beaver 66th Avenue Intersection	-	-	3,290
NW 54th Avenue and NW 86th Street	-	-	-
Total other financing sources (uses)	-	(28,376)	3,290
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	44,819	(28,049)	28,487
Fund balance (deficit) beginning of year	24,798	68,209	(28,487)
Fund balance (deficit) end of year	69,617	40,160	-

See accompanying independent auditor's report.

<u>NW Beaver Street Improvement</u>	<u>Total</u>
1,457,081	4,599,174
-	150,557
-	(113,836)
-	3,290
-	(3,290)
<u>1,457,081</u>	<u>4,635,895</u>
1,144,782	1,666,008
<u>(15,902)</u>	<u>(33,079)</u>
<u>1,128,880</u>	<u>1,632,929</u>

Schedule 8

City of Johnston
Combining Balance Sheet
Enterprise Funds
June 30, 2003

	Water	Sewer	Total
Assets			
Current assets:			
Cash and pooled investments	\$ 1,571,513	1,396,888	2,968,401
Receivables:			
Customer accounts	170,668	94,932	265,600
Unbilled usage	129,262	46,895	176,157
Accrued interest	841	744	1,585
Accounts	2,481	57,382	59,863
Due from other governments	41,519	-	41,519
Inventories	58,737	-	58,737
Prepaid insurance	6,141	3,949	10,090
	<u>1,981,162</u>	<u>1,600,790</u>	<u>3,581,952</u>
Restricted assets:			
Cash and pooled investments	865,880	613,487	1,479,367
Special assessments receivable	42,600	113,300	155,900
Accrued interest receivable	462	334	796
Accounts receivable	2,664	-	2,664
	<u>911,606</u>	<u>727,121</u>	<u>1,638,727</u>
Property, plant and equipment:			
Mains, sanitary sewer system and equipment	11,385,478	12,080,823	23,466,301
Construction in progress	2,594,324	70,045	2,664,369
	<u>13,979,802</u>	<u>12,150,868</u>	<u>26,130,670</u>
Less: accumulated depreciation	<u>(1,527,911)</u>	<u>(1,534,127)</u>	<u>(3,062,038)</u>
Net property, plant, and equipment	<u>12,451,891</u>	<u>10,616,741</u>	<u>23,068,632</u>
Des Moines Metropolitan Wastewater Reclamation Authority (WRA) Assets:			
Investment in joint venture	-	4,148,871	4,148,871
	<u>12,011</u>	<u>-</u>	<u>12,011</u>
Bond issuance costs	<u>12,011</u>	<u>-</u>	<u>12,011</u>
Total assets	<u><u>\$ 15,356,670</u></u>	<u><u>17,093,523</u></u>	<u><u>32,450,193</u></u>

City of Johnston
Combining Balance Sheet
Enterprise Funds
June 30, 2003

	Water	Sewer	Total
Liabilities and Fund Equity			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 23,023	10,576	33,599
Salaries and benefits payable	5,014	5,014	10,028
Due to other governments	104,951	805	105,756
Accrued general obligation bond interest	-	6,376	6,376
Current portion of general obligation bonds	-	110,000	110,000
General obligation capital loan notes payable	-	392,000	392,000
Compensated absences	8,477	-	8,477
	<u>141,465</u>	<u>524,771</u>	<u>666,236</u>
Current liabilities (payable from restricted assets):			
Customer deposits	9,975	-	9,975
Accrued revenue bond/note interest	21,169	4,476	25,645
Current portion of revenue notes	-	96,000	96,000
Current portion of revenue bonds	70,000	-	70,000
Current portion of Des Moines Metropolitan Wastewater Reclamation Authority revenue bonds/notes	-	81,874	81,874
	<u>101,144</u>	<u>182,350</u>	<u>283,494</u>
Non-current liabilities:			
General obligation bonds (net of \$6,462 unamortized discount)	-	1,423,538	1,423,538
Revenue bonds/notes (net of \$81,150 unamortized discou	5,363,850	1,086,000	6,449,850
Revenue bonds/notes - Des Moines Metropolitan Wastewater Reclamation Authority	-	524,262	524,262
	<u>5,363,850</u>	<u>3,033,800</u>	<u>8,397,650</u>
Total liabilities	<u>5,606,459</u>	<u>3,740,921</u>	<u>9,347,380</u>

Schedule 8

City of Johnston
Combining Balance Sheet
Enterprise Funds
June 30, 2003

	Water	Sewer	Total
Fund equity:			
Contributed capital:			
Other governments	653,744	244,953	898,697
Customers and developers	4,661,421	6,018,219	10,679,640
Municipality	1,137,480	1,987,951	3,125,431
	<u>6,452,645</u>	<u>8,251,123</u>	<u>14,703,768</u>
Retained earnings:			
Reserved for revenue bond retirement	558,135	103,478	661,613
Reserved for debt service	-	197,377	197,377
Reserved for improvements	139,620	243,948	383,568
Unreserved	2,599,811	4,556,676	7,156,487
	<u>3,297,566</u>	<u>5,101,479</u>	<u>8,399,045</u>
Total fund equity	<u>9,750,211</u>	<u>13,352,602</u>	<u>23,102,813</u>
Total liabilities and fund equity	<u>\$ 15,356,670</u>	<u>17,093,523</u>	<u>32,450,193</u>

See accompanying independent auditor's report.

