



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

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**NEWS RELEASE**

FOR RELEASE

October 6, 2006

Contact: Andy Nielsen  
515/281-5834

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

The City's receipts totaled \$3,244,470 for the year ended June 30, 2006, a 38 percent increase over 2005. The receipts included \$803,124 in property tax, \$290,532 from tax increment financing, \$1,180,760 from charges for service, \$219,713 from operating grants, contributions and restricted interest, \$387,132 from capital grants, contributions and restricted interest, \$13,209 from unrestricted interest on investments and \$350,000 from note proceeds.

Disbursements for the year totaled \$3,071,940, a 24 percent increase over the prior year, and included \$514,448 for capital projects, \$452,157 for public safety and \$417,440 for public works. Also, disbursements for business type activities totaled \$773,770.

A copy of the report is available for review in the City Administrator's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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**CITY OF BONDURANT**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
  
**JUNE 30, 2006**

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**City of Bondurant**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2006)</b>		
Allen Ihde	Mayor	Jan 2006
Michele Bailey	Council Member	Jan 2006
Jim Valentine	Council Member	Jan 2006
Bruce Cordes	Council Member	Jan 2008
Jeffrey Kromrie	Council Member	Jan 2008
Gregory Schiermeisler	Council Member	Resigned Nov 2005
Mike Adams (Appointed Dec 2005)	Council Member	Nov 2007
<b>(After January 2006)</b>		
Marla McCoid	Mayor	Jan 2010
Mike Adams, Sr. (Appointed Dec 2005)	Council Member	Nov 2007
Bruce Cordes	Council Member	Jan 2008
Jeffrey Kromrie	Council Member	Jan 2008
Michele Bailey	Council Member	Jan 2010
Keith Ryan	Council Member	Jan 2010
Mark J. Arentsen	City Administrator	Indefinite
Steven P. Brick	Attorney	Indefinite

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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Bondurant, Iowa, as of and for the year ended June 30, 2006, 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 Bondurant'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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Bondurant as of June 30, 2006, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 18, 2006 on our consideration of the City of Bondurant's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 30 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bondurant's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The financial statements for the three years ended June 30, 2004 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 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

August 18, 2006

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Bondurant 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, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2006 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 47%, from \$1,591,789 in 2005 to \$2,339,863 in 2006, due to increases in capital grants, contributions and restricted interest, other general receipts and note proceeds. Property and other City tax receipts increased \$41,953 to \$803,124.
- Governmental activities disbursements increased 23%, from \$1,866,208 in 2005 to \$2,298,170 in 2006. Public safety, general government and capital projects disbursements increased significantly. There was a significant decrease in public works disbursements.
- The City's total cash basis net assets increased \$172,530, from \$964,202 at June 30, 2005 to \$1,136,732 at June 30, 2006. The assets of the governmental activities increased from \$146,023 at June 30, 2005 to \$187,716 at June 30, 2006 and the assets of the business type activities increased from \$818,179 at June 30, 2005 to \$949,016 at June 30, 2006.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's long-term debt.

## **Basis of Accounting**

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

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

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

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

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

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

### *Fund Financial Statements*

The City has three 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 Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent 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 funds.

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

3) The Fiduciary Fund accounts for resources held for others. The Fiduciary Fund consists of an Agency, Sidewalk Escrow Fund.

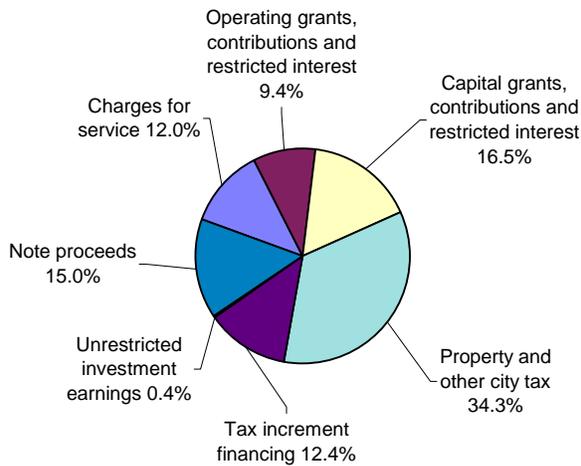
The required financial statement for the Fiduciary Fund is a statement of changes in fiduciary assets and liabilities.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

