



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE April 1, 2005

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

The City has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$1,703,196 for the year ended June 30, 2004. The receipts included \$235,083 in property tax, \$248,098 from charges for service, \$114,186 from operating grants, contributions and restricted interest, \$330,080 from capital grants, contributions and restricted interest, \$99,913 from local option sales tax, \$657,600 from note and project warrant proceeds and \$18,236 from other general receipts.

Disbursements for the year totaled \$1,568,693, and included \$551,501 for capital projects, \$371,201 for debt service and \$202,881 for public works. Also, disbursements for business type activities totaled \$259,646.

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 TREYNOR
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2004

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City of Treynor

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|------------------------------|-----------------|---------------------|
| (Before January 2004) | | |
| Charles Killion | Mayor | Jan 2004 |
| Jody Frain | Mayor Pro tem | Jan 2006 |
| Scott Vasicek | Council Member | Nov 2003 |
| Gerald Forristall | Council Member | Jan 2004 |
| Edward Calkins | Council Member | Jan 2004 |
| Bryce Poland | Council Member | Jan 2006 |
| (After January 2004) | | |
| Charles Killion | Mayor | Jan 2008 |
| Jody Frain | Mayor Pro tem | Jan 2006 |
| Bryce Poland | Council Member | Jan 2006 |
| Brian Kalstrup | Council Member | Jan 2006 |
| Allen Hadfield | Council Member | Jan 2008 |
| Michael Nielsen | Council Member | Jan 2008 |
| Julie Sealock | Clerk/Treasurer | Indefinite |
| Joe Thornton | Attorney | Indefinite |

City of Treynor



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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 of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Treynor, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Treynor's management. Our responsibility is to express opinions 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 our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2003.

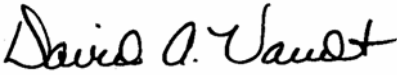
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2003, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Treynor as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.


As described in Note 9, during the year ended June 30, 2004, the City adopted 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; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated February 23, 2005 on our consideration of the City of Treynor's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 26 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Treynor's basic financial statements. Other supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 23, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Treynor provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, and since the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

2004 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities increased by approximately \$136,000, due primarily to the receipt of grants and note and project warrant proceeds for prior year construction disbursements for the community building project in the Capital Projects Fund.
- The cash basis net assets of the City's business type activities decreased insignificantly by approximately \$1,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements, and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information that helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system and garbage operations. These activities are financed primarily by user fees and related charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

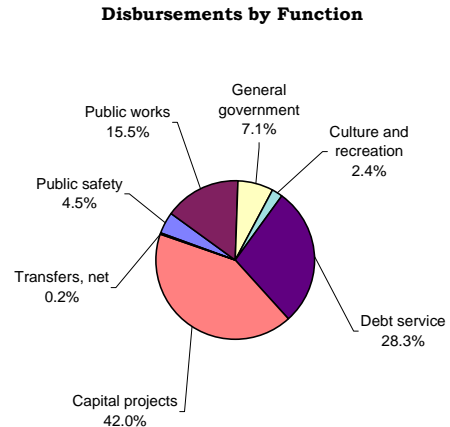
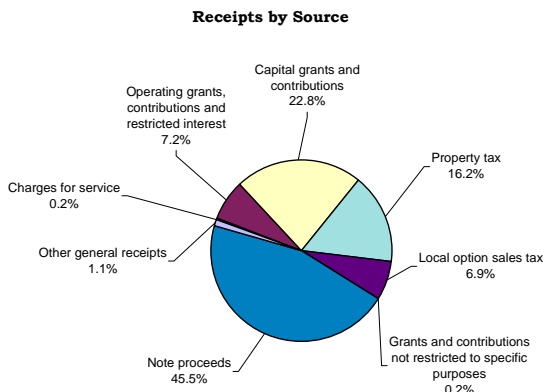
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and garbage operations. Water and sewer are considered to be major funds of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing from \$257,693 to \$393,478. The analysis that follows focuses on the changes in cash balances for governmental activities.