City of Johnston

Combining Statement of Revenues, Expenses
and Changes in Retained Earnings

Enterprise Funds

Year ended June 30, 2003

	Water	Sewer	Total
Operating revenues:			
Intergovernmental	\$ 15,519	-	15,519
Charges for service	1,984,685	977,256	2,961,941
Miscellaneous	310,981	15,644	326,625
Total operating revenues	<u>2,311,185</u>	<u>992,900</u>	<u>3,304,085</u>
Operating expenses:			
Business type activities:			
Operations	1,203,355	494,012	1,697,367
Capital outlay (non-capitalized)	280,440	1,901	282,341
Depreciation	192,932	245,760	438,692
Total operating expenses	<u>1,676,727</u>	<u>741,673</u>	<u>2,418,400</u>
Operating income	<u>634,458</u>	<u>251,227</u>	<u>885,685</u>
Non-operating revenues (expenses):			
Interest on investments	21,990	16,686	38,676
Interest expense	(265,826)	(141,306)	(407,132)
Loss on disposal of equipment	(3,249)	(2,947)	(6,196)
Service connection fees	40,097	251,141	291,238
Capital assets contributed	174,386	235,731	410,117
Miscellaneous revenues	-	6,881	6,881
Increase in joint venture equity	-	15,418	15,418
Total non-operating revenues (expenses)	<u>(32,602)</u>	<u>381,604</u>	<u>349,002</u>
Net income	601,856	632,831	1,234,687
Retained earnings beginning of year	<u>2,695,710</u>	<u>4,468,648</u>	<u>7,164,358</u>
Retained earnings end of year	<u>\$ 3,297,566</u>	<u>5,101,479</u>	<u>8,399,045</u>

See accompanying independent auditor's report.

Schedule 10

City of Johnston
Combining Statement of Cash Flows
Enterprise Funds
Year ended June 30, 2003

	Water	Sewer	Total
Cash flows from operating activities:			
Operating income	\$ 634,458	251,227	885,685
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	192,932	245,760	438,692
(Increase) in customer accounts, unbilled usage and other accounts receivable	(472)	(189)	(661)
(Increase) in due from other governments	(15,519)	-	(15,519)
Decrease in inventories, at cost	60,596	-	60,596
(Increase) in prepaid insurance	(1,706)	(1,311)	(3,017)
(Decrease) in accounts and contracts payable, excluding payables for assets capitalized	(107,250)	(10,527)	(117,777)
Increase (decrease) in salaries and benefits payable	(1,964)	773	(1,191)
Increase (decrease) in due to other governments	2,306	(1,904)	402
Increase in accrued compensated absences	797	-	797
Increase in customer deposits	1,920	-	1,920
Total adjustments	131,640	232,602	364,242
Net cash provided by operating activities	766,098	483,829	1,249,927
Cash flows from capital and related financing activities:			
Special assessments	-	34,876	34,876
Service connection fees	40,097	251,141	291,238
Purchase of property and equipment	(451,182)	(71,898)	(523,080)
Des Moines Metropolitan Wastewater Reclamation Authority refund	-	37,816	37,816
Principal paid on revenue bonds and notes	(70,000)	(91,000)	(161,000)
Interest paid on revenue bonds and notes	(263,837)	(58,813)	(322,650)
Principal paid on general obligation bonds	-	(100,000)	(100,000)
Interest paid on general obligation bonds	-	(82,507)	(82,507)
Principal and interest paid on Des Moines Metropolitan Wastewater Reclamation Authority debt	-	(114,036)	(114,036)
Net cash used for capital and related financing activities	(744,922)	(194,421)	(939,343)

City of Johnston
Combining Statement of Cash Flows
Enterprise Funds
Year ended June 30, 2003

	Water	Sewer	Total
Cash flows from investing activities:			
Interest on investments	22,955	17,298	40,253
Net increase in cash and cash equivalents	44,131	306,706	350,837
Cash and cash equivalents beginning of year	2,393,262	1,703,669	4,096,931
Cash and cash equivalents end of year	<u>\$ 2,437,393</u>	<u>2,010,375</u>	<u>4,447,768</u>
Reconciliation of cash and cash equivalents to specific assets included on Combining Balance Sheet:			
Current assets:			
Cash and investments	\$ 1,571,513	1,396,888	2,968,401
Restricted assets:			
Cash and investments	865,880	613,487	1,479,367
Cash and cash equivalents end of year	<u>\$ 2,437,393</u>	<u>2,010,375</u>	<u>4,447,768</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2003, capital assets of \$22,150 and \$1,161 were contributed to the Enterprise, Water and Sewer Funds, respectively, from the Capital Projects, NW 62nd Avenue west of Merle Hay Road Fund.

During the year ended June 30, 2003, developers contributed water main and sanitary sewer extensions totaling \$152,236 and \$234,570, respectively, to the Enterprise, Water and Sewer Funds.

See accompanying independent auditor's report.

City of Johnston

City of Johnston
 Combining Balance Sheet
 Internal Service Funds
 June 30, 2003

	Flexible Spending	Health Deductible Claims	Total
Assets			
Cash and pooled investments	\$ 3,051	77,918	80,969
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ -	1,829	1,829
Advance from other funds	1,000	-	1,000
Total liabilities	1,000	1,829	2,829
Fund equity:			
Unreserved retained earnings	2,051	76,089	78,140
Total liabilities and fund equity	\$ 3,051	77,918	80,969

See accompanying independent auditor's report.

