



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE February 25, 2004

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

The City's primary government receipts totaled \$2,887,117 for the year ended June 30, 2003, a 14 percent increase from 2002. The receipts included \$496,672 in property tax, \$174,378 in tax increment financing collections, \$392,325 in local option sales tax, \$725,355 from other governments, and \$118,761 in interest on investments.

Disbursements for the year totaled \$4,129,662, a 44 percent increase from the prior year. This increase is primarily due to a wastewater treatment plant improvement project. Disbursements included \$1,609,371 for business type activities, \$800,526 for public safety and \$639,140 for public works.

This report contains recommendations to the City Council and other City officials. For example, the City should review its internal control procedures to obtain the maximum internal control possible under the circumstances and the City should, each month, reconcile the receipt and disbursement journals to the subsidiary ledger computer printouts, as well as to the monthly reports submitted to the City Council. The City has responded that procedures will be established to accomplish the recommendations.

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

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

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City of Evansdale

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John W. Mardis	Mayor	Jan 2004
Carl Wyant	Mayor Pro tem	Jan 2006
Les Fuhrmann	Council Member	Jan 2004
Tom Little	Council Member	Jan 2004
Dick Dewater	Council Member	Jan 2006
Michelle Smith	Council Member	Jan 2006
Carol J. Wilson	Clerk	Jan 2004
Jane Walters	Deputy Clerk	Jan 2004
Jeanne Lantz	Treasurer	Jan 2004
Timothy J. Luce	Attorney	Jan 2004

City of Evansdale



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the City of Evansdale, Iowa, as of and for the year ended June 30, 2003. These financial statements are the responsibility of the City of Evansdale's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the funds of the City of Evansdale as of and for the year ended June 30, 2003, and its indebtedness at June 30, 2003, on the basis of accounting described in note 1.

As discussed in note 14, the City of Evansdale 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 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 December 17, 2003 on our consideration of the City of Evansdale'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 aforementioned financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the 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 aforementioned financial statements taken as a whole.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 17, 2003

Financial Statements

City of Evansdale

Combined Statement of Cash Transactions

All Funds and the Discretely Presented Component Unit

Year ended June 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Receipts:			
Property tax	\$ 496,672	-	-
Tax increment financing collections	-	174,378	-
Other city tax	320,172	117,697	-
Licenses and permits	44,046	-	-
Use of money and property	61,026	40,205	-
Intergovernmental	156,131	552,251	-
Charges for service	91,546	-	-
Miscellaneous	159,578	80,174	98,991
Total receipts	1,329,171	964,705	98,991
Disbursements:			
Public safety	727,066	73,460	-
Public works	304,440	334,700	-
Health and social services	16,807	-	-
Culture and recreation	122,143	-	-
Community and economic development	31,648	182,459	-
General government	173,430	222,815	-
Debt service	-	-	248,520
Capital projects	-	70,225	-
Business type activities	-	-	-
Non-program	-	-	-
Total disbursements	1,375,534	883,659	248,520
Excess (deficiency) of receipts over (under) disbursements	(46,363)	81,046	(149,529)
Other financing sources (uses):			
Interfund loan repayments	34,155	(66,431)	-
Revenue bond proceeds, net of \$18,200 discount	-	1,801,800	-
Sale of general fixed assets	17,511	-	-
Operating transfers in	255,000	113,670	199,380
Operating transfers out	(154,591)	(267,059)	-
Total other financing sources (uses)	152,075	1,581,980	199,380
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	105,712	1,663,026	49,851
Balance beginning of year	428,759	1,144,432	11,124
Balance end of year	\$ 534,471	2,807,458	60,975

See notes to financial statements.

Capital Projects	Proprietary Fund Type Enterprise	Fiduciary Fund Type Expendable Trust	Total Primary Government (Memorandum Only)	Component Unit Municipal Waterworks	Total Reporting Entity (Memorandum Only)
-	-	-	496,672	-	496,672
-	-	-	174,378	-	174,378
-	-	-	437,869	-	437,869
-	-	1,933	45,979	-	45,979
10,420	13,040	-	124,691	27,977	152,668
-	16,973	-	725,355	-	725,355
-	450,582	-	542,128	770,360	1,312,488
-	-	1,302	340,045	63,076	403,121
10,420	480,595	3,235	2,887,117	861,413	3,748,530
-	-	-	800,526	-	800,526
-	-	-	639,140	-	639,140
-	-	-	16,807	-	16,807
-	-	-	122,143	-	122,143
-	-	-	214,107	-	214,107
-	-	7,416	403,661	-	403,661
-	-	-	248,520	-	248,520
5,162	-	-	75,387	-	75,387
-	1,609,371	-	1,609,371	409,305	2,018,676
-	-	-	-	448,825	448,825
5,162	1,609,371	7,416	4,129,662	858,130	4,987,792
5,258	(1,128,776)	(4,181)	(1,242,545)	3,283	(1,239,262)
-	32,276	-	-	-	-
-	-	-	1,801,800	-	1,801,800
-	-	-	17,511	-	17,511
-	108,778	3,220	680,048	-	680,048
(149,380)	(109,018)	-	(680,048)	-	(680,048)
(149,380)	32,036	3,220	1,819,311	-	1,819,311
(144,122)	(1,096,740)	(961)	576,766	3,283	580,049
128,615	1,649,399	44,522	3,406,851	526,892	3,933,743
(15,507)	552,659	43,561	3,983,617	530,175	4,513,792

City of Evansdale

Comparison of Receipts, Disbursements and Changes in Balances
Actual to Budget

Year ended June 30, 2003

	Primary Government Actual	Component Unit Actual	Total Reporting Entity
Receipts:			
Property tax	\$ 496,672	-	496,672
Tax increment financing collections	174,378	-	174,378
Other city tax	437,869	-	437,869
Licenses and permits	45,979	-	45,979
Use of money and property	124,691	27,977	152,668
Intergovernmental	725,355	-	725,355
Charges for service	542,128	770,360	1,312,488
Miscellaneous	340,045	63,076	403,121
Total receipts	<u>2,887,117</u>	<u>861,413</u>	<u>3,748,530</u>
Disbursements:			
Public safety	800,526	-	800,526
Public works	639,140	-	639,140
Health and social services	16,807	-	16,807
Culture and recreation	122,143	-	122,143
Community and economic development	214,107	-	214,107
General government	403,661	-	403,661
Debt service	248,520	-	248,520
Capital projects	75,387	-	75,387
Business type activities	1,609,371	409,305	2,018,676
Non-program	-	448,825	448,825
Total disbursements	<u>4,129,662</u>	<u>858,130</u>	<u>4,987,792</u>
Excess (deficiency) of receipts over (under) disbursements	(1,242,545)	3,283	(1,239,262)
Other financing sources, net	1,819,311	-	1,819,311
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	576,766	3,283	580,049
Balance beginning of year	<u>3,406,851</u>	<u>526,892</u>	<u>3,933,743</u>
Balance end of year	<u>\$ 3,983,617</u>	<u>530,175</u>	<u>4,513,792</u>

See notes to financial statements.