| Changes in Cash Basis Net Assets of Governmental Activities | |
|--|--------------------------------|
| | Year ended June 30, 2004 |
| Receipts: | |
| Program receipts: | |
| Charges for service | \$ 3,029 |
| Operating grants, contributions and restricted interest | 104,091 |
| Capital grants, contributions and restricted interest | 330,080 |
| General receipts: | |
| Property tax | 235,083 |
| Local option sales tax | 99,913 |
| Grants and contributions not restricted to specific purposes | 2,917 |
| Note and project warrant proceeds | 657,600 |
| Other general receipts | 15,319 |
| Total receipts | 1,448,032 |
| Disbursements and transfers: | |
| Public safety | 58,821 |
| Public works | 202,881 |
| Culture and recreation | 31,293 |
| General government | 93,350 |
| Debt service | 371,201 |
| Capital projects | 551,501 |
| Transfers, net | 3,200 |
| Total disbursements and transfers | 1,312,247 |
| Increase in cash basis net assets | 135,785 |
| Cash basis net assets beginning of year | 257,693 |
| Cash basis net assets end of year | \$ 393,478 |



The cash basis net assets increased by approximately \$136,000, due primarily to the receipt of grants and note and project warrant proceeds for prior year construction disbursements for the community building project in the Capital Projects Fund.

| Changes in Cash Basis Net Assets of Business Type Activities | |
|--|--------------------------------|
| | Year ended June 30, 2004 |
| Receipts and transfers: | |
| Program receipts: | |
| Charges for service: | |
| Water | \$ 124,314 |
| Sewer | 77,356 |
| Garbage | 43,399 |
| Operating grants, contributions and restricted interest | 10,095 |
| Transfers | 3,200 |
| Total receipts and transfers | <u>258,364</u> |
| Disbursements: | |
| Water | 135,321 |
| Sewer | 81,798 |
| Garbage | 42,527 |
| Total disbursements | <u>259,646</u> |
| Decrease in cash basis net assets | (1,282) |
| Cash basis net assets beginning of year | <u>389,733</u> |
| Cash basis net assets end of year | <u><u>\$ 388,451</u></u> |

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Treynor completed the year, its governmental funds reported a combined fund balance of \$393,478, an increase of approximately \$136,000 over the June 30, 2003 balance of \$257,693. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$7,290 from the prior year, to a year-end balance of \$154,971, which was not considered a significant change.
- The Road Use Tax Fund cash balance increased by \$10,528 to \$132,460 during the fiscal year, which was not considered a significant change.
- The Local Option Sales Tax Fund cash balance decreased \$6,035 to \$99,548, which was not considered a significant change.
- The Capital Projects Fund cash balance increased by \$132,279 to a balance of \$15,169 on June 30, 2004. This increase was due to the receipt of grant funding and proceeds from the sale of general obligation and revenue notes and project warrants to cover construction costs for the community building project and the water line extension project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$2,320 to \$260,504, which was not considered a significant change.
- The Sewer Fund cash balance increased insignificantly by \$166 to \$120,155.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on December 1, 2003 and resulted in an increase in operating disbursements related primarily to capital projects of approximately \$940,000 for the community building and the water line extension projects. The City received grants and reimbursements from the Iowa Department of Natural Resources, Vision Iowa Board, Iowa West Foundation and from the sale of notes to pay for these additional costs.

DEBT ADMINISTRATION

At June 30, 2004, the City had \$645,643 in notes and other long-term debt, compared to \$347,580 last year. The chart below segregates the City's debt into its component parts.

| Outstanding Debt at Year-End | |
|------------------------------|-------------------|
| | June 30, 2004 |
| General obligation notes | \$ 481,000 |
| Revenue notes | 145,000 |
| Real estate contract | 19,643 |
| Total | <u>\$ 645,643</u> |

Debt increased as a result of issuing general obligation notes for the community building and project revenue notes for the water line project.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is \$500,643, well below its constitutional debt limit of approximately \$1,233,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Treynor's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates and fees that will be charged for various City activities. The City's fiscal year 2005 assessed value decreased \$898,696 from the fiscal year 2004 level.