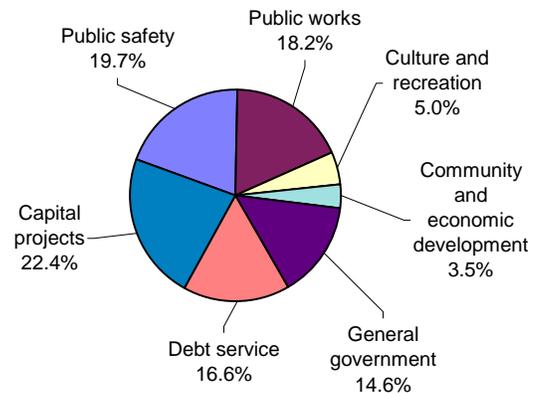
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities as of June 30, 2006 is \$187,716.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year Ended June 30,	
	2006	2005
<b>Receipts:</b>		
Program receipts:		
Charges for service	\$ 280,939	226,972
Operating grants, contributions and restricted interest	219,713	237,674
Capital grants, contributions and restricted interest	387,132	54,545
General receipts:		
Property and other city tax	803,124	761,171
Tax increment financing	290,532	302,471
Unrestricted investment earnings	8,423	8,668
Note proceeds	350,000	-
Other general receipts	-	288
Total receipts	<u>2,339,863</u>	<u>1,591,789</u>
<b>Disbursements:</b>		
Public safety	452,157	306,838
Public works	417,440	808,986
Health and social services	-	2,573
Culture and recreation	114,763	101,946
Community and economic development	81,525	25,216
General government	335,955	234,923
Debt service	381,882	369,952
Capital projects	514,448	15,774
Total disbursements	<u>2,298,170</u>	<u>1,866,208</u>
Increase in cash basis net assets	41,693	(274,419)
Cash basis net assets beginning of year	146,023	420,442
Cash basis net assets end of year	<u>\$ 187,716</u>	<u>146,023</u>

**Receipts by Source**



**Disbursements by Function**



The City's total receipts for governmental activities increased 47%, or \$748,074, from \$1,591,789 in 2005 to \$2,339,863 in 2006. Disbursements increased 23%, or \$431,962, from \$1,866,208 in 2005 to \$2,298,170 in 2006.

The City decreased its property tax rate .4% for 2006 to \$14.38937 per \$1,000 of taxable valuation from \$14.44808 per \$1,000 of taxable valuation in 2005. The residential rollback rate, used to calculate property tax rates, decreased 1.9682% from 47.9642% in 2005 to 45.9960% in 2006. The increases in property valuation, reduction in residential roll back and the receipt of an emergency tax levy more than offset the reduction in the property tax rate resulting in an overall increase in property tax.

The cost of all governmental activities this year was nearly \$2.3 million. However, as shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was only \$1.4 million because some of the cost was paid by those directly benefited from the programs, \$280,939, or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest in the amount of \$606,845. Overall, the City's governmental activities receipts, including intergovernmental aid, interest and fees for service, were \$887,784. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$1.09 million in tax (some of which could only be used for certain programs) and with other receipts, such as interest, general receipts and note proceeds.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year Ended June 30,	
	2006	2005
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 508,099	413,123
Sewer	272,551	236,355
Garbage	119,171	102,592
General receipts:		
Unrestricted interest on investments	4,786	2,646
Total receipts	<u>904,607</u>	<u>754,716</u>
Disbursements:		
Water	451,585	345,082
Sewer	210,627	158,980
Garbage	111,558	102,939
Total disbursements	<u>773,770</u>	<u>607,001</u>
Increase in cash basis net assets	130,837	147,715
Cash basis net assets beginning of year	<u>818,179</u>	<u>670,464</u>
Cash basis net assets end of year	<u>\$ 949,016</u>	<u>818,179</u>