Less Funds not Required to be Budgeted	Net	Amended Budget	Variance Favorable (Unfavorable)	Net as % of Amended Budget
-	496,672	494,543	2,129	100%
-	174,378	169,595	4,783	103%
-	437,869	440,863	(2,994)	99%
-	45,979	60,718	(14,739)	76%
42	152,626	97,212	55,414	157%
-	725,355	584,054	141,301	124%
448,825	863,663	148,321	715,342	582%
35,495	367,626	112,274	255,352	327%
484,362	3,264,168	2,107,580	1,156,588	155%
37,317	763,209	624,340	(138,869)	122%
-	639,140	637,729	(1,411)	100%
-	16,807	16,343	(464)	103%
-	122,143	131,464	9,321	93%
-	214,107	162,712	(51,395)	132%
-	403,661	410,267	6,606	98%
-	248,520	375,154	126,634	66%
-	75,387	265,078	189,691	28%
-	2,018,676	1,644,405	(374,271)	123%
448,825	-	-	-	-
486,142	4,501,650	4,267,492	(234,158)	105%
(1,780)	(1,237,482)	(2,159,912)		
-	1,819,311	1,771,455		
(1,780)	581,829	(388,457)		
7,268	3,926,475	3,399,584		
5,488	4,508,304	3,011,127		

City of Evansdale
Statement of Indebtedness
Year ended June 30, 2003

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Essential corporate purpose	Mar 1, 1999	4.30-4.400%	\$ 3,200,000
Sewer improvement	Jun 1, 2001	5.00-5.500	995,000
Sewer improvement	Jun 1, 2002	5.00-5.400	640,000
Total			
Revenue bonds:			
Sewer	Apr 1, 1970	3.625%	\$ 417,000
Urban renewal tax increment financing (TIF)	Dec 1, 2002	3.70-5.100	1,820,000
Total			
Loan agreements (note 6):			
Evansdale Municipal Waterworks	Jan 19, 1995		\$ 149,400
Evansdale Municipal Waterworks	Mar 5, 2002	5.000%	15,671
Total			

See notes to financial statements.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
2,005,000	-	160,000	1,845,000	88,220	-
995,000	-	35,000	960,000	51,938	-
640,000	-	20,000	620,000	32,920	-
<u>\$ 3,640,000</u>	<u>-</u>	<u>215,000</u>	<u>3,425,000</u>	<u>173,078</u>	<u>-</u>
139,000	-	15,000	124,000	4,767	-
-	1,820,000	-	1,820,000	-	-
<u>\$ 139,000</u>	<u>1,820,000</u>	<u>15,000</u>	<u>1,944,000</u>	<u>4,767</u>	<u>-</u>
5,465	-	5,465	-	-	-
15,671	-	15,671	-	-	784
<u>\$ 21,136</u>	<u>-</u>	<u>21,136</u>	<u>-</u>	<u>-</u>	<u>784</u>

City of Evansdale

Notes to Financial Statements

June 30, 2003

(1) Summary of Significant Accounting Policies

The City of Evansdale is a political subdivision of the State of Iowa located in Black Hawk County. It was first incorporated in 1947 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, general governmental and business type activities.

A. Reporting Entity

For financial reporting purposes, the City of Evansdale has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Evansdale (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. Certain disclosures about the discretely presented component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the Evansdale Municipal Waterworks' office.

Discretely Presented Component Unit

The Evansdale Municipal Waterworks is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Waterworks is governed by a three-member board appointed by the City Council and the Waterworks' operating budget is subject to the approval of the City Council.

Blended Component Unit

The Evansdale Volunteer Fire Department Association is an entity which is legally separate from the City, but is so intertwined with the City that it is, in substance, part of the City. The Association is reported as part of the City and blended as a Special Revenue Fund. The Association is incorporated under Chapter 504 of the Code of Iowa. It's mission is to diligently prevent and control fires, to provide emergency services, and to perform such duties in connection therewith as may be required of it under the control of the Evansdale City Council and such officers that may be elected by the Fire Department from year to year. Contributions are used for training and to purchase items which are not included in the City's budget.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Black Hawk County Assessor's Conference Board, Black Hawk County E911 Joint Service Board and Black Hawk County Emergency Management Agency. The City also participates in the Black Hawk County Solid Waste Management Commission, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa.

B. Fund Accounting

The accounts of the City are organized on the basis of funds, 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 receipts, disbursements and balances. The various funds 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 receipts and other receipts 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 disbursements, 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 receipts derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

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

Capital Projects Fund – The Capital Projects Fund is utilized to account for all 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.

Fiduciary Funds

Expendable Trust Funds – The Expendable Trust Funds are utilized to account for monies and properties received and held by the City in a trustee capacity.

Component Unit – The discretely presented component unit accounts for the financial activity of the Evansdale Municipal Waterworks. The Waterworks meets the Governmental Accounting Standards Board criteria requiring it to be reported as a discretely presented component unit.

C. Basis of Accounting

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

D. 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 Special Revenue Fund, Volunteer Fire Department Association and the discretely presented component unit's sewer rental and solid waste collections because these funds are remitted to the City where they are recorded and budgeted. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

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

E. Total (Memorandum Only)

The total column on the combined statement of cash transactions is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does 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 and its component unit'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 and its component unit are 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 and Board of Trustees, respectively; 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 and its component unit have no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

In addition, the City and its component unit had investments in the Iowa Public Agency Investment Trust which are valued at amortized costs of \$185,662 and \$129,885, respectively, pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Notes									
	Essential Corporate Purpose			Sewer Improvements						
	Issued Mar 1, 1999			Issued June 1, 2001				Issued June 1, 2002		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	
2004	4.40%	\$ 165,000	81,180	5.00%	\$ 35,000	50,187	5.00%	\$ 20,000	31,920	
2005	4.40	175,000	73,920	5.00	40,000	48,438	5.00	20,000	30,920	
2006	4.40	185,000	66,220	5.00	40,000	46,437	5.00	25,000	29,920	
2007	4.40	200,000	58,080	5.00	40,000	44,438	5.00	25,000	28,670	
2008	4.40	205,000	49,280	5.00	40,000	42,437	5.00	25,000	27,420	
2009	4.40	215,000	40,260	5.05	45,000	40,438	5.00	25,000	26,170	
2010	4.40	100,000	30,800	5.05	45,000	38,165	5.00	25,000	24,920	
2011	4.40	100,000	26,400	5.10	50,000	35,892	5.00	30,000	23,670	
2012	4.40	100,000	22,000	5.10	50,000	33,343	5.00	30,000	22,170	
2013	4.40	100,000	17,600	5.10	50,000	30,792	5.00	30,000	20,670	
2014	4.40	100,000	13,200	5.20	55,000	28,243	5.05	35,000	19,170	
2015	4.40	100,000	8,800	5.25	60,000	25,382	5.10	35,000	17,402	
2016	4.40	100,000	4,400	5.30	60,000	22,233	5.15	35,000	15,618	
2017		-	-	5.30	65,000	19,052	5.20	40,000	13,815	
2018		-	-	5.40	65,000	15,575	5.25	40,000	11,735	
2019		-	-	5.45	70,000	12,065	5.30	40,000	9,635	
2020		-	-	5.50	75,000	8,250	5.35	45,000	7,515	
2021		-	-	5.50	75,000	4,125	5.35	45,000	5,108	
2022		-	-		-	-	5.40	50,000	2,700	
Total		\$ 1,845,000	492,140		\$ 960,000	545,492		\$620,000	369,148	