The proposed fiscal year 2005 budget includes total receipts of \$698,279 and disbursements of \$765,478. The fiscal year 2005 budget is considerably lower than the fiscal year 2004 receipts of \$1,045,596 and disbursements of \$1,568,693, which included \$855,000 for capital projects and refunded project warrants not included in the fiscal year 2005 budget.

The proposed FY2005 levy is \$10.19826 per \$1,000 of assessed property valuation, an increase from the FY2004 levy of \$9.45065 per \$1,000 of assessed property valuation. The increase was due to an increase in the debt service levy from \$1.35065 to \$2.09830 per \$1,000 of assessed property valuation.

These parameters were taken into account when adopting the budget for FY2005.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Julie Sealock, City Clerk, 7 South Eyberg Avenue, Treynor, IA 51575.

Basic Financial Statements

City of Treynor

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2004

| | Disbursements | Program Receipts | | |
|---|---------------|---------------------|---|---|
| | | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| Functions / Programs: | | | | |
| Governmental activities: | | | | |
| Public safety | \$ 58,821 | 967 | 1,945 | - |
| Public works | 202,881 | - | 79,123 | - |
| Culture and recreation | 31,293 | 315 | 23,023 | - |
| General government | 93,350 | 1,747 | - | - |
| Debt service | 371,201 | - | - | - |
| Capital projects | 551,501 | - | - | 330,080 |
| Total governmental activities | 1,309,047 | 3,029 | 104,091 | 330,080 |
| Business type activities: | | | | |
| Water | 135,321 | 124,314 | 8,687 | - |
| Sewer | 81,798 | 77,356 | 1,408 | - |
| Garbage | 42,527 | 43,399 | - | - |
| Total business type activities | 259,646 | 245,069 | 10,095 | - |
| Total | \$ 1,568,693 | 248,098 | 114,186 | 330,080 |
| General Receipts: | | | | |
| Property tax levied for: | | | | |
| General purposes | | | | |
| Debt service | | | | |
| Local option sales tax | | | | |
| Grants and contributions not restricted to specific purpose | | | | |
| Note and project warrant proceeds | | | | |
| Miscellaneous | | | | |
| Transfers | | | | |
| Total general receipts and transfers | | | | |
| Change in cash basis net assets | | | | |
| Cash basis net assets beginning of year | | | | |
| Cash basis net assets end of year | | | | |
| Cash Basis Net Assets | | | | |
| Restricted: | | | | |
| Streets | | | | |
| Debt service | | | | |
| Unrestricted | | | | |
| Total cash basis net assets | | | | |

See notes to financial statements.

| Net (Disbursements) Receipts and Changes in Cash Basis Net Assets | | |
|--|-----------------------------|-----------|
| Governmental Activities | Business Type Activities | Total |
| (55,909) | - | (55,909) |
| (123,758) | - | (123,758) |
| (7,955) | - | (7,955) |
| (91,603) | - | (91,603) |
| (371,201) | - | (371,201) |
| (221,421) | - | (221,421) |
| (871,847) | - | (871,847) |
| - | (2,320) | (2,320) |
| - | (3,034) | (3,034) |
| - | 872 | 872 |
| - | (4,482) | (4,482) |
| (871,847) | (4,482) | (876,329) |
| 201,559 | - | 201,559 |
| 33,524 | - | 33,524 |
| 99,913 | - | 99,913 |
| 2,917 | - | 2,917 |
| 657,600 | - | 657,600 |
| 15,319 | - | 15,319 |
| (3,200) | 3,200 | - |
| 1,007,632 | 3,200 | 1,010,832 |
| 135,785 | (1,282) | 134,503 |
| 257,693 | 389,733 | 647,426 |
| \$ 393,478 | 388,451 | 781,929 |
| \$ 132,460 | - | 132,460 |
| - | 14,772 | 14,772 |
| 261,018 | 373,679 | 634,697 |
| \$ 393,478 | 388,451 | 781,929 |