Total business type activities receipts for the fiscal year were \$904,607. Business type activities disbursements for the fiscal year were \$773,770.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Bondurant completed the year, its governmental funds reported a combined fund balance of \$187,716, an increase of \$41,693 from last year’s total of \$146,023. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased from a balance of \$8,096 at the end of 2005 to a deficit balance of \$159,049 at the end of 2006. The reduction is due in part to an increase in disbursements for public safety for the purchase of a fire truck and public works for the purchase of a snow plow.
- The Road Use Tax Fund cash balance decreased from a deficit balance of \$78,591 at the end of 2005 to a deficit balance of \$171,203 at the end of 2006. This decrease was due to disbursements exceeding receipts by \$92,612. A significant portion of the disbursements includes payments to Polk County of \$82,618 for a paving project.
- The Urban Renewal Tax Increment Fund continued in a deficit position. The 2005 deficit ending balance of \$327,525 decreased by \$86,664 to a deficit balance of \$240,911.
- The Capital Projects Fund cash balance increased by \$212,684 to \$629,474, which was primarily due to the receipt of note proceeds of \$350,000 to be used for the library project.
- The Debt Service Fund cash balance increased from \$85,977 at the end of 2005 to \$151,073 at the end of 2006, due in part to the accumulation of funds received to pay future debt obligations.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance increased \$61,297 to \$508,622. Water fund charges for service increased \$83,000, or approximately 22%, due in part to an increase in utility rates. Operating disbursements increased \$99,000, or approximately 39%, due in part to the purchase of a new meter reading system.
- The Sewer Fund cash balance increased by \$61,927 to \$424,575. The increase in receipts is due, in part, to increases in rates and in consumption. Disbursements increased due, in part, to engineering costs for the Section 29 Wastewater project.

**BUDGET AMENDMENT**

Over the course of the year, the City amended its budget once which resulted in a decrease in disbursements of \$1,638,702. The amendment was approved on June 26, 2006.

**DEBT ADMINISTRATION**

The City’s total debt increased by \$959,000 from June 30, 2005 to June 30, 2006, as shown below:

	Outstanding Debt at Year-End	
	Year ended June 30,	
	2006	2005
General obligation notes and bonds	\$ 1,390,000	1,360,000
Revenue bonds	1,183,000	1,274,000
Water service agreement	1,020,000	-
Total	\$ 3,593,000	2,634,000

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 of \$2,410,000 is below its constitutional debt limit of \$5,045,011.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City of Bondurant's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates and fees charged for various City activities. Economic factors in the area remain steady, keeping our unemployment rate at one of the lowest in the state. Unemployment in Polk County now stands at 3.3% versus 4.2% a year ago. This compares with the State's unemployment rate of 3.6% and the national rate of 4.6%.

The housing market is strong in Bondurant. During calendar year 2005, 211 total building permits were issued, including 88 for single-family homes, 3 for town homes and 5 for commercial buildings. These permits resulted in adding over \$15 million in new valuation to the City in calendar year 2005.

These indicators were taken into account when adopting the budget for fiscal year 2007. Based on the adopted tax rate of \$14.38445 per \$1,000 of taxable valuation, the City expects to generate \$881,867 in property tax revenue for FY 2007. Total General Fund revenues at this time are anticipated to be approximately \$892,098. Revenues from all funds, including Enterprise Funds, are anticipated to be \$2.6 million. Expenses are anticipated to match revenues in all funds.

It is anticipated several of the City's funds will end FY 2007 in a deficit position. This is a significant concern to the City and a concerted effort is being made to reduce these deficits. Most FY 2007 TIF revenues are dedicated to reducing the fund balance deficit in the TIF fund. Regarding the Road Use Tax Fund deficit, the City is conducting a Special Census at this time, which should result in increased Road Use Tax collections for FY 2007. The City is also making the final payment of \$82,618 to Polk County in FY 2007 for a paving project completed in 2003. Elimination of this expense will help reduce the Road Use Tax Fund deficit beginning in FY 2008.

### **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 Mark J. Arentsen, City Administrator, 200 Second Street, P.O. Box 37, Bondurant, Iowa, 50035, call 515-967-2418 or e-mail [marentsen@cityofbondurant.com](mailto:marentsen@cityofbondurant.com). Mr. Arentsen did not develop the FY 2006 budget and was an employee of the City of Bondurant for only half the period covered in this audit. However, as the custodian of City records, he will assist you in answering any questions you may have.