Year Ending June 30,	Revenue Bonds							
	Sewer			Urban Renewal Tax Increment			Total	
	Issued Apr 1, 1970			Issued Dec 1, 2002				
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Princial	Interest
2004	3.625%	\$ 16,000	4,495	5.10%	\$ -	127,238	236,000	295,020
2005	3.625	16,000	3,915	5.10	70,000	84,825	321,000	242,018
2006	3.625	17,000	3,335	5.10	70,000	81,255	337,000	227,167
2007	3.625	18,000	2,719	5.00	75,000	77,685	358,000	211,592
2008	3.625	18,000	2,066	5.00	75,000	73,935	363,000	195,138
2009	3.625	19,000	1,414	3.70	80,000	70,185	384,000	178,467
2010	3.625	20,000	725	4.00	85,000	67,225	275,000	161,835
2011	-	-	-	4.10	85,000	63,825	265,000	149,787
2012	-	-	-	4.20	90,000	60,340	270,000	137,853
2013	-	-	-	4.30	95,000	56,560	275,000	125,622
2014	-	-	-	4.40	100,000	52,475	290,000	113,088
2015	-	-	-	4.50	105,000	48,075	300,000	99,659
2016	-	-	-	4.60	110,000	43,350	305,000	85,601
2017	-	-	-	4.70	115,000	38,290	220,000	71,157
2018	-	-	-	4.80	120,000	32,885	225,000	60,195
2019	-	-	-	4.90	125,000	27,125	235,000	48,825
2020	-	-	-	5.00	135,000	21,000	255,000	36,765
2021	-	-	-	5.00	140,000	14,250	260,000	23,483
2022	-	-	-	5.00	145,000	7,250	195,000	9,950
Total		<u>\$ 124,000</u>	<u>18,669</u>		<u>\$1,820,000</u>	<u>1,047,773</u>	<u>5,369,000</u>	<u>2,473,222</u>

The Code of Iowa requires principal and interest on general obligation notes be paid from the Debt Service Fund. However, during the year, \$55,000 of notepincipal and \$84,858 in interest payments were paid from the Enterprise Fund, Sewer Revenue Bond Sinking Account.

The urban renewal tax increment financing revenue bonds, series 2002A, were issued for the purpose of planning, undertaking and carrying out an urban renewal project within the Home Acres Urban Renewal Area consisting of the construction of a Community Response Center. The bonds are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

The resolution providing for the issuance of the sewer revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bondholders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due. The sewer revenue bond sinking account is required to maintain a balance of \$20,500. In addition, the City is required to accumulate an amount equal to not less than the principal and interest maturing in the next succeeding 12 months. The sewer revenue bond sinking account had a deficit balance at June 30, 2003.
- (c) Monthly transfers of \$150 shall be made to a sewer depreciation account until the required \$30,000 balance is accumulated. This account is restricted for the purpose of paying for unusual or extraordinary maintenance, repairs, renewals and replacements to the system.

(4) Pension and Retirement Systems

Municipal Fire and Police Retirement System of Iowa – The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th St., Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate may not be less than 17% of earnable compensation. Contribution requirements are established by state statute. The City's contributions to the Plan for the years ended June 30, 2003, 2002 and 2001 were \$36,143, \$34,272, and \$32,202, respectively, which exceeded the required minimum contribution for each year.

Iowa Public Employees Retirement System (IPERS) – The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered 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 \$27,914, \$26,885, and \$25,283, respectively, equal to the required contribution for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. Sick leave is payable when used or upon termination, retirement or death. If paid upon retirement or death, the total accumulated banked hours are reduced by one-half, not to exceed 480 hours, and if paid upon termination are reduced to one-fourth, not to exceed 240 hours.

These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2003, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 20,000
Sick leave	<u>34,000</u>
Total	<u>\$ 54,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2003.

(6) Loans

Interfund Loans

During the year ended June 30, 1985, the Special Revenue Fund, Home Acres Tax Increment Financing District loaned \$281,054 to the General Fund, General Account. The loan bears no interest. As of June 30, 2003, no repayments had been made, leaving a balance of \$281,054.

During the year ended June 30, 1995, the Special Revenue Fund, Home Acres Tax Increment Financing District loaned \$153,000 to the Special Revenue Fund, East Heights Tax Increment Financing District for the purpose of extending water and sewer lines. The loan bears no interest and matures on December 31, 2014. During the year ended June 30, 2003, \$28,897 was repaid, leaving a balance of \$124,103.

During the year ended June 30, 1995, the Enterprise Fund, Sewer Rental loaned \$208,700 to the Special Revenue Fund, East Heights Tax Increment Financing District for the purpose of extending water and sewer lines. The loan bears no interest and matures on December 31, 2014. The remaining balance of \$7,633 was repaid during the year ended June 30, 2003.

During the year ended June 30, 1999, the Enterprise Fund, Sewer Rental loaned \$11,851 to the Special Revenue Fund, East Heights Tax Increment Financing District for the purpose of upgrading the pumps at the Evansdale Drive lift station. The loan bears no interest and matures on September 30, 2018. The remaining balance of \$11,851 was repaid during the year ended June 30, 2003.

During the year ended June 30, 2000, the City approved a loan of \$180,848 to be repaid by the Special Revenue Fund, East Heights Tax Increment Financing District. The Evansdale Drive PCC Widening and Signalization project was completed within that district and financed with the proceeds from the issuance of general obligation corporate purpose notes which are to be repaid from the Debt Service Fund. The East Heights Tax Increment Financing District will repay the loan to the Debt Service Fund. The loan bears no interest and matures on December 31, 2015. During the year ended June 30, 2003, \$34,155 was repaid, leaving a balance of \$146,693.

During the year ended June 30, 2002, the Special Revenue Fund, Home Acres Tax Increment Financing District loaned \$31,819 to the Special Revenue Fund, Northwest Target Tax Increment Financing District for the purpose of economic development for a local business. The loan bears interest at 5% and matures on June 30, 2011. As of June 30, 2003, no repayments had been made, leaving a balance of \$31,819.

During the year ended June 30, 2002, the Special Revenue Fund, Road Use Tax loaned \$67,093 to the Special Revenue Fund, Northwest Target Tax Increment Financing District for the purpose of constructing an extension of Technology Drive and the first section of Digital Drive. The loan bears interest at 5% and matures on June 30, 2012. During the year ended June 30, 2003, \$19,686 was repaid, leaving a balance of \$47,407.

During the year ended June 30, 2002, the Enterprise Fund, Sewer Rental loaned \$12,792 to the Special Revenue Fund, Northwest Target Tax Increment Financing District for the purpose of constructing an extension of the Technology Drive sewer system. The loan bears interest at 5% and matures on June 30, 2012. The remaining balance of \$12,792 was repaid during the year ended June 30, 2003.