Schedule 12

City of Johnston

Combining Statement of Revenues, Expenses
and Changes in Retained Earnings

Internal Service Funds

Year ended June 30, 2003

	Flexible Spending	Health Deductible Claims	Total
Operating revenues:			
Miscellaneous:			
Contributions from employees	\$ 19,867	71,200	91,067
Operating expenses:			
Business type activities:			
Medical claims	19,131	25,865	44,996
Operating income	736	45,335	46,071
Retained earnings beginning of year	1,315	30,754	32,069
Retained earnings end of year	\$ 2,051	76,089	78,140

See accompanying independent auditor's report.

City of Johnston
Combining Statement of Cash Flows
Internal Service Funds
Year ended June 30, 2003

	Flexible Spending	Health Deductible Claims	Total
Cash flows from operating activities:			
Operating income	\$ 736	45,335	46,071
Adjustments to reconcile operating income to net cash provided by operating activities:			
(Decrease) in accounts payable	-	(2,877)	(2,877)
Net cash provided by operating activities and net increase in cash and cash equivalents	736	42,458	43,194
Cash and cash equivalents beginning of year	2,315	35,460	37,775
Cash and cash equivalents end of year	\$ 3,051	77,918	80,969

See accompanying independent auditor's report.

City of Johnston
Combining Balance Sheet
Expendable Trust Funds
June 30, 2003

	Senior Citizens	Library	East Park District	Central Park District
Assets				
Cash and pooled investments:				
City officials	\$ 2,544	20,873	5,899	6,260
Library Foundation	-	-	-	-
Receivables:				
Accrued interest	1	10	3	4
Accounts	-	4,396	-	-
Total assets	\$ 2,545	25,279	5,902	6,264
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 300	-	-	-
Fund equity:				
Fund balances:				
Unreserved	2,245	25,279	5,902	6,264
Total liabilities and fund equity	\$ 2,545	25,279	5,902	6,264

See accompanying independent auditor's report.

Northridge Park District	North Park District	Northwest Park District	Southwest Park District	Community Improvement	Sidewalk	Library Foundation	Total
62,298	41,995	196,810	127,423	18,514	24,002	-	506,618
-	-	-	-	-	-	204,935	204,935
35	23	119	75	10	14	-	294
-	-	-	-	-	-	-	4,396
<u>62,333</u>	<u>42,018</u>	<u>196,929</u>	<u>127,498</u>	<u>18,524</u>	<u>24,016</u>	<u>204,935</u>	<u>716,243</u>
-	-	-	-	-	-	-	300
<u>62,333</u>	<u>42,018</u>	<u>196,929</u>	<u>127,498</u>	<u>18,524</u>	<u>24,016</u>	<u>204,935</u>	<u>715,943</u>
<u>62,333</u>	<u>42,018</u>	<u>196,929</u>	<u>127,498</u>	<u>18,524</u>	<u>24,016</u>	<u>204,935</u>	<u>716,243</u>

City of Johnston

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

Expendable Trust Funds

Year ended June 30, 2003

	Senior Citizens	Library	East Park District	Central Park District
Revenues:				
Licenses and permits:				
Cable franchise fee	\$ -	17,145	-	-
Use of money and property:				
Interest on investments	20	472	26	57
Farmers market rent	-	-	-	-
	20	472	26	57
Miscellaneous:				
Park development fees	-	-	3,039	-
Utility grant	-	-	-	-
Contributions and donations	1,567	-	-	-
	1,567	-	3,039	-
Total revenues	1,587	17,617	3,065	57
Expenditures:				
Culture and recreation:				
Parks	-	-	-	-
Library services	-	-	-	-
Recreation	3,613	-	-	-
	3,613	-	-	-
Community and economic development:				
Community beautification	-	-	-	-
	-	-	-	-
Total expenditures	3,613	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(2,026)	17,617	3,065	57

Northridge Park District	North Park District	Northwest Park District	Southwest Park District	Community Improvement	Sidewalk	Library Foundation	Total
-	-	-	-	-	-	-	17,145
539	360	1,864	324	58	223	2,040	5,983
-	-	-	-	2,575	-	-	2,575
539	360	1,864	324	2,633	223	2,040	8,558
4,221	-	-	113,082	-	-	-	120,342
-	-	-	-	1,000	-	-	1,000
-	-	-	4,849	3,000	-	79,938	89,354
4,221	-	-	117,931	4,000	-	79,938	210,696
4,760	360	1,864	118,255	6,633	223	81,978	236,399
-	-	1,944	-	-	-	-	1,944
-	-	-	-	-	-	59,129	59,129
-	-	-	-	-	-	-	3,613
-	-	1,944	-	-	-	59,129	64,686
-	-	-	-	24,080	-	-	24,080
-	-	1,944	-	24,080	-	59,129	88,766
4,760	360	(80)	118,255	(17,447)	223	22,849	147,633

City of Johnston

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

Expendable Trust Funds

Year ended June 30, 2003

	Senior Citizens	Library	East Park District	Central Park District
Other financing sources (uses):				
Operating transfers in (out):				
General	1,800	(70,224)	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(226)	(52,607)	3,065	57
Fund balances beginning of year	2,471	77,886	2,837	6,207
Fund balances end of year	\$ 2,245	25,279	5,902	6,264

See accompanying independent auditor's report.