## **Basic Financial Statements**

City of Bondurant

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2006

	Disbursements	Charges for Service	Program Receipts Operating Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 452,157	146,582	35,368
Public works	417,440	115,194	154,557
Culture and recreation	114,763	4,060	27,911
Community and economic development	81,525	-	508
General government	335,955	15,103	1,369
Debt service	381,882	-	-
Capital projects	514,448	-	-
Total governmental activities	2,298,170	280,939	219,713
Business type activities:			
Water	451,585	508,099	-
Sewer	210,627	272,551	-
Garbage	111,558	119,171	-
Total business type activities	773,770	899,821	-
Total	\$ 3,071,940	1,180,760	219,713

**General Receipts:**

Property tax levied for:  
    General purposes  
    Tax increment financing  
    Debt service  
Unrestricted interest on investments  
Note proceeds

Total general receipts

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:  
    Debt service  
    Capital projects  
    Other purposes  
Unrestricted

**Total cash basis net assets**

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
10,000	(260,207)	-	(260,207)
-	(147,689)	-	(147,689)
-	(82,792)	-	(82,792)
-	(81,017)	-	(81,017)
-	(319,483)	-	(319,483)
-	(381,882)	-	(381,882)
377,132	(137,316)	-	(137,316)
387,132	(1,410,386)	-	(1,410,386)
-	-	56,514	56,514
-	-	61,924	61,924
-	-	7,613	7,613
-	-	126,051	126,051
387,132	(1,410,386)	126,051	(1,284,335)
	522,961	-	522,961
	290,532	-	290,532
	280,163	-	280,163
	8,423	4,786	13,209
	350,000	-	350,000
	1,452,079	4,786	1,456,865
	41,693	130,837	172,530
	146,023	818,179	964,202
	\$ 187,716	949,016	1,136,732
	\$ 151,073	11,813	162,886
	629,474	-	629,474
	35,185	-	35,185
	(628,016)	937,203	309,187
	\$ 187,716	949,016	1,136,732

City of Bondurant

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

As of and for the year ended June 30, 2006

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 453,847	-	-
Tax increment financing	-	-	290,532
Other city tax	27,944	-	-
Licenses and permits	126,604	-	-
Use of money and property	8,423	-	-
Intergovernmental	62,594	154,557	-
Charges for service	137,027	-	-
Miscellaneous	19,564	-	-
Total receipts	<u>836,003</u>	<u>154,557</u>	<u>290,532</u>
Disbursements:			
Operating:			
Public safety	416,512	-	-
Public works	144,616	247,169	-
Culture and recreation	93,575	-	-
Community and economic development	38,588	-	37,053
General government	309,857	-	-
Debt service	-	-	166,815
Capital projects	-	-	-
Total disbursements	<u>1,003,148</u>	<u>247,169</u>	<u>203,868</u>
Excess (deficiency) of receipts over (under) disbursements	(167,145)	(92,612)	86,664
Other financing sources:			
Note proceeds	-	-	-
Net change in cash balances	(167,145)	(92,612)	86,664
Cash balances beginning of year	8,096	(78,591)	(327,575)
Cash balances end of year	<u>\$ (159,049)</u>	<u>(171,203)</u>	<u>(240,911)</u>
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	\$ -	-	-
Unreserved:			
General fund	(159,049)	-	-
Special revenue funds	-	(171,203)	(240,911)
Capital projects fund	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	<u>\$ (159,049)</u>	<u>(171,203)</u>	<u>(240,911)</u>

See notes to financial statements.