Intergovernmental Loans from the Evansdale Municipal Waterworks

On January 19, 1995, the Evansdale Municipal Waterworks loaned \$149,400 to the City's Special Revenue Fund, East Heights Tax Increment Financing District for the purpose of extending water lines in the East Heights Urban Renewal Area. The loan bears no interest and matures on December 31, 2014. During the year ended June 30, 2003, the remaining balance of \$5,465 was repaid.

On March 5, 2002, the Evansdale Municipal Waterworks loaned \$15,671 to the City's Special Revenue Fund, Northwest Tax Increment Financing District for the purpose of constructing an extension of the Technology Drive water system. The loan bears interest at 5% and matures on June 30, 2012. During the year ended June 30, 2003, the balance of \$15,671 was repaid. However, the accrued interest of \$784 was not paid.

Intergovernmental Loan to the Evansdale Municipal Waterworks

On March 1, 1999, the City entered into a loan agreement with the Evansdale Municipal Waterworks in the amount of \$1,200,000 for the construction of a water tower. The loan is to be repaid in sixteen (16) annual installments, including semi annual interest payments at rates ranging from 4.30% to 4.40%. During the year ended June 30, 2003, payments totaling \$50,000 were made, leaving a balance of \$1,060,000.

(7) Economic Development Loans

On October 25, 1995, the City of Evansdale loaned \$35,000 to a local business for machinery and equipment acquisition and working capital. The loan bears interest at 4% and is to be paid in monthly installments of \$644.61 from December 1, 1995 through November 1, 2000. As of June 30, 2003, \$16,401 has been received, of which \$13,953 represents principal and \$2,448 represents interest. The local business has filed for Chapter 11 bankruptcy protection. The City believes payment for this obligation will eventually be received. During the year ended June 30, 2003, no payments were received, leaving a balance of \$21,047.

On August 22, 1997, the City of Evansdale loaned \$72,603 from the Special Revenue Fund, Home Acres Tax Increment Financing District to Evansdale Senior Housing III, LLC for additional financial assistance in order to complete construction of housing for low and moderate income senior citizens. The loan shall be for an indefinite period of time and bears no interest. The loan shall become due in full at any time the building, or any portion thereof, shall be sold or be used for any purpose other than solely for senior housing, or after 31 years, whichever occurs first.

On May 4, 1999, the City of Evansdale conveyed land to Cives Corporation at no cost for the purpose of accommodating a 5,600 square foot commercial building with potential future expansion and its associated parking, storage and landscaping. Had the Cives Corporation not proceeded with the proposed development, said land would revert back to the City. Upon substantial completion of the proposed structure, the City provided forgivable loan funds to Cives Corporation in the amount of 10% of the taxable valuation of the property. On July 21, 2000, the City loaned Cives Corporation \$31,817, which represents 10% of the taxable valuation of the property. The forgivable loan funds will be repaid by Cives Corporation to the City upon failure to meet the terms of the agreement. The loan will be forgiven at the rate of 1/5th of the total loan amount per year starting with the date of occupancy certification. The occupancy date was stated as December 13, 1999. As of June 30, 2003, the amount forgiven totaled \$25,454, leaving a balance of \$6,363.

(8) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 475 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2003 were \$35,587.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2003, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Deficit Balances

The Special Revenue Fund, East Heights Tax Increment Financing District account had a deficit balance of \$27,693 at June 30, 2003. The deficit will be eliminated through the continuing development of the East Heights area and subsequent collection of tax increment financing revenues.

The Capital Projects Fund, 1999 Note Projects account had a deficit balance of \$15,507 at June 30, 2003. Additionally, the Enterprise Fund, Sewer Revenue Bond Sinking account had a deficit balance of \$14,057 at June 30, 2003. The deficits will be eliminated through subsequent year transfers.

(10) Related Party Transactions

The City had business transactions totaling \$6,089 between the City and City officials during the year ended June 30, 2003.

(11) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2003, disbursements in the public safety, public works, health and social services, community and economic development and business type activities functions exceeded the amounts budgeted. Additionally, the Evansdale Waterworks budget was not included in the City budget.

(12) Construction Commitments

At June 30, 2003, the City had outstanding construction commitments for trail, street and wastewater treatment plant construction projects totaling \$525,650. Payments will be made as work on the projects progresses.

(13) Subsequent Event

In August 2003, the City of Evansdale entered into a contract for construction of a Community Response Center in the amount of \$1,705,000. This is an urban renewal project within the Home Acres Urban Renewal Area.

(14) 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 Management’s Discussion and Analysis to introduce the financial statements and to provide an analytical overview of the City’s financial activities.

City of Evansdale

Supplemental Information

City of Evansdale
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	General	Streets
Receipts:		
Property tax	\$ 496,672	-
Other city tax:		
Mobile home tax	866	-
Utility tax replacement excise tax	12,886	-
Hotel/motel tax	15,896	-
Local option sales tax	-	196,163
	<u>29,648</u>	<u>196,163</u>
Licenses and permits	<u>44,046</u>	-
Use of money and property:		
Interest on investments	55,096	-
Rent	5,930	-
	<u>61,026</u>	-
Intergovernmental:		
State allocation	48,247	-
Bank franchise tax	9,725	-
Governors Traffic Safety Bureau	6,908	-
County library allocation	580	-
Cities of Elk Run Heights and Raymond	13,602	-
Black Hawk County Solid Waste Commission	70,696	-
Library open access	1,730	-
Other	1,493	-
	<u>152,981</u>	-
Charges for service:		
Garbage collection fees	1,471	-
Cleaning service	1,200	-
Hazardous spills cleanup fees	2,514	-
Ambulance fees	86,361	-
	<u>91,546</u>	-
Miscellaneous:		
Fines and fees	13,278	-
Copy fees	1,242	-
Police reports	952	-
Gas tax refund	3,318	-
Forfeiture proceeds	-	-
Camping, shelter and beach fees	82,505	-
Library fines, fees and memorials	13,949	-
Refunds and reimbursements	4,229	1,425
Donations	19,000	-
Miscellaneous	2,501	2,568
	<u>140,974</u>	<u>3,993</u>
Total receipts	<u>1,016,893</u>	<u>200,156</u>

Fire Department Escrow	Capital Improvement Surplus	Hotel/Motel Tax	Asset Forfeiture	Total
-	-	-	-	496,672
-	-	-	-	866
-	-	-	-	12,886
-	-	15,896	-	31,792
-	78,465	-	-	274,628
-	78,465	15,896	-	320,172
-	-	-	-	44,046
-	-	-	-	55,096
-	-	-	-	5,930
-	-	-	-	61,026
-	-	-	-	48,247
-	-	-	-	9,725
-	-	-	2,344	9,252
-	-	-	-	580
-	-	-	-	13,602
-	-	-	-	70,696
-	-	-	-	1,730
-	-	-	806	2,299
-	-	-	3,150	156,131
-	-	-	-	1,471
-	-	-	-	1,200
-	-	-	-	2,514
-	-	-	-	86,361
-	-	-	-	91,546
-	-	-	-	13,278
-	-	-	-	1,242
-	-	-	-	952
-	-	-	-	3,318
-	-	-	3,083	3,083
-	-	-	-	82,505
-	-	-	-	13,949
-	-	-	-	5,654
-	-	-	-	19,000
-	2,600	-	8,928	16,597
-	2,600	-	12,011	159,578
-	81,065	15,896	15,161	1,329,171