Northridge Park District	North Park District	Northwest Park District	Southwest Park District	Community Improvement	Sidewalk	Library Foundation	Total
-	-	-	-	30,000	-	-	(38,424)
4,760	360	(80)	118,255	12,553	223	22,849	109,209
57,573	41,658	197,009	9,243	5,971	23,793	182,086	606,734
62,333	42,018	196,929	127,498	18,524	24,016	204,935	715,943

City of Johnston

City of Johnston

Schedule of General Fixed Assets by Source

June 30, 2003

Investments in general fixed assets from:	
General Fund revenues	\$ 1,923,592
Special Revenue Fund revenues	2,292,038
Capital Projects Fund revenues	7,625,267
Trust and Agency Fund revenues	12,452
Donations	<u>2,583,944</u>
Total	<u>\$ 14,437,293</u>

See accompanying independent auditor's report.

City of Johnston
Schedule of Long-term Indebtedness
Year ended June 30, 2003

Obligation	Date of Issue	Interest Rates	Amount of Original Issue
General obligation bonds:			
Essential corporate purpose	Nov 1, 1996	4.90-5.25%	\$ 2,070,000
Essential corporate purpose	Jun 1, 1997	4.00-5.25	2,305,000
Refunding	Jun 1, 1997	4.00-5.10	2,130,000
Essential corporate purpose	Aug 1, 1998	4.00-4.50	3,780,000
Refunding	Dec 1, 1998	4.10-4.35	1,070,000
Essential corporate purpose	Feb 1, 1999	4.00-4.50	1,785,000
Essential corporate purpose	Oct 1, 1999	4.80-5.20	2,250,000
Essential and general corporate purpose	Apr 15, 2000	4.75-5.35	9,155,000
Essential corporate purpose	Mar 1, 2001	3.65-4.80	3,360,000
Essential corporate purpose	Dec 1, 2001	3.00-4.40	2,060,000
Essential corporate purpose	Oct 1, 2002	2.00-3.95	4,655,000
Total			
General obligation capital loan notes:			
Essential corporate purpose	Jul 1, 1992	4.62%	\$ 425,000
General corporate purpose	Dec 1, 1994	8.75-9.00	95,000
Essential corporate purpose	Aug 1, 1998	5.90-6.35	340,000
Total			
Revenue capital loan notes:			
Sewer	Jul 1, 1992	4.62%	\$ 1,934,000
Revenue bonds:			
Water	Jun 1, 1997	4.50-5.40%	\$ 1,245,000
Water	Sep 1, 2001	4.30-4.90	4,580,000
Revenue bonds/notes:			
Metropolitan Wastewater Reclamation Authority	Various	Various	\$ 1,036,106

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
1,735,000	-	65,000	1,670,000	88,258
1,600,000	-	150,000	1,450,000	80,028
1,305,000	-	240,000	1,065,000	63,445
3,325,000	-	240,000	3,085,000	145,090
1,070,000	-	85,000	985,000	44,802
1,530,000	-	100,000	1,430,000	64,455
2,035,000	-	115,000	1,920,000	101,375
8,690,000	-	485,000	8,205,000	439,890
3,360,000	-	175,000	3,185,000	145,070
2,060,000	-	115,000	1,945,000	76,002
-	4,655,000	-	4,655,000	100,843
<u>\$ 26,710,000</u>	<u>4,655,000</u>	<u>1,770,000</u>	<u>29,595,000</u>	<u>1,349,258</u>
280,000	-	20,000	260,000	12,936
45,000	-	15,000	30,000	4,027
270,000	-	40,000	230,000	16,788
<u>\$ 595,000</u>	<u>-</u>	<u>75,000</u>	<u>520,000</u>	<u>33,751</u>
<u>1,273,000</u>	<u>-</u>	<u>91,000</u>	<u>1,182,000</u>	<u>58,813</u>
1,005,000	-	70,000	935,000	52,175
4,580,000	-	-	4,580,000	211,662
<u>\$ 5,585,000</u>	<u>-</u>	<u>70,000</u>	<u>5,515,000</u>	<u>263,837</u>
<u>689,944</u>	<u>-</u>	<u>83,808</u>	<u>606,136</u>	<u>30,228</u>

Schedule 18

City of Johnston
Bond and Note Maturities
June 30, 2003

Year Ending June 30,	General								
	Essential Corporate Purpose Bonds			Essential Corporate Purpose Bonds			Refunding		
	Issued Nov 1, 1996			Issued June 1, 1997			Issued June 1, 1997		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2004	4.90%	\$ 75,000	85,073	4.80%	\$ 165,000	72,978	4.80%	\$ 255,000	52,165
2005	4.90	90,000	81,398	4.85	180,000	65,058	4.85	280,000	39,925
2006	4.90	175,000	76,988	4.90	190,000	56,328	4.90	280,000	26,345
2007	5.00	190,000	68,413	5.00	190,000	47,018	5.00	125,000	12,625
2008	5.00	200,000	58,913	5.10	125,000	37,518	5.10	125,000	6,375
2009	5.10	215,000	48,913	5.15	135,000	31,143	-	-	-
2010	5.20	230,000	37,948	5.15	145,000	24,190	-	-	-
2011	5.25	240,000	25,988	5.20	155,000	16,723	-	-	-
2012	5.25	255,000	13,388	5.25	165,000	8,663	-	-	-
2013	-	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-
Total		<u>\$1,670,000</u>	<u>497,022</u>		<u>\$1,450,000</u>	<u>359,619</u>		<u>\$1,065,000</u>	<u>137,435</u>