Capital Projects	Debt Service	Nonmajor	Total
-	280,163	41,170	775,180
-	-	-	290,532
-	-	-	27,944
-	-	-	126,604
-	-	86	8,509
377,132	-	-	594,283
-	-	-	137,027
-	-	10,220	29,784
<u>377,132</u>	<u>280,163</u>	<u>51,476</u>	<u>1,989,863</u>
-	-	35,645	452,157
-	-	25,655	417,440
-	-	21,188	114,763
-	-	5,884	81,525
-	-	26,098	335,955
-	215,067	-	381,882
514,448	-	-	514,448
<u>514,448</u>	<u>215,067</u>	<u>114,470</u>	<u>2,298,170</u>
(137,316)	65,096	(62,994)	(308,307)
<u>350,000</u>	-	-	<u>350,000</u>
212,684	65,096	(62,994)	41,693
416,790	85,977	41,326	146,023
<u>629,474</u>	<u>151,073</u>	<u>(21,668)</u>	<u>187,716</u>
-	151,073	-	151,073
-	-	-	(159,049)
-	-	(28,718)	(440,832)
629,474	-	-	629,474
-	-	7,050	7,050
<u>629,474</u>	<u>151,073</u>	<u>(21,668)</u>	<u>187,716</u>

**Exhibit C**

## City of Bondurant

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

As of and for the year ended June 30, 2006

	Enterprise Funds			Total
	Water	Sewer	Nonmajor - Garbage	
Operating receipts:				
Charges for service	\$ 464,266	272,551	119,171	855,988
Miscellaneous	43,833	-	-	43,833
Total operating receipts	508,099	272,551	119,171	899,821
Operating disbursements:				
Business type activities	352,142	169,159	111,558	632,859
Excess of operating receipts over operating disbursements	155,957	103,392	7,613	266,962
Non-operating receipts (disbursements):				
Interest on investments	4,783	3	-	4,786
Debt service	(99,443)	(41,468)	-	(140,911)
Total non-operating receipts (disbursements)	(94,660)	(41,465)	-	(136,125)
Excess of receipts over disbursements	61,297	61,927	7,613	130,837
Net change in cash balances	61,297	61,927	7,613	130,837
Cash balances beginning of year	447,325	362,648	8,206	818,179
Cash balances end of year	\$ 508,622	424,575	15,819	949,016
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	\$ 8,371	3,442	-	11,813
Unreserved	500,251	421,133	15,819	937,203
Total cash basis fund balances	\$ 508,622	424,575	15,819	949,016

See notes to financial statements.

City of Bondurant

Statement of Changes in Fiduciary Assets and Liabilities  
Agency Fund

As of and for the year ended June 30, 2006

	<u>Agency Fund Sidewalk Escrow</u>
Cash balance beginning of year	\$ 141,458
Additions:	
Sidewalk escrow received	50,925
Deductions:	
Escrow remittances	<u>36,768</u>
Cash balance end of year	<u>\$ 155,615</u>

See notes to financial statements.

City of Bondurant

Notes to Financial Statements

June 30, 2006

**(1) Summary of Significant Accounting Policies**

The City of Bondurant is a political subdivision of the State of Iowa located in Polk County. It was first incorporated in 1897 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 Bondurant 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: Metro Waste Authority, Polk County Assessor's Conference Board, Polk County Emergency Management Commission and Polk County Joint E911 Service Board.

Joint Venture

The City also participates in the Des Moines Metropolitan Wastewater Reclamation Authority, a joint venture established pursuant to Chapter 28E of the Code of Iowa.

B. Basis of Presentation

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

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

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental 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 Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities.

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

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.

The City also reports an Agency Fund to account for sidewalk escrow deposits received from developers to be returned when the installation of sidewalks is complete.

C. Measurement Focus and Basis of Accounting

The City of Bondurant 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.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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, 2006, disbursements exceeded the amounts budgeted in the public works, community and economic development, general government, debt service and capital projects functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2006 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.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$171,570 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

**(3) Long-Term Debt**

Bonds and Notes Payable

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

Years Ending June 30,	General Obligation Notes		General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2007	\$ 130,000	17,182	240,000	41,658	96,000	45,760	466,000
2008	45,000	11,896	245,000	31,475	100,000	42,053	390,000	85,424
2009	50,000	10,140	215,000	20,890	106,000	38,193	371,000	69,223
2010	50,000	8,190	125,000	11,425	109,000	34,100	284,000	53,715
2011	50,000	6,240	130,000	5,885	114,000	29,892	294,000	42,017
2012 - 2016	110,000	6,436			541,000	79,892	651,000	86,328
2017 - 2021		-			117,000	9,211	117,000	9,211
Total	\$ 435,000	60,084	955,000	111,333	1,183,000	279,101	2,573,000	450,518

General Obligation Notes

On June 21, 2006, the City issued a \$350,000 general obligation property acquisition note. The funds will be used to purchase property for a new library.