City of Evansdale
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	General	Streets
Disbursements:		
Public safety:		
Police:		
Personal services	352,477	-
Services and commodities	95,808	-
Capital outlay	-	-
	448,285	-
Fire:		
Personal services	26,216	-
Services and commodities	44,612	-
Capital outlay	-	-
	70,828	-
Animal control:		
Personal services	5,193	-
Services and commodities	715	-
	5,908	-
	525,021	-
Public works:		
Flood control	-	125
Street lighting	-	21,056
Community beautification	-	305
Street maintenance	-	282,954
	-	304,440
Health and social services:		
Pathways Behavioral/Operation Threshold/ Hawkeye Valley Area Agency on Aging	2,411	-
Cedar Valley Lakes	2,300	-
Regional Transit	12,096	-
	16,807	-
Culture and recreation:		
Library:		
Personal services	27,048	-
Services and commodities	25,494	-
	52,542	-
Parks:		
Personal services	7,896	-
Services and commodities	35,672	-
Capital outlay	12,156	-
	55,724	-
	108,266	-

Fire Department Escrow	Capital Improvement Surplus	Hotel/Motel Tax	Asset Forfeiture	Total
-	-	-	-	352,477
-	-	-	15,336	111,144
-	47,226	-	-	47,226
-	47,226	-	15,336	510,847
-	-	-	-	26,216
-	-	-	-	44,612
19,275	120,208	-	-	139,483
19,275	120,208	-	-	210,311
-	-	-	-	5,193
-	-	-	-	715
-	-	-	-	5,908
19,275	167,434	-	15,336	727,066
-	-	-	-	125
-	-	-	-	21,056
-	-	-	-	305
-	-	-	-	282,954
-	-	-	-	304,440
-	-	-	-	2,411
-	-	-	-	2,300
-	-	-	-	12,096
-	-	-	-	16,807
-	-	-	-	27,048
-	-	-	-	25,494
-	-	-	-	52,542
-	-	-	-	7,896
-	-	-	-	35,672
-	7,047	6,830	-	26,033
-	7,047	6,830	-	69,601
-	7,047	6,830	-	122,143

City of Evansdale
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	General	Streets
Disbursements (continued):		
Community and economic development:		
Building inspection:		
Personal services	26,720	-
Services and commodities	2,334	-
	29,054	-
Planning and zoning:		
Services and commodities	2,594	-
	31,648	-
General government:		
Legislative and financial administration:		
Personal services	103,375	-
Services and commodities	67,755	-
Capital outlay	-	-
	171,130	-
Total disbursements	852,872	304,440
Excess (deficiency) of receipts over (under) disbursements	164,021	(104,284)
Other financing sources (uses):		
Sale of general fixed assets	17,511	-
Interfund loan repayments	-	34,155
Operating transfers in (out):		
General:		
General	-	-
Fire Department Escrow	(5,000)	-
Special Revenue:		
Road Use Tax	-	250,000
Employee Benefits	(99,591)	-
Debt Service	-	(50,000)
Total other financing sources (uses)	(87,080)	234,155
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	76,941	129,871
Balance beginning of year	45,731	195,565
Balance end of year	\$ 122,672	325,436

See accompanying independent auditor's report.

Fire Department Escrow	Capital Improvement Surplus	Hotel/Motel Tax	Asset Forfeiture	Total
-	-	-	-	26,720
-	-	-	-	2,334
-	-	-	-	29,054
-	-	-	-	2,594
-	-	-	-	31,648
-	-	-	-	103,375
-	-	-	-	67,755
-	2,300	-	-	2,300
-	2,300	-	-	173,430
19,275	176,781	6,830	15,336	1,375,534
(19,275)	(95,716)	9,066	(175)	(46,363)
-	-	-	-	17,511
-	-	-	-	34,155
5,000	-	-	-	5,000
-	-	-	-	(5,000)
-	-	-	-	250,000
-	-	-	-	(99,591)
-	-	-	-	(50,000)
5,000	-	-	-	152,075
(14,275)	(95,716)	9,066	(175)	105,712
18,883	150,703	15,634	2,243	428,759
4,608	54,987	24,700	2,068	534,471

City of Evansdale
Combining Schedule of Cash Transactions
Special Revenue Funds
Year ended June 30, 2003

	Road Use Tax	Liability Insurance	Employee Benefits	Police Retire- ment
Receipts:				
Tax increment financing collections	\$ -	-	-	-
Other city tax:				
Local option sales tax	-	30,957	86,740	-
Use of money and property:				
Interest on investments	-	-	18,184	1,295
Intergovernmental:				
Road use tax allocation	396,582	-	-	-
Community Development Block Grant	-	-	-	-
	<u>396,582</u>	<u>-</u>	<u>-</u>	<u>-</u>
Miscellaneous:				
Refunds and reimbursements	-	-	37,762	-
Donations	-	-	-	-
Miscellaneous	61	5,045	-	-
	<u>61</u>	<u>5,045</u>	<u>37,762</u>	<u>-</u>
Total receipts	<u>396,643</u>	<u>36,002</u>	<u>142,686</u>	<u>1,295</u>
Disbursements:				
Public safety:				
Police:				
Personal services	-	-	36,143	-
Fire:				
Services and commodities	-	-	-	-
Capital outlay	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>36,143</u>	<u>-</u>
Public works:				
Roads, bridges and sidewalks:				
Personal services	173,924	-	-	-
Services and commodities	72,848	-	-	-
Capital outlay	77,360	-	-	-
	<u>324,132</u>	<u>-</u>	<u>-</u>	<u>-</u>
Street lighting	9,614	-	-	-
Flood control	954	-	-	-
	<u>334,700</u>	<u>-</u>	<u>-</u>	<u>-</u>
Community and economic development:				
Housing and urban renewal:				
Contractual services	-	-	-	-
Loan repayments to Evansdale Municipal Waterworks	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Police Pension Reserve	Home Acres Tax Increment Financing District	Northwest Target Tax Increment Financing District	East Heights Tax Increment Financing District	Volunteer Fire Department Association	Local Option Sales Tax Surplus	Total
-	-	72,951	101,427	-	-	174,378
-	-	-	-	-	-	117,697
62	20,622	-	-	42	-	40,205
-	-	-	-	-	-	396,582
-	155,669	-	-	-	-	155,669
-	155,669	-	-	-	-	552,251
-	-	-	-	-	-	37,762
-	-	-	-	35,495	-	35,495
-	1,811	-	-	-	-	6,917
-	1,811	-	-	35,495	-	80,174
62	178,102	72,951	101,427	35,537	-	964,705
-	-	-	-	-	-	36,143
-	-	-	-	20,787	-	20,787
-	-	-	-	16,530	-	16,530
-	-	-	-	37,317	-	37,317
-	-	-	-	37,317	-	73,460
-	-	-	-	-	-	173,924
-	-	-	-	-	-	72,848
-	-	-	-	-	-	77,360
-	-	-	-	-	-	324,132
-	-	-	-	-	-	9,614
-	-	-	-	-	-	954
-	-	-	-	-	-	334,700
-	161,323	-	-	-	-	161,323
-	-	15,671	5,465	-	-	21,136
-	161,323	15,671	5,465	-	-	182,459