City of Treynor

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2004

| | General | Special Revenue | |
|--|------------|-----------------|---------------------------|
| | | Road Use Tax | Local Option Sales Tax |
| Receipts: | | | |
| Property tax | \$ 194,569 | - | - |
| Other city tax | 26,972 | - | 79,931 |
| Licenses and permits | 2,714 | - | - |
| Use of money and property | 15,638 | - | - |
| Intergovernmental | 2,917 | 79,123 | - |
| Charges for service | 315 | - | - |
| Miscellaneous | 23,649 | - | 1,000 |
| Total receipts | 266,774 | 79,123 | 80,931 |
| Disbursements: | | | |
| Operating: | | | |
| Public safety | 58,821 | - | - |
| Public works | 72,820 | 68,595 | 61,466 |
| Culture and recreation | 31,293 | - | - |
| General government | 93,350 | - | - |
| Debt service | - | - | - |
| Capital projects | - | - | - |
| Total disbursements | 256,284 | 68,595 | 61,466 |
| Excess (deficiency) of receipts over (under) disbursements | 10,490 | 10,528 | 19,465 |
| Other financing sources (uses): | | | |
| General obligation note proceeds | - | - | - |
| Revenue note proceeds | - | - | - |
| Project warrant proceeds | - | - | - |
| Project warrants refunded | - | - | - |
| Operating transfers in | - | - | - |
| Operating transfers out | (3,200) | - | (25,500) |
| Total other financing sources (uses) | (3,200) | - | (25,500) |
| Net change in cash balances | 7,290 | 10,528 | (6,035) |
| Cash balances beginning of year | 147,681 | 121,932 | 105,583 |
| Cash balances end of year | \$ 154,971 | 132,460 | 99,548 |
| Cash Basis Fund Balances | | | |
| Unreserved: | | | |
| Designated for park improvement | \$ 34,983 | - | - |
| Unreserved, undesignated, reported in: | | | |
| General fund | 119,988 | - | - |
| Special revenue funds | - | 132,460 | 99,548 |
| Capital projects fund | - | - | - |
| Debt service fund | - | - | - |
| Total cash basis fund balances | \$ 154,971 | 132,460 | 99,548 |

See notes to financial statements.

| Capital Projects | Nonmajor Debt Service | Total |
|---------------------|-----------------------------|-----------|
| - | 32,500 | 227,069 |
| - | 1,024 | 107,927 |
| - | - | 2,714 |
| - | - | 15,638 |
| 313,730 | - | 395,770 |
| - | - | 315 |
| 16,350 | - | 40,999 |
| 330,080 | 33,524 | 790,432 |
| - | - | 58,821 |
| - | - | 202,881 |
| - | - | 31,293 |
| - | - | 93,350 |
| - | 67,301 | 67,301 |
| 551,501 | - | 551,501 |
| 551,501 | 67,301 | 1,005,147 |
| (221,421) | (33,777) | (214,715) |
| 348,000 | - | 348,000 |
| 150,000 | - | 150,000 |
| 159,600 | - | 159,600 |
| (303,900) | - | (303,900) |
| - | 25,500 | 25,500 |
| - | - | (28,700) |
| 353,700 | 25,500 | 350,500 |
| 132,279 | (8,277) | 135,785 |
| (117,110) | (393) | 257,693 |
| 15,169 | (8,670) | 393,478 |
| - | - | 34,983 |
| - | - | 119,988 |
| - | - | 232,008 |
| 15,169 | - | 15,169 |
| - | (8,670) | (8,670) |
| 15,169 | (8,670) | 393,478 |