General Obligation Bonds

The Code of Iowa requires principal and interest on general obligation debt be paid from the Debt Service Fund. However, during the year, \$135,000 of general obligation debt principal was paid from the Special Revenue, Urban Renewal Tax Increment Fund.

Revenue Bonds

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

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue bond sinking accounts within the Enterprise Funds for the purpose of making the bond principal and interest payments when due. At June 30, 2006, the restricted balance was \$11,813.
- (c) All funds remaining in the water and sewer accounts after making the required transfers shall be placed in water and sewer revenue surplus accounts. As long as the sinking accounts have the full amount required to be deposited, the balance in the surplus accounts may be made available to the City as the Council may direct.

The City has not made monthly transfers to the bond sinking accounts as required by the bond resolutions.

Water Service Agreement

The City entered into an agreement with the Board of Water Works Trustees of the City of Des Moines, Iowa (DMWW) effective August 1, 2005 to join in the Wholesale Water Service Master Agreement.

This agreement allowed the City to acquire “Purchased Capacity” of .50 million gallons per day (mgd) of water from DMWW. Payments to DMWW by the City will be used to pay the City’s portion of Water Revenue Bonds issued for the construction of a treatment plant.

The City’s annual debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 15,000	52,059	67,059
2008	30,000	40,688	70,688
2009	35,000	39,387	74,387
2010	35,000	37,988	72,988
2011	40,000	36,488	76,488
2012-2016	210,000	158,037	368,037
2017-2021	260,000	111,003	371,003
2022-2026	325,000	51,466	376,466
2027	70,000	1,531	71,531
Total	\$ 1,020,000	528,647	1,548,647

**(4) Joint Venture and Commitments**

The City is a participating community in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) joint venture. This joint venture provides primary and secondary treatment of sewer flows for the participating communities. The Amended and Restated Agreement for the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) was effective on July 1, 2004. This agreement amended and restated the previous Integrated Community Area (I.C.A.) Agreement to provide continued operation, improvements and expansion. The WRA Agreement establishes the WRA as a separate legal entity with its own Board, creates an independent governance structure, establishes an independent bonding authority for the WRA and provides a framework for additional communities to participate.

Annually, the WRA establishes an allocation to all participating communities based on operations, maintenance, debt service and reserve requirements. Allocations are based on wastewater reclamation facility flows and are adjusted prospectively for differences in budgeted flows and actual flows.

The City retains an ongoing financial responsibility to the WRA since it is obligated in some manner for the debts of the joint venture through the annual allocation. Although the debt of the WRA is to be paid solely and only from WRA revenues, the participating communities in the joint venture cannot withdraw from the joint venture while any of the bonds issued during the time the communities were a participating community are still outstanding. The WRA Sewer Revenue Bonds Series 2004B includes provisions that place the WRA debt service requirements on the same parity and rank as other debts of the participating communities.

The WRA Sewer Revenue Bonds Series 2004B bonds were issued for capital expansion. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2006, the Series 2004B bonds had a balance of \$66,830,000 and the City's estimated future allocation based on the WRA flows is currently \$339,679, or .51%.

The WRA Agreement does not provide for the determination of an equity interest for the participating communities. Withdrawing from the joint venture is a forfeit of all reversionary interest and no compensation will be paid. The City retains a reversionary interest percentage in the net assets of the WRA redeemable only in the event the WRA is dissolved.

The WRA issues separate financial statements that may be obtained at 3000 Vandalia Road, Des Moines, Iowa 50317-1346.

**(5) 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.

Most regular 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 contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$19,209, \$13,946 and \$14,090, respectively, equal to the required contributions for each year.

**(6) 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. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payments payable to employees at June 30, 2006, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 7,300
Compensatory time	<u>3,300</u>
Total	<u>\$ 10,600</u>

This liability has been computed based on rates of pay in effect at June 30, 2006.