City of Evansdale
Combining Schedule of Cash Transactions
Special Revenue Funds
Year ended June 30, 2003

	Road Use Tax	Liability Insurance	Employee Benefits	Police Retire- ment
Disbursements (continued):				
General government:				
Legislative and financial administration:				
Personal services	-	-	195,778	-
Tort liability:				
Contractual services	-	27,037	-	-
	-	27,037	195,778	-
Capital projects:				
Community Response Center	-	-	-	-
Total disbursements	334,700	27,037	195,778	-
Excess (deficiency) of receipts over (under) disbursements	61,943	8,965	(53,092)	1,295
Other financing sources (uses):				
Interfund loan repayments	19,686	-	-	-
Revenue bond proceeds, net of \$18,200 discount	-	-	-	-
Operating transfers in (out):				
General:				
General	-	-	99,591	-
Streets	(250,000)	-	-	-
Special Revenue:				
Liability Insurance	-	-	(14,079)	-
Employee Benefits	-	14,079	-	-
Expendable Trust:				
Dental Insurance	(480)	-	-	-
Severance Pay / Sick Leave	-	-	(2,500)	-
Total other financing sources (uses)	(230,794)	14,079	83,012	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(168,851)	23,044	29,920	1,295
Balance beginning of year	350,951	(10,374)	96,884	339,170
Balance end of year	\$ 182,100	12,670	126,804	340,465

See accompanying independent auditor's report.

Police Pension Reserve	Home Acres Tax Increment Financing District	Northwest Target Tax Increment Financing District	East Heights Tax Increment Financing District	Volunteer Fire Department Association	Local Option Sales Tax Surplus	Total
-	-	-	-	-	-	195,778
-	-	-	-	-	-	27,037
-	-	-	-	-	-	222,815
-	70,225	-	-	-	-	70,225
-	231,548	15,671	5,465	37,317	-	847,516
62	(53,446)	57,280	95,962	(1,780)	-	117,189
-	28,897	(32,478)	(82,536)	-	-	(66,431)
-	1,801,800	-	-	-	-	1,801,800
-	-	-	-	-	-	99,591
-	-	-	-	-	-	(250,000)
-	-	-	-	-	-	(14,079)
-	-	-	-	-	-	14,079
-	-	-	-	-	-	(480)
-	-	-	-	-	-	(2,500)
-	1,830,697	(32,478)	(82,536)	-	-	1,581,980
62	1,777,251	24,802	13,426	(1,780)	-	1,699,169
14,419	251,328	35,362	(41,119)	7,268	100,543	1,144,432
14,481	2,028,579	60,164	(27,693)	5,488	100,543	2,843,601

Schedule 3

City of Evansdale
Schedule of Cash Transactions
Debt Service Fund
Year ended June 30, 2003

Receipts:		
Miscellaneous:		
Principal from Evansdale Waterworks		\$ 50,000
Interest from Evansdale Waterworks		48,991
Total receipts		<u>98,991</u>
Disbursements:		
Debt service:		
Principal redeemed		160,000
Interest paid		88,220
Note fees		300
Total disbursements		<u>248,520</u>
Deficiency of receipts under disbursements		(149,529)
Other financing sources:		
Operating transfers in:		
General:		
Streets	\$ 50,000	
Capital Projects:		
1999 Note Projects	<u>149,380</u>	<u>199,380</u>
Excess of receipts and other financing sources over disbursements		49,851
Balance beginning of year		<u>11,124</u>
Balance end of year		<u>\$ 60,975</u>

See accompanying independent auditor's report.

City of Evansdale
 Schedule of Cash Transactions
 Capital Projects Fund
 Year ended June 30, 2003

	1999 Note Projects
Receipts:	
Use of money and property:	
Interest on investments	\$ 10,420
Disbursements:	
Capital projects:	
Bike trail projects	5,162
Excess of receipts over disbursements	5,258
Other financing uses:	
Operating transfers out:	
Debt Service	(149,380)
Deficiency of receipts under disbursements and other financing uses	(144,122)
Balance beginning of year	128,615
Balance end of year	\$ (15,507)

See accompanying independent auditor's report.

Schedule 5

City of Evansdale

Combining Schedule of Cash Transactions

Enterprise Funds

Year ended June 30, 2003

	Sewer Rental	Sewer Revenue Bond Sinking	Sewer Deprecia- tion	2001 Sewer Bond	Garbage	Total
Receipts:						
Use of money and property:						
Interest on investments	\$ -	-	-	13,040	-	13,040
Intergovernmental:						
Black Hawk County Solid Waste Commission	-	-	-	-	16,973	16,973
Charges for service:						
Sewer rental fees	320,696	-	-	-	-	320,696
Penalty fees	3,414	-	-	-	-	3,414
Garbage collection fees	-	-	-	-	126,472	126,472
	<u>324,110</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,472</u>	<u>450,582</u>
Total receipts	<u>324,110</u>	<u>-</u>	<u>-</u>	<u>13,040</u>	<u>143,445</u>	<u>480,595</u>
Disbursements:						
Business type activities:						
Sewer and garbage:						
Personal services	76,845	-	-	-	-	76,845
Services and commodities	74,595	-	-	-	141,295	215,890
Treatment plant maintenance	4,634	-	-	-	-	4,634
Lift station maintenance	8,026	-	-	-	-	8,026
Treatment plant and lift station improvements	-	-	-	1,124,684	-	1,124,684
Capital outlay	14,702	-	-	-	-	14,702
Debt service:						
Bonds redeemed	-	70,000	-	-	-	70,000
Interest paid	-	89,625	-	-	-	89,625
Fiscal charges	-	600	-	4,365	-	4,965
Total disbursements	<u>178,802</u>	<u>160,225</u>	<u>-</u>	<u>1,129,049</u>	<u>141,295</u>	<u>1,609,371</u>
Excess (deficiency) of receipts over (under) disbursements	<u>145,308</u>	<u>(160,225)</u>	<u>-</u>	<u>(1,116,009)</u>	<u>2,150</u>	<u>(1,128,776)</u>
Other financing sources (uses):						
Interfund loan repayments	32,276	-	-	-	-	32,276
Operating transfers in (out):						
Enterprise:						
Sewer Rental	-	106,978	1,800	-	-	108,778
Sewer Revenue Bond Sinking	(106,978)	-	-	-	-	(106,978)
Sewer Depreciation	(1,800)	-	-	-	-	(1,800)
Expendable Trust:						
Dental Insurance	(240)	-	-	-	-	(240)
Total other financing sources (uses)	<u>(76,742)</u>	<u>106,978</u>	<u>1,800</u>	<u>-</u>	<u>-</u>	<u>32,036</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>68,566</u>	<u>(53,247)</u>	<u>1,800</u>	<u>(1,116,009)</u>	<u>2,150</u>	<u>(1,096,740)</u>
Balance beginning of year	<u>131,783</u>	<u>39,190</u>	<u>47,287</u>	<u>1,385,089</u>	<u>46,050</u>	<u>1,649,399</u>
Balance end of year	<u>\$200,349</u>	<u>(14,057)</u>	<u>49,087</u>	<u>269,080</u>	<u>48,200</u>	<u>552,659</u>

See accompanying independent auditor's report.