City of Treynor

City of Treynor

Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Proprietary Fund

As of and for the year ended June 30, 2004

| | Enterprise Funds | | | |
|---|------------------|---------|---------------------|---------|
| | Water | Sewer | Nonmajor Garbage | Total |
| Operating receipts: | | | | |
| Charges for service | \$ 124,314 | 77,356 | 43,399 | 245,069 |
| Miscellaneous | 2,831 | 320 | - | 3,151 |
| Total operating receipts | 127,145 | 77,676 | 43,399 | 248,220 |
| Operating disbursements: | | | | |
| Business type activities | 129,018 | 81,798 | 42,527 | 253,343 |
| Excess (deficiency) of operating receipts over (under) operating disbursements | (1,873) | (4,122) | 872 | (5,123) |
| Non-operating receipts (disbursements): | | | | |
| Interest on investments | 5,453 | 1,088 | - | 6,541 |
| Tower rent | 403 | - | - | 403 |
| Debt service | (6,303) | - | - | (6,303) |
| Total non-operating receipts (disbursements) | (447) | 1,088 | - | 641 |
| Excess (deficiency) of receipts over (under) disbursements | (2,320) | (3,034) | 872 | (4,482) |
| Operating transfers in | - | 3,200 | - | 3,200 |
| Net change in cash balances | (2,320) | 166 | 872 | (1,282) |
| Cash balances beginning of year | 262,824 | 119,989 | 6,920 | 389,733 |
| Cash balances end of year | \$ 260,504 | 120,155 | 7,792 | 388,451 |
| Cash Basis Fund Balances | | | | |
| Reserved for debt service | \$ 14,772 | - | - | 14,772 |
| Unreserved | 245,732 | 120,155 | 7,792 | 373,679 |
| Total cash basis fund balances | \$ 260,504 | 120,155 | 7,792 | 388,451 |

See notes to financial statements.

City of Treynor

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

The City of Treynor is a political subdivision of the State of Iowa located in Pottawattamie County. It was first incorporated in 1906 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer and garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Treynor 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. The City has no component units which meet the Governmental Accounting Standards Board criteria.

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: Pottawattamie County Assessor's Conference Board, Pottawattamie County Emergency Management Commission and the Pottawattamie County Joint E911 Service Board.

Treynor Fire Agency

The City participates in the Treynor Fire Agency. The Agency is made up of the City of Treynor and Silver Creek, Keg Creek, Hardin, Washington and Garner townships. The Agency was developed as the result of an agreement established pursuant to Chapter 28E of the Code of Iowa between the City and the townships. Upon dissolution, the remaining assets shall be distributed to the participating agencies.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

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

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 financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

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

C. Measurement Focus and Basis of Accounting

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted.

(2) Cash

The City's deposits in banks at June 30, 2004 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.

(3) Notes Payable and Real Estate Contract

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

| Year Ending June 30, | General Obligation Notes | | Revenue Notes | | Total | |
|----------------------------|-----------------------------|-----------|------------------|----------|-----------|----------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| | 2005 | \$ 43,000 | 22,900 | 6,000 | 4,350 | 49,000 |
| 2006 | 77,125 | 19,359 | 6,000 | 4,170 | 83,125 | 23,529 |
| 2007 | 77,125 | 15,033 | 6,000 | 3,990 | 83,125 | 19,023 |
| 2008 | 52,125 | 10,897 | 6,000 | 3,810 | 58,125 | 14,707 |
| 2009 | 37,125 | 8,742 | 6,000 | 3,630 | 43,125 | 12,372 |
| 2010 - 2014 | 154,500 | 20,008 | 36,000 | 15,150 | 190,500 | 35,158 |
| 2015-2019 | 20,000 | 4,800 | 41,000 | 9,450 | 61,000 | 14,250 |
| 2020-2023 | 20,000 | 1,500 | 38,000 | 2,910 | 58,000 | 4,410 |
| Total | \$ 481,000 | 103,239 | 145,000 | 47,460 | 626,000 | 150,699 |

The resolution providing for the issuance of the revenue notes includes the following provisions.

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

Real Estate Contract

The City entered into a contract on July 2, 2001 to purchase real estate for \$38,000, less the deposit of \$7,500. The contract requires annual installments of \$7,660, including interest at 8% per annum, each July 15 for five years beginning on July 15, 2002. The unpaid balance at June 30, 2004 was \$19,643.

(4) 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 covered salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2004 was \$5,850, equal to the required contributions for the year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation leave payable to employees at June 30, 2004, primarily relating to the General Fund, totaled \$8,800. This liability has been computed based on rates of pay in effect at June 30, 2004.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

| Transfer to | Transfer from | Amount |
|----------------------|--|------------------|
| Debt Service | Special Revenue: Local Option Sales Tax | \$ 25,500 |
| Enterprise: Sewer | General | 3,200 |
| Total | | <u>\$ 28,700</u> |

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

(7) Risk Management

The City 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 deductibles 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.