**(7) Construction Commitments**

The City has entered into various construction contracts totaling approximately \$595,100. The unpaid contract balances as of June 30, 2006 totaled approximately \$99,100, which will be paid as work on the projects progresses.

In March 2006, the City entered into a construction contract for the Section 29 Urban Services Area Wastewater Project for \$1,349,432 to be financed through collections and an agreement with Polk County. Construction costs for the project will be paid directly by Polk County. The unpaid contract balance as of June 30, 2006 totaled approximately \$661,800. The City will be billed by Polk County for its share of the project.

**(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 whose 531 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 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 contributions to the Pool for the year ended June 30, 2006 were \$31,339.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured 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, 2006, 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. 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) Pending Litigation**

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

**(10) Deficit Balances**

The City had deficit balances at June 30, 2006, as follows:

Fund	Amount
General	\$ 159,049
Special Revenue:	
Road Use Tax	171,203
Urban Renewal Tax Increment	240,911
Employee Benefits	56,853

The deficit balances are the result of costs incurred prior to availability of funds. The deficit balances will be eliminated upon receipt of property tax for the General Fund and the Special Revenue, Employee Benefits Fund, state road use tax funds and tax increment financing.

**City of Bondurant**

**Required Supplementary Information**

City of Bondurant  
 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, 2006

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 775,180	-
Tax increment financing	290,532	-
Other city tax	27,944	-
Licenses and permits	126,604	-
Use of money and property	8,509	4,786
Intergovernmental	594,283	-
Charges for service	137,027	855,988
Miscellaneous	29,784	43,833
Total receipts	1,989,863	904,607
Disbursements:		
Public safety	452,157	-
Public works	417,440	-
Health and social services	-	-
Culture and recreation	114,763	-
Community and economic development	81,525	-
General government	335,955	-
Debt service	381,882	-
Capital projects	514,448	-
Business type activities	-	773,770
Total disbursements	2,298,170	773,770
Excess (deficiency) of receipts over (under) disbursements	(308,307)	130,837
Other financing sources	350,000	-
Excess of receipts and other financing sources over disbursements	41,693	130,837
Balances beginning of year	146,023	818,179
Balances end of year	\$ 187,716	949,016

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
775,180	759,844	733,000	42,180
290,532	288,800	275,000	15,532
27,944	28,863	31,600	(3,656)
126,604	169,385	116,375	10,229
13,295	36,286	27,825	(14,530)
594,283	346,667	632,532	(38,249)
993,015	911,374	930,474	62,541
73,617	70,443	32,000	41,617
<u>2,894,470</u>	<u>2,611,662</u>	<u>2,778,806</u>	<u>115,664</u>
452,157	394,147	468,216	16,059
417,440	230,720	244,867	(172,573)
-	2,610	2,610	2,610
114,763	116,610	209,359	94,596
81,525	60,330	61,541	(19,984)
335,955	233,937	296,930	(39,025)
381,882	285,336	285,336	(96,546)
514,448	2,310,018	254,010	(260,438)
773,770	717,082	889,219	115,449
<u>3,071,940</u>	<u>4,350,790</u>	<u>2,712,088</u>	<u>(359,852)</u>
(177,470)	(1,739,128)	66,718	(244,188)
<u>350,000</u>	<u>1,824,716</u>	<u>37,874</u>	<u>312,126</u>
172,530	85,588	104,592	67,938
964,202	1,300,432	904,522	59,680
<u>1,136,732</u>	<u>1,386,020</u>	<u>1,009,114</u>	<u>127,618</u>

City of Bondurant

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Fiduciary Fund. 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 Capital Projects Fund, the Debt Service Fund, the Permanent 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 decreased budgeted disbursements by \$1,638,702. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public works, community and economic development, general government, debt service and capital projects functions.