City of Evansdale

City of Evansdale
 Combining Schedule of Cash Transactions
 Expendable Trust Funds
 Year ended June 30, 2003

	Permit Advance
Receipts:	
Licenses and permits:	
Plumbing, electrical and heating permits	\$ 1,933
Miscellaneous:	
Dental and life insurance collections	-
Miscellaneous	-
Total receipts	1,933
Disbursements:	
General government:	
Contractual services	-
Excess (deficiency) of receipts over (under) disbursements	1,933
Other financing sources:	
Operating transfers in:	
Special Revenue:	
Road Use Tax	-
Employee Benefits	-
Enterprise:	
Sewer Rental	-
Total other financing sources	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements	1,933
Balance beginning of year	10,862
Balance end of year	\$ 12,795

See accompanying independent auditor's report.

Dental Insurance	Life Insurance	Severance Pay/ Sick Leave	Library Memorial	Total
-	-	-	-	1,933
730	537	-	-	1,267
-	-	-	35	35
730	537	-	35	1,302
730	537	-	35	3,235
5,629	1,787	-	-	7,416
(4,899)	(1,250)	-	35	(4,181)
480	-	-	-	480
-	-	2,500	-	2,500
240	-	-	-	240
720	-	2,500	-	3,220
(4,179)	(1,250)	2,500	35	(961)
23,326	2,467	7,820	47	44,522
19,147	1,217	10,320	82	43,561

Schedule 7

City of Evansdale

Comparison of Taxes and Intergovernmental Receipts

	Years ended June 30,			
	2003	2002	2001	2000
Property tax	\$ 496,672	444,382	443,097	438,725
Tax increment financing collections	174,378	179,997	141,645	120,410
Other city tax:				
Local option sales tax	392,325	396,742	368,597	419,360
Hotel/motel tax	31,792	33,266	37,742	33,068
Utility tax replacement excise tax	12,886	12,503	13,114	-
Other	866	22,065	20,259	14,819
	437,869	464,576	439,712	467,247
Intergovernmental:				
State allocation	48,247	50,879	56,306	56,473
Road use tax allocation	396,582	334,416	370,222	376,211
Bank franchise tax	9,725	4,244	1,666	4,561
Highway Planning and Construction grant	-	88,000	70,911	799,837
Community Development Block grant	155,669	29,006	-	-
Black Hawk County Solid Waste Commission	87,669	-	-	-
Grants	9,252	3,638	7,612	30,765
Other	18,211	32,991	19,387	57,354
	725,355	543,174	526,104	1,325,201
Total	\$1,834,274	1,632,129	1,550,558	2,351,583

See accompanying independent auditor's report.



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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 financial statements of the City of Evansdale, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated December 17, 2003. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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 Evansdale's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the 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. Prior year statutory comments have been resolved except for items 2, 5, 7 and 10.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Evansdale's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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 Evansdale's ability to record, process, summarize and report financial data consistent with the assertions of management in the 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 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 conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items A and B are material weaknesses. Prior year reportable conditions have been resolved except for items A, B and C.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Evansdale and other parties to whom the City of Evansdale may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Evansdale 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

December 17, 2003

City of Evansdale

Schedule of Findings

Year ended June 30, 2003

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the City's financial statements. Generally, one or two individuals in the office may have control over the following areas for which no compensating controls exist:
- (1) Receipts - collecting, depositing, posting and reconciling daily receipts.
 - (2) Accounting system - general accounting/general ledger/journal entry, custody and control of assets and the detail recording of accounts.
 - (3) Incoming mail - mail is opened by an employee who is authorized to make entries to the accounting records.

Recommendation –

- (1) The functions of collecting, depositing, posting and reconciling daily receipts should not be performed by the same employee. We realize that with a limited number of office employees, this is difficult. However, a reconciliation of collections to deposits should be prepared and reviewed by an independent individual who should sign or initial to document their review.
- (2) The functions of general accounting/general ledger/journal entry, custody and control of assets and the detail recording of accounts should not be performed by the same employee. We realize that with a limited number of office employees, this is difficult. However, a reconciliation of detailed receipts and disbursements to the general ledger should be prepared and reviewed by an independent individual who should sign or initial to document their review. Additionally, all journal entries should be approved by an independent individual.
- (3) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.

City of Evansdale

Schedule of Findings

Year ended June 30, 2003

The City should review its control activities and consider involving other City personnel or Council Members to perform and document supervisory reviews to obtain the maximum internal control possible under the circumstances.

Response – We will continue to look for effective ways to improve.

Conclusion – Response accepted.

- (B) Reconciliation Procedures – The receipts and disbursements per the Clerk/Treasurer’s report did not reconcile with the subsidiary ledger computer printouts due to various posting errors. Also, corrections or adjustments made to the Clerk/Treasurer’s report, based on the outcome of the cash reconciliation with the Treasurer, are not always carried through the accounting system to the subsidiary ledger level. In addition, fund transfers were not consistently recorded to transfers in/out subsidiary ledger descriptions.

Recommendation – To improve financial accountability, budgetary control and consistency in reporting financial information, the City should reconcile the receipts and disbursements per the Clerk/Treasurer’s report with the subsidiary ledger computer printouts at month end. Corrections or adjustments made to the Clerk/Treasurer’s report should be carried through the accounting system to the subsidiary ledger level of accounting. In addition, transfers between funds should be recorded to the appropriate subsidiary ledger descriptions and the Clerk/Treasurer’s report. The City’s records were corrected as of June 30, 2003.

Response – With new software, we are better able to identify reconciling issues and are able to capture and separate the transfers from expenditures.

Conclusion – Response accepted.

- (C) Information Systems – During our review of internal control, the existing control activities in the City’s computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the City’s computer based systems were noted:

The City does not have written policies for:

- password privacy and confidentiality.
- requiring password changes every 60 to 90 days because software does not require the user to change log-ins/passwords periodically.

Although a disaster recovery plan was developed, it does not address specific details such as identification of critical applications, staff responsibilities, equipment and software inventory, user documentation, etc.

City of Evansdale

Schedule of Findings

Year ended June 30, 2003

Also, a time out and/or log off function is not utilized and the City does not use a screen saver password.

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s control over computer based systems. Also, a time out and/or log off function or a screen saver password should be utilized.

Response – The City agrees that writing out our disaster recovery plan would be useful. The City believes that the recommended password procedures in fact compromise computer security and have been found to decrease efficiency and increase consultant costs in most other places where these policies are instituted. We do not intend to follow their example.