(8) Deficit Balance

The Debt Service Fund had a deficit balance of \$8,670 at June 30, 2004. The tax askings for the Debt Service Fund will be increased to cover the deficit.

(9) Accounting Change

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; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Implementation of these standards had no effect on the beginning balance of the City.

Required Supplementary Information

City of Treynor
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2004

| | Governmental Funds Actual | Proprietary Funds Actual |
|---|---------------------------------|--------------------------------|
| Receipts: | | |
| Property tax | \$ 227,069 | - |
| Other city tax | 107,927 | - |
| Licenses and permits | 2,714 | - |
| Use of money and property | 15,638 | 6,944 |
| Intergovernmental | 395,770 | - |
| Charges for service | 315 | 245,069 |
| Miscellaneous | 40,999 | 3,151 |
| Total receipts | <u>790,432</u> | <u>255,164</u> |
| Disbursements: | | |
| Public safety | 58,821 | - |
| Public works | 202,881 | - |
| Culture and recreation | 31,293 | - |
| General government | 93,350 | - |
| Debt service | 67,301 | - |
| Capital projects | 855,401 | - |
| Business type activities | - | 259,646 |
| Total disbursements | <u>1,309,047</u> | <u>259,646</u> |
| Excess (deficiency) of receipts over (under) disbursements | (518,615) | (4,482) |
| Other financing sources, net | <u>654,400</u> | <u>3,200</u> |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | 135,785 | (1,282) |
| Balances beginning of year | <u>257,693</u> | <u>389,733</u> |
| Balances end of year | <u>\$ 393,478</u> | <u>388,451</u> |

See accompanying independent auditor's report.

| Total | Budgeted Amounts | | Final to Total Variance |
|-----------|------------------|-------------|-------------------------------|
| | Original | Final | |
| 227,069 | 225,916 | 225,916 | 1,153 |
| 107,927 | 92,279 | 92,279 | 15,648 |
| 2,714 | 1,890 | 1,890 | 824 |
| 22,582 | 7,000 | 7,000 | 15,582 |
| 395,770 | 83,400 | 386,731 | 9,039 |
| 245,384 | 255,565 | 264,095 | (18,711) |
| 44,150 | 11,342 | 13,226 | 30,924 |
| 1,045,596 | 677,392 | 991,137 | 54,459 |
| 58,821 | 59,986 | 59,986 | 1,165 |
| 202,881 | 194,291 | 256,514 | 53,633 |
| 31,293 | 15,619 | 44,594 | 13,301 |
| 93,350 | 88,895 | 104,894 | 11,544 |
| 67,301 | 58,817 | 68,892 | 1,591 |
| 855,401 | 400,000 | 1,153,138 | 297,737 |
| 259,646 | 243,354 | 313,057 | 53,411 |
| 1,568,693 | 1,060,962 | 2,001,075 | 432,382 |
| (523,097) | (383,570) | (1,009,938) | 486,841 |
| 657,600 | 400,000 | 955,700 | (298,100) |
| 134,503 | 16,430 | (54,238) | 188,741 |
| 647,426 | 602,219 | 647,426 | - |
| 781,929 | 618,649 | 593,188 | 188,741 |

City of Treynor

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$940,113. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted.