Year Ending June 30,	General								
	Essential Corporate Purpose Bonds			Essential and General Corporate Purpose Bonds			Essential Corporate Purpose Bonds		
	Issued Oct 1, 1999			Issued Apr 15, 2000			Issued Mar 1, 2001		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2004	4.80%	\$ 120,000	95,855	4.75%	\$ 510,000	416,853	3.750%	\$ 190,000	138,683
2005	4.80	125,000	90,095	4.75	535,000	392,628	3.850	200,000	131,558
2006	4.80	130,000	84,095	5.00	560,000	367,215	3.950	205,000	123,857
2007	4.80	140,000	77,855	5.00	590,000	339,215	4.050	210,000	115,760
2008	4.90	145,000	71,135	5.00	620,000	309,715	4.125	220,000	107,255
2009	4.90	155,000	64,030	5.00	650,000	278,715	4.250	230,000	98,180
2010	5.00	160,000	56,435	5.00	685,000	246,215	4.350	235,000	88,405
2011	5.00	170,000	48,435	5.10	725,000	211,965	4.400	250,000	78,182
2012	5.10	180,000	39,935	5.15	765,000	174,990	4.450	260,000	67,182
2013	5.10	185,000	30,755	5.20	805,000	135,592	4.550	275,000	55,612
2014	5.20	200,000	21,320	5.30	855,000	93,732	4.650	285,000	43,100
2015	5.20	210,000	10,920	5.35	905,000	48,418	4.750	305,000	29,848
2016	-	-	-	-	-	-	4.800	320,000	15,360
2017	-	-	-	-	-	-	-	-	-
Total		<u>\$ 1,920,000</u>	<u>690,865</u>		<u>\$8,205,000</u>	<u>3,015,253</u>		<u>\$ 3,185,000</u>	<u>1,092,982</u>

Obligation Bonds								
Essential Corporate Purpose Bonds Issued Aug 1, 1998			Refunding Issued Dec 1, 1998			Essential Corporate Purpose Bonds Issued Feb 1, 1999		
Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
4.200%	\$ 250,000	135,250	4.10%	\$ 85,000	41,317	4.00%	\$ 105,000	60,455
4.250	265,000	124,750	4.10	85,000	37,833	4.00	110,000	56,255
4.300	275,000	113,488	4.10	80,000	34,347	4.00	115,000	51,855
4.350	285,000	101,663	4.10	105,000	31,068	4.05	115,000	47,255
4.375	300,000	89,265	4.15	105,000	26,762	4.10	125,000	42,598
4.400	315,000	76,140	4.20	105,000	22,405	4.20	130,000	37,472
4.400	325,000	62,280	4.25	125,000	17,995	4.25	135,000	32,013
4.450	340,000	47,980	4.25	150,000	12,682	4.30	140,000	26,275
4.500	360,000	32,850	4.35	145,000	6,308	4.40	145,000	20,255
4.500	370,000	16,650		-	-	4.45	150,000	13,875
	-	-		-	-	4.50	160,000	7,200
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Schedule 18

City of Johnston
Bond and Note Maturities
June 30, 2003

General Obligation Capital Loan Notes												
Year Ending June 30,	Essential Corporate Purpose			General Corporate Purpose			Essential Corporate Purpose			Totals		
	Issued Jul 1, 1992			Issued Dec 1, 1994			Issued Aug 1, 1998					
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	
2004	4.62%	\$ 21,000	12,012	8.95%	\$ 15,000	2,693	6.10%	\$ 40,000	14,368	\$ 76,000	29,073	
2005	4.62	22,000	11,042	9.00	15,000	1,350	6.20	45,000	11,927	82,000	24,319	
2006	4.62	23,000	10,026	-	-	-	6.25	45,000	9,138	68,000	19,164	
2007	4.62	24,000	8,962	-	-	-	6.30	50,000	6,325	74,000	15,287	
2008	4.62	25,000	7,854	-	-	-	6.35	50,000	3,175	75,000	11,029	
2009	4.62	26,000	6,700	-	-	-	-	-	-	26,000	6,700	
2010	4.62	28,000	5,498	-	-	-	-	-	-	28,000	5,498	
2011	4.62	29,000	4,204	-	-	-	-	-	-	29,000	4,204	
2012	4.62	30,000	2,864	-	-	-	-	-	-	30,000	2,864	
2013	4.62	32,000	1,478	-	-	-	-	-	-	32,000	1,478	
2014	-	-	-	-	-	-	-	-	-	-	-	
2015	-	-	-	-	-	-	-	-	-	-	-	
2016	-	-	-	-	-	-	-	-	-	-	-	
2017	-	-	-	-	-	-	-	-	-	-	-	
Total		\$ 260,000	70,640		\$ 30,000	4,043		\$ 230,000	44,933	520,000	119,616	