Conclusion – Response acknowledged. Passwords should be changed on a regular basis.

- (D) Evansdale Volunteer Fire Department Association – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person. Monthly bank reconciliations are prepared by a person who handles and records cash and are reviewed by a person authorized to sign checks.

Minutes of certain meetings were not signed. An accounting procedures manual has not been prepared.

Recommendation – We realize that with a limited number of staff, segregation of duties is difficult. However, the Fire Association should review its control procedures to obtain the maximum internal control possible under the circumstances.

Minutes of all meetings should be signed to authenticate actions taken. An accounting procedures manual should be prepared.

Response – We will have one more person involved in reviewing our work to help segregate duties. We will ensure that all minutes are signed after approval. Also, we will do our best to prepare an accounting procedures manual.

Conclusion – Response accepted.

- (E) Credit Cards – The City has credit cards for use by various employees while on City business. Supporting documentation was not always available in support of credit card charges.

Recommendation – The City should ensure that supporting documentation is retained to substantiate charges.

Response – We will do this.

Conclusion – Response accepted.

City of Evansdale

Schedule of Findings

Year ended June 30, 2003

- (F) Wages Paid – Two City employees filled in for the janitor in his absence. However, the wages were paid to the janitor.

Recommendation – The City should ensure all wages are paid to the employee who actually performs the work for the City. Therefore, appropriate amounts would be reported to the Internal Revenue Service and appropriate payroll taxes withheld.

Response – We will investigate methods of staffing the janitorial position to eliminate any potential violations of the Fair Labor Standards Act or Internal Revenue Service rules.

Conclusion – Response accepted.

City of Evansdale

Schedule of Findings

Year ended June 30, 2003

Other Findings Related to Required Statutory Reporting:

- (1) Official Depository – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2003, except at Farmer’s State Bank in Jesup, Iowa.

Recommendation – A new resolution in amounts sufficient to cover anticipated balances should have been approved by the City before balances were allowed to exceed the maximum.

Response – We will check balances prior to making any substantial deposits in the future. Current limits are adequate for all normal activities.

Conclusion – Response accepted.

- (2) Certified Budget – Disbursements during the year ended June 30, 2003 exceeded the amounts budgeted in the public safety, public works, health and social services, community and economic development and the business type activities functions. Additionally, the Evansdale Municipal Waterworks budget was erroneously omitted from the City budget. The notice of the budget amendment hearing was not published at least 10 days prior to the hearing as required by Chapter 384.16(3) of the Code of Iowa.

Recommendation – The budget should have been amended in sufficient amounts as required by Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. The Evansdale Municipal Waterworks budget should be included in the City budget. The notice of the budget amendment hearing should be published not less than 10 days nor more than 20 days prior to the hearing date in accordance with Chapter 384.16(3) of the Code of Iowa.

Response – We acknowledge the error and accept the authorities cited.

Conclusion – Response accepted.

- (3) Questionable Disbursements – Certain disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
ABC Embroidery	Evansdale Library - polo shirts for bowling team	\$ 37
Kathy Pritchett	Evansdale Library - sponsorship of bowling team	30
Johnson’s Bakery, Evansdale Food Pride, and Factory Card Outlet	Evansdale Hazard Mitigation Planning Committee meeting – food and punch	31

City of Evansdale

Schedule of Findings

Year ended June 30, 2003

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

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

Response – We do not agree that these expenditures were unusual, inappropriate or worthy of further discussion.

Conclusion – Response acknowledged. Article III, Section 31 of the Constitution of the State of Iowa provides that public funds may only be spent for the public benefit. The Council should determine and document the public purpose served by these disbursements before authorizing any further payments.

- (4) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (5) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Chad Deutsch, Police Reserve officer, owns Advanced Auto Service	Auto repair and maintenance	\$ 5,789
Michael Burke, Police Chief, owner of The Cell Shack	Pagers and pager repairs	150
Debra J. Burke, wife of Police Chief	EMT equipment recertification	150

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Police Chief and the Police Chief's wife do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

The transactions with the Police Reserve officer do not appear to represent a conflict of interest based on an opinion from legal counsel for the City of Evansdale.

- (6) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

City of Evansdale

Schedule of Findings

Year ended June 30, 2003

- (7) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not, except as follows:

Although claims were published, the purpose was not always properly published as required by Chapter 372.13(6) of the Code of Iowa and an Attorney General's opinion dated April 12, 1978.

Recommendation – The City should insure the purpose of all claims are properly published as required.

Response – We will seek legal advice on this issue and follow it.

Conclusion – Response acknowledged. The City should insure the purpose of all claims are properly published as required.

- (8) 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, except as follows:

At June 30, 2003 and throughout the fiscal year, the City had deposits in a credit union in excess of the amount federally insured. The credit union maintained securities assigned to the City through letters of credit. However, these letters were not maintained at a level of 110% of total deposits as required by Chapter 12C.16 of the Code of Iowa.

Recommendation – The City should comply with the statutory requirements pertaining to the deposit of public funds with a credit union.

Response – We will ask for an additional letter to cover anticipated interest.

Conclusion – Response accepted.

- (9) Revenue Bonds – The Enterprise Fund, Sewer Revenue Bond Sinking account had a deficit balance of \$14,057 at June 30, 2003. This appears to violate provisions of the revenue bond resolution which state that sufficient monthly transfers shall be made to a sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due. The Sewer Revenue Bond Sinking account is required to maintain a balance of \$20,500. In addition, the City is required to accumulate an amount equal to not less than the principal and interest maturing in the next succeeding 12 months.

Recommendation – City officials should review the sewer revenue bond resolution and comply with provisions of the resolution. The City should also periodically review the accounts to ensure the required transfers have been made and established rates will result in sufficient funds to meet future obligations. The City should make a corrective transfer to return the account to its required balance.

Response – This item is the result of a failure to make a timely transfer. The City maintains a reserve in excess of 10 times the amount at issue. We will not make this error again.

Conclusion – Response accepted.

City of Evansdale

Schedule of Findings

Year ended June 30, 2003

- (10) Financial Condition – The Special Revenue Fund, East Heights Tax Increment Financing District account, Capital Projects Fund, 1999 Note Projects account and Enterprise Fund, Sewer Revenue Bond Sinking account had deficit balances at June 30, 2003.

Recommendation – The City should continue to investigate alternatives to eliminate these deficit balances in order to return these accounts to a sound financial condition.

Response – We continue to make substantial and timely transfers into these accounts and are on schedule in our debt elimination program.

Conclusion – Response accepted.

- (11) Payment of General Obligation Notes – Certain general obligation notes and interest payments were made from the Enterprise Fund, Sewer Revenue Bond Sinking account. Chapter 384.4 of the Code of Iowa states in part that “Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the Debt Service Fund.”

Recommendation – The City should transfer from the Enterprise Fund, Sewer Revenue Bond Sinking account to the Debt Service Fund, for future funding contributions. Payments of the notes should then be disbursed from the Debt Service Fund.

Response – We will do this.

Conclusion – Response accepted.

City of Evansdale

Staff

This audit was performed by:

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