Other Supplementary Information

City of Treynor
Schedule of Indebtedness
Year ended June 30, 2004

| Obligation | Date of Issue | Interest Rates | Amount Originally Issued |
|---------------------------|------------------|-------------------|--------------------------------|
| General obligation notes: | | | |
| Water improvement | Jun 6, 1997 | 6.75% | \$ 375,000 |
| Water improvement | May 20, 2003 | 3.00 | 78,000 |
| Community building | Jun 1, 2004 | 4.50 | 273,000 |
| Total | | | |
| Revenue notes: | | | |
| Drinking water | May 15, 2003 | 3.00% | \$ 150,000 |
| Real estate contract: | | | |
| Treynor Hardware building | Jul 2, 2001 | 8.00% | \$ 30,500 |
| Project warrants: | | | |
| Community building | Oct 23, 2002 | 4.25% | \$ 303,900 |

See accompanying independent auditor's report.

| Balance Beginning of Year | Issued During Year | Redeemed During Year | Balance End of Year | Interest Paid |
|---------------------------------|--------------------------|----------------------------|---------------------------|------------------|
| 175,000 | - | 40,000 | 135,000 | 11,156 |
| 3,000 | 75,000 | 5,000 | 73,000 | 3,099 |
| - | 273,000 | - | 273,000 | - |
| \$ 178,000 | 348,000 | 45,000 | 481,000 | 14,255 |
| | - 150,000 | 5,000 | 145,000 | 928 |
| 25,280 | - | 5,637 | 19,643 | 2,023 |
| 144,300 | 159,600 | 303,900 | - | 9,874 |

City of Treynor

Note Maturities

June 30, 2004

| Year Ending June 30, | General Obligation Notes | | | | | | Total |
|----------------------------|--------------------------|-------------------|---------------------|------------------|-----------------------|-------------------|----------------|
| | Water Improvement | | Water Improvement | | Community Building | | |
| | Issued Jun 6, 1997 | | Issued May 20, 2003 | | Issued Jun 1, 2004 | | |
| | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount | |
| 2005 | 6.75% | \$ 40,000 | 3.00% | \$ 3,000 | | \$ - | 43,000 |
| 2006 | 6.75 | 40,000 | 3.00 | 3,000 | 4.50% | 34,125 | 77,125 |
| 2007 | 6.75 | 40,000 | 3.00 | 3,000 | 4.50 | 34,125 | 77,125 |
| 2008 | 6.75 | 15,000 | 3.00 | 3,000 | 4.50 | 34,125 | 52,125 |
| 2009 | | - | 3.00 | 3,000 | 4.50 | 34,125 | 37,125 |
| 2010 | | - | 3.00 | 3,000 | 4.50 | 34,125 | 37,125 |
| 2011 | | - | 3.00 | 3,000 | 4.50 | 34,125 | 37,125 |
| 2012 | | - | 3.00 | 4,000 | 4.50 | 34,125 | 38,125 |
| 2013 | | - | 3.00 | 4,000 | 4.50 | 34,125 | 38,125 |
| 2014 | | - | 3.00 | 4,000 | | - | 4,000 |
| 2015 | | - | 3.00 | 4,000 | | - | 4,000 |
| 2016 | | - | 3.00 | 4,000 | | - | 4,000 |
| 2017 | | - | 3.00 | 4,000 | | - | 4,000 |
| 2018 | | - | 3.00 | 4,000 | | - | 4,000 |
| 2019 | | - | 3.00 | 4,000 | | - | 4,000 |
| 2020 | | - | 3.00 | 5,000 | | - | 5,000 |
| 2021 | | - | 3.00 | 5,000 | | - | 5,000 |
| 2022 | | - | 3.00 | 5,000 | | - | 5,000 |
| 2023 | | - | 3.00 | 5,000 | | - | 5,000 |
| Total | | <u>\$ 135,000</u> | | <u>\$ 73,000</u> | | <u>\$ 273,000</u> | <u>481,000</u> |

See accompanying independent auditor's report.

| Revenue Notes | |
|---------------------|-------------------|
| Drinking Water | |
| Issued May 15, 2003 | |
| Interest | |
| Rates | Amount |
| 3.00% \$ | 6,000 |
| 3.00 | 6,000 |
| 3.00 | 6,000 |
| 3.00 | 6,000 |
| 3.00 | 6,000 |
| 3.00 | 7,000 |
| 3.00 | 7,000 |
| 3.00 | 7,000 |
| 3.00 | 7,000 |
| 3.00 | 8,000 |
| 3.00 | 8,000 |
| 3.00 | 8,000 |
| 3.00 | 8,000 |
| 3.00 | 8,000 |
| 3.00 | 9,000 |
| 3.00 | 9,000 |
| 3.00 | 9,000 |
| 3.00 | 10,000 |
| 3.00 | 10,000 |
| | <u>\$ 145,000</u> |

City of Treynor



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 financial statements of the City of Treynor, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated February 23, 2005. 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 Treynor'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, 2004 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 audit statutory comments have been resolved.