Revenue Capital Loan Notes						Revenue Bonds					
Year Ending June 30,	Sewer			Water			Water			Totals	
	Issued Jul 1, 1992			Issued June 1, 1997			Issued September 1, 2001				
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2004	4.62%	\$ 96,000	54,608	4.95%	\$ 70,000	48,745	4.300%	\$ 50,000	211,663	\$ 120,000	260,408
2005	4.62	100,000	50,174	5.00	75,000	45,280	4.300	80,000	209,512	155,000	254,792
2006	4.62	105,000	45,554	5.05	80,000	41,530	4.400	105,000	206,072	185,000	247,602
2007	4.62	109,000	40,702	5.10	85,000	37,490	4.400	135,000	201,453	220,000	238,943
2008	4.62	115,000	35,666	5.20	90,000	33,155	4.400	150,000	195,512	240,000	228,667
2009	4.62	120,000	30,354	5.30	95,000	28,475	4.400	160,000	188,913	255,000	217,388
2010	4.62	125,000	24,810	5.30	100,000	23,440	4.400	170,000	181,872	270,000	205,312
2011	4.62	131,000	19,034	5.30	105,000	18,140	4.400	175,000	174,393	280,000	192,533
2012	4.62	137,000	12,982	5.30	115,000	12,575	4.400	180,000	166,692	295,000	179,267
2013	4.62	144,000	6,652	5.40	120,000	6,480	4.400	190,000	158,773	310,000	165,253
2014	-	-	-	-	-	-	4.500	335,000	150,412	335,000	150,412
2015	-	-	-	-	-	-	4.500	345,000	135,338	345,000	135,338
2016	-	-	-	-	-	-	4.625	370,000	119,812	370,000	119,812
2017	-	-	-	-	-	-	4.700	385,000	102,700	385,000	102,700
2018	-	-	-	-	-	-	4.750	405,000	84,605	405,000	84,605
2019	-	-	-	-	-	-	4.800	425,000	65,368	425,000	65,368
2020	-	-	-	-	-	-	4.875	450,000	44,967	450,000	44,967
2021	-	-	-	-	-	-	4.900	470,000	23,030	470,000	23,030
Total		\$ 1,182,000	320,536		\$ 935,000	295,310		\$4,580,000	2,621,087	\$ 5,515,000	2,916,397

See accompanying independent auditor's report.

City of Johnston

Schedule 19

City of Johnston

Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2003	2002	2001	2000
Property tax	\$ 4,746,228	4,395,732	3,533,495	3,425,994
Tax increment financing revenue	4,261,942	2,617,463	1,696,068	776,738
Other city tax:				
Utility tax replacement excise tax	362,732	373,791	333,519	-
Hotel/motel tax	254,477	223,843	133,086	137,404
	617,209	597,634	466,605	137,404
Intergovernmental:				
State allocation	87,071	91,826	73,458	73,676
Bank franchise tax	17,700	6,525	9,814	9,326
Public assistance grants	-	-	-	71,750
State reimbursement	126,250	47,026	27,933	308,723
Road use tax	698,313	700,001	550,731	502,305
Public safety partnership and community policing grants	34,979	4,815	94,897	92,367
Highway planning and construction	25,486	8,538	5,000	15,000
Miscellaneous	87,590	96,064	66,886	72,274
	1,077,389	954,795	828,719	1,145,421
Total	\$10,702,768	8,565,624	6,524,887	5,485,557

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Honorable Mayor and
Members of the City Council:

We have audited the general purpose financial statements of the City of Johnston, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated October 2, 2003. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Johnston's general purpose financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the City. Since our 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. There were no prior year statutory comments.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Johnston's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Johnston's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable condition that are also considered to be material weaknesses. However, we do not believe the reportable conditions described in the accompanying Schedule of Findings are material weaknesses. Prior year reportable conditions have been resolved except for item D-03.

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 Johnston and other parties to whom the City of Johnston may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Johnston during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 2, 2003

City of Johnston
Schedule of Findings
Year ended June 30, 2003

Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

A-03 Capital Assets – Capital assets are not compared to recorded assets annually. Also, deletions are not always supported by written documentation and authorization.

Recommendation – Department heads should examine assets annually and reconcile to recorded assets. Any differences should be investigated and resolved. Also, a system that provides written documentation for additions and deletions should be developed. Information should include appropriate details to insure the assets are properly included or deleted from the capital asset records.

Response – We will implement procedures to comply with the recommendations.

Conclusion – Response accepted.

B-03 Library – Prenumbered receipts were not issued for all collections. Supporting documentation for copy and printing services was not retained.

Recommendation – Prenumbered receipts should be issued for all monies collected and supporting documentation for copy and printing services should be maintained.

Response – We are working with our library system provider (Urbandale Public Library) to develop a system to account for daily receipts.

Conclusion – Response accepted.

C-03 Building Permits – One individual has control over processing approved building permits, collecting, and receipting building permit fees.

Recommendation – Approved permits should be maintained or recorded by a person independent of the collection and receipt of permit fees.

Response – A new employee will start October 13, 2003. Duties will be divided to ensure compliance.

Conclusion – Response accepted.

City of Johnston

Schedule of Findings

Year ended June 30, 2003

D-03 Information Systems – The following weaknesses in the City’s computer based systems were noted:

The City does not have written policies for:

- Password privacy and confidentiality.
- Ensuring that only software licensed to the City is installed on computers.

Also, the City does not have a disaster recovery plan for its computer based systems.

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s control over computer based systems. In addition, a disaster recovery plan for computer based systems should be developed.

Response – We will obtain examples from other agencies to aid in establishing our own policies.

Conclusion – Response accepted.

The Office of Auditor of State issued a report dated April 14, 2003 on a special investigation of the City for the period July 1, 1999 through February 17, 2003. As part of the investigation, procedures followed by City of Johnston Public Works Department related to receipts and disbursements were reviewed. An important aspect of internal control is to establish procedures that provide accountability for assets susceptible to loss from errors and irregularities. These procedures provide that the actions of one individual will act as a check on those of another and provide a level of assurance that errors or irregularities will be noted within a reasonable time during the course of normal operations. Based on the findings and observations detailed below, the following recommendations are made to strengthen control over transactions authorized by the City of Johnston Public Works Department.

E-03 Segregation of Duties – The existing procedures were evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same individual. For some disbursements reviewed, the former Public Works Coordinator initiated the purchases, received the goods, delivered the invoices to accounting personnel, and approved the invoices for payment.

Recommendation – The City should develop procedures that require proper segregation of duties to help prevent losses from individual error or dishonesty.

Response – The purchasing of goods is now being handled in the following manner:

In cases where the issuance of a purchase order is not required, the person initiating the purchase is not allowed to sign for the purchase. In all circumstances the individual that signs for the purchase must be someone other than the original requestor. In cases where purchase orders are required, a minimum of three quotes are required to be submitted from the requestor before a purchase order is issued. Once the purchase order is approved, the goods are ordered or picked up. The individual receiving the goods will be someone other than the requestor.

Conclusion – Response accepted.

City of Johnston

Schedule of Findings

Year ended June 30, 2003

F-03 Purchase Orders – The City’s purchasing policy requires purchase orders for items or services with values in excess of \$200. The policy was adopted in 1978 and was last amended in 1992. The Public Works Department did not always complete purchase orders when required by the policy.

Recommendation – The City should review the existing policy and determine if the established thresholds are set at appropriate levels. Procedures should also be established to ensure compliance with the policy.

Response – We are now following written procedures. The current policy is being revised and updated.

Conclusion – Response accepted.

G-03 Inventory – The Public Works Department does not maintain perpetual inventory records for supplies and materials.

Recommendation – For better control over assets, the City should consider maintaining perpetual inventory records for supplies and materials.

Response – We are considering a perpetual inventory but presently do not have the staff to implement. The topic of perpetual inventory has been the subject of discussion at the council level but we have not decided on a approach that we feel we can undertake at this time.

Conclusion – Response accepted.

H-03 Surplus Property – The City does not have a written policy for the disposal of surplus property. According to a Public Works Department employee, the former Public Works Coordinator sold an old computer monitor to her for \$25 cash. In addition, the employee stated the former Public Works Department Coordinator took his City computer home with him after the City purchased a new one.

Recommendation – For better control over fixed assets, the City should establish a written policy regarding the proper procedures for disposing of surplus City property.

Response – A written policy was approved by the City Council July 21, 2003. The policy was amended by the City Council September 15, 2003.

Conclusion – Response accepted.

I-03 Bulk Water Sales – The City receives coin collections for bulk water sales made at the Public Works Department. The coins accumulate in an unlocked container within the Public Works Department shop. The collections are not emptied on a regular basis and are occasionally used by City employees for filling water tanks. No receipt record is maintained of collections emptied from the container. The collections are placed in an envelope and given to the Public Works Department Coordinator. Deposits are not made at City Hall timely.

City of Johnston

Schedule of Findings

Year ended June 30, 2003

Recommendation – Collections from bulk water sales should be properly safeguarded in a locked container. The collections should be emptied on a regular basis and the amounts should be entered into a receipt log. The collections should be remitted to City Hall intact and timely.

Response – The bulk water sales receipts are now handled as follows:

Each Tuesday morning the money container will be emptied and a deposit will be taken to the City Hall and delivered to the water clerks. The money will be removed from the container by the Public Works Department Administrative Assistant and placed in an envelope with the cash total written on the outside. This will be delivered to the Public Works Department Coordinator for transmittal to the water clerk.

The cash container has not had any means to secure it in the past. Subsequent to the audit but prior to its release, the container has had a lock installed and the only key is in the care of the Public Works Department Administrative Assistant.

Conclusion – Response accepted.

J-03 Scrap Metal Sales/ Cash Fund – The Public Works Department sells City scrap metal approximately once per year. The entity purchasing the scrap metal prepares checks payable to the employee that transported the metal. The employees were instructed to cash the checks and remit the proceeds to the former Public Works Department Coordinator. According to Public Works Department employees, the proceeds were placed in a metal cash box that was maintained by the former Public Works Department Coordinator.

The cash fund was not authorized by the City Council. Records were not maintained of the receipts or disbursements from the cash fund. After the former Public Works Coordinator resigned, the Public Works Department employees remitted the contents of the cash box to the City. The contents included \$129.73 of cash and receipts totaling \$34.68. Two of the receipts totaling \$18.94 were for food purchased from HyVee for a chili lunch provided to Public Works Department employees.

Recommendation – Proceeds received from the sale of scrap metal should be remitted intact to City Hall for proper recording and deposit. Any petty cash fund maintained by the City should be established by the City Council and should be maintained on an imprest basis. Receipts should be retained for all purchases and petty cash vouchers should be completed to indicate the amount and description of the expenditure and the person making the purchase. The Public Works Department Coordinator should approve all petty cash vouchers. Periodically, the fund should be replenished by remitting the petty cash vouchers and supporting receipts to the City Council for approval.