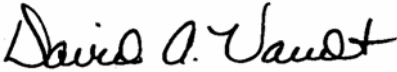
Internal Control Over Financial Reporting


In planning and performing our audit, we considered the City of Treynor'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 Treynor'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 item (A) is a material weakness. Prior audit reportable conditions have been resolved except for item (A).

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 Treynor and other parties to whom the City of Treynor 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 Treynor 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

February 23, 2005

City of Treynor
Schedule of Findings
Year ended June 30, 2004

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – One important element in designing internal control that safeguards assets and reasonably ensures the reliability of the accounting records is the concept of segregation of duties. When duties are properly segregated, the activities of one employee act as a check of those of another. One person has control over each of the following areas:

- (1) Cash – handling cash, reconciling and depositing.
- (2) Receipts – receiving, recording and custody.
- (3) Payroll – preparation and recording.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel. Evidence of review of reconciliations should be indicated by initials of the independent reviewer.

Response – We will review this and make changes to include documented reviews.

Conclusion – Response accepted.

- (B) Credit Cards – The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – We have a check out list when an employee receives a card. We will adopt a written policy for credit card use.

Conclusion – Response accepted.

City of Treynor

Schedule of Findings

Year ended June 30, 2004

- (C) Electronic Data Processing Systems – During our review of internal control, the existing control activities in the City’s computer-based systems were evaluated in order to determine 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:

- Requiring password changes every 60 to 90 days or to maintain password privacy and confidentiality.
- Requiring computers to have log off function when not in use.
- An internet policy.
- A disaster recovery plan.

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s control over computer-based systems.

Response – We will establish policies for all of these recommendations.

Conclusion – Response accepted.

City of Treynor

Schedule of Findings

Year ended June 30, 2004

Findings Related to Required Statutory Reporting:

- (1) Official Depositories – 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, 2004.
- (2) Certified Budget – Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted.
- (3) Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (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:

| <u>Name, Title, and Business Connection</u> | <u>Transaction Description</u> | <u>Amount</u> |
|---|------------------------------------|---------------|
| Charles Killion, Mayor, employee of Automated Business Forms | Office supplies | \$ 1,415 |

In accordance with Chapter 362.5(11) of the Code of Iowa, these transactions do not appear to represent a conflict of interest since the total transactions were less than \$2,500 during the fiscal year.

- (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.
- (7) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (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.
- (9) Financial Condition – At June 30, 2004, the City had a deficit balance of \$8,670 in the Debt Service Fund.

Recommendation – The City should evaluate the reason for this deficit and investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – We did not anticipate the debt coming due on the general obligation water notes in fiscal year 2004. The tax asking for the Debt Service Fund will be increased to cover the deficit.

Conclusion – Response accepted.

City of Treynor

Schedule of Findings

Year ended June 30, 2004

- (10) Water Revenue Note – The City has established the water revenue note sinking account as required by the revenue note resolution. Although the City transferred from the operating account to the sinking account during the year, monthly transfers were not made as required by the water revenue note resolution. Also, the water revenue debt payments are required to be made from the sinking account.

Recommendation – As required by the water revenue note resolution, the City should make monthly transfers to the sinking account and pay the debt from the sinking account.

Response – We will make the monthly transfers and pay the debt from the sinking account as required.

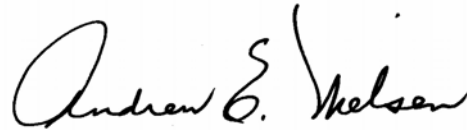
Conclusion – Response accepted.

City of Treynor

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Paul F. Kearney, CGFM, Senior Auditor
Stephanie A. Bernard, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and 'N'.

Andrew E. Nielsen, CPA
Deputy Auditor of State