Response – The sale of any City property will result in a check to the City for the amount of the sale and will be delivered to the City for deposit by the Finance Department to the appropriate fund account. No cash funds other than the bulk water sales will be allowed at the Public Works Department facility. The Public Works Department does not have a petty cash fund and no present need requires that one be established at this time.

City of Johnston

Schedule of Findings

Year ended June 30, 2003

Conclusion – Response accepted.

K-03 Change Order – After the City entered into an agreement to purchase a prefabricated building, the Public Works Department Coordinator authorized a modification that decreased the size of the building by 20% without any decrease in cost. The Public Works Department Coordinator's authorization was made verbally to the vendor and the modification was not included on a change order or approved by the City Council. In addition, a \$500 change order on the project was approved by the former Public Works Department Coordinator, but was not approved by the City Council.

Recommendation – Modifications to the scope or content of projects should be made through change orders approved by the City Council.

Response – Requirements regarding Council approval of change orders have been reviewed with staff and we anticipate compliance in the future.

Conclusion – Response accepted.

L-03 Concrete Work – Several Public Works employees poured a concrete floor and driveway at the Public Works Department Coordinator's residence during the employees' normal working hours. While some of the employees used vacation or compensatory time when they assisted in the projects, others did not and were paid by the City for the time they spent working at the Public Work's Coordinator's residence. The cost of the wages and the City's share of benefits paid by the City to the employees that did not take leave time totaled \$299.

Recommendation – The City should consult legal counsel to address the possibility of requesting repayment from the employees or appropriately adjusting their balance of leave time.

Response – It is my understanding that the City is not pursuing the recovery of the \$299. This issue was discussed with Jim Sanders, City Administrator, and the minimal monetary impact was not worth the potential issues that could arise from the attempt to recover it.

The practice that allowed this type of situation to occur is not an accepted practice and will not be allowed to occur in the future.

Conclusion – Response accepted.

City of Johnston

Schedule of Findings

Year ended June 30, 2003

Other Findings Related to Statutory Reporting:

- 1-03 Official Depositories – Official depositories have been approved by the City. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2003.
- 2-03 Certified Budget – Disbursements during the year ended June 30, 2003, did not exceed the amounts budgeted.
- 3-03 Questionable Expenditures – There were no expenditures noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- 4-03 Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- 5-03 Business Transactions – No business transactions between the City and City officials or employees were noted.
- 6-03 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 ensure that coverage is adequate for current operations.
- 7-03 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- 8-03 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- 9-03 Revenue Bonds/Notes – The City has complied with the requirements of the water revenue bond and sewer revenue capital loan note resolutions.
- 10-03 Other Information Required by Bond Resolution

Insurance – The following insurance policies were in force at June 30, 2003:

Insurer	Description	Amount	Expiration Date
EMC Insurance Companies	Automobile coverage:		
	Liability	\$ 1,000,000	4/1/04
	Uninsured motorists	100,000	4/1/04
	Underinsured motorists	100,000	4/1/04
	Comprehensive/collision	Lesser of cash value or cost of repair	4/1/04
	Auto medical payments	5,000	4/1/04
EMC Insurance Companies	Blanket: Building and personal property	13,010,807	4/1/04
	Property in the open building	53,060	4/1/04

City of Johnston
Schedule of Findings
Year ended June 30, 2003

Insurer	Description	Amount	Expiration Date
EMC Insurance Companies	General liability coverage:	2,000,000	4/1/04
	General aggregate	2,000,000	4/1/04
	Products aggregate		
	Personal/advertising injury	1,000,000	4/1/04
	Each occurrence	1,000,000	4/1/04
	Damage to rented property	100,000	4/1/04
	Medical expense	5,000	4/1/04
EMC Insurance Companies	Commercial crime	15,000	4/1/04
EMC Insurance Companies	Inland marine:		
	Contractors equipment	690,723	4/1/04
	Rented contractor equipment	50,000	4/1/04
	Miscellaneous property	47,269	4/1/04
EMC Insurance Companies	Data processing - equipment	106,596	4/1/04
	Commercial umbrella:		
	Each occurrence	5,000,000	4/1/04
	General aggregate	5,000,000	4/1/04
	Retained limit	10,000	4/1/04
EMC Insurance Companies	Workers' compensation:		
	Bodily injury by accident	500,000	4/1/04
	Bodily injury by disease each employee	500,000	4/1/04
	Bodily injury by disease policy limit	500,000	4/1/04
EMC Insurance Companies	Public employee dishonesty – per employee	200,000	4/1/04
	Finance director	50,000	4/1/04
	Forgery or alteration	10,000	4/1/04
EMC Insurance Companies	Linebacker:		
	Each loss	1,000,000	4/1/04
	Aggregate	1,000,000	4/1/04

City of Johnston
Schedule of Findings
Year ended June 30, 2003

Statistical Information

Description	Amount
Sewer customers served at June 30, 2003	2,737
Sewer rates in effect at June 30, 2003:	
Service availability fee per month of \$3.50 plus \$3.23 per 1,000 gallons of water used	
For those contributors who contribute wastewater, the strength of which is greater than normal domestic sewage, a surcharge in addition to the normal charge is collected as follows:	
Biochemical oxygen demand	\$0.35 per pound
Suspended solids	\$0.22 per pound

City of Johnston

Staff

This audit was performed by:

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