**Other Supplementary Information**

City of Bondurant

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2006

	Special		
	Employee Benefits	Emergency	EMS Donations
Receipts:			
Property tax	\$ 27,539	13,631	-
Use of money and property	-	-	-
Miscellaneous	-	-	10,000
Total receipts	27,539	13,631	10,000
Disbursements:			
Operating:			
Public safety	15,645	-	20,000
Public works	25,655	-	-
Culture and recreation	11,110	-	-
Community and economic development	5,884	-	-
General government	26,098	-	-
Total disbursements	84,392	-	20,000
Net change in cash balances	(56,853)	13,631	(10,000)
Cash balances beginning of year	-	-	10,785
Cash balances end of year	\$ (56,853)	13,631	785
<b>Cash Basis Fund Balances</b>			
Unreserved:			
Special revenue funds	\$ (56,853)	13,631	785
Permanent fund	-	-	-
Total cash basis fund balances	\$ (56,853)	13,631	785

See accompanying independent auditor's report.

Revenue			Permanent	
Library	Park & Recreation	Drainage Districts	Cemetery Perpetual Care	Total
-	-	-	-	41,170
-	-	-	86	86
220	-	-	-	10,220
220	-	-	86	51,476
-	-	-	-	35,645
-	-	-	-	25,655
-	10,078	-	-	21,188
-	-	-	-	5,884
-	-	-	-	26,098
-	10,078	-	-	114,470
220	(10,078)	-	86	(62,994)
12,194	10,150	1,233	6,964	41,326
12,414	72	1,233	7,050	(21,668)
12,414	72	1,233	-	(28,718)
-	-	-	7,050	7,050
12,414	72	1,233	7,050	(21,668)

City of Bondurant  
Schedule of Indebtedness  
Year ended June 30, 2006

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Essential corporate purpose	May 1, 1997	4.50-5.45%	\$ 780,000
Property acquisition	Jun 21, 2006	3.90	350,000
Total			
General obligation bonds:			
Essential corporate purpose	Jul 1, 1998	4.05-4.40%	\$ 355,000
Essential corporate purpose	Jun 1, 1999	4.25-4.70	1,215,000
Essential corporate purpose	Mar 1, 2001	3.80-4.40	565,000
Total			
Revenue bonds:			
Water	Dec 15, 2000	3.34%	\$ 972,000
Sewer	Jan 6, 1999	3.92	248,934
Sewer	Jan 6, 1999	3.92	326,066
Total			
Water service agreement	Aug 1, 2005	4.00-4.875%	\$ 1,020,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
165,000	-	80,000	85,000	8,953
-	350,000	-	350,000	-
<u>\$ 165,000</u>	<u>350,000</u>	<u>80,000</u>	<u>435,000</u>	<u>8,953</u>
145,000	-	45,000	100,000	6,310
645,000	-	135,000	510,000	28,473
405,000	-	60,000	345,000	16,948
<u>\$ 1,195,000</u>	<u>-</u>	<u>240,000</u>	<u>955,000</u>	<u>51,731</u>
834,000	-	67,000	767,000	32,025
187,000	-	10,000	177,000	7,330
253,000	-	14,000	239,000	9,918
<u>\$ 1,274,000</u>	<u>-</u>	<u>91,000</u>	<u>1,183,000</u>	<u>49,273</u>
-	1,020,000	-	1,020,000	-

City of Bondurant  
Bond and Note Maturities  
June 30, 2006

Year Ending June 30,	General Obligation Notes					Total
	Essential Corporate Purpose		Property Acquisition			
	Issued May 1, 1997		Issued Jun 21, 2006			
	Interest	Amount	Interest	Amount		
2007	5.45%	\$ 85,000	3.92%	\$ 45,000	130,000	
2008		-	3.90	45,000	45,000	
2009		-	3.90	50,000	50,000	
2010		-	3.90	50,000	50,000	
2011		-	3.90	50,000	50,000	
2012		-	3.90	55,000	55,000	
2013		-	3.90	55,000	55,000	
Total		<u>\$ 85,000</u>		<u>\$ 350,000</u>	<u>435,000</u>	

Year Ending June 30,	Revenue Bonds							Total
	Water		Sewer		Sewer			
	Issued Dec 15, 2000		Issued Jan 6, 1999		Issued Jan 6, 1999			
	Interest	Amount	Interest	Amount	Interest	Amount		
2007	3.84%	\$ 71,000	3.92%	\$ 11,000	3.92%	\$ 14,000	96,000	
2008	3.84	74,000	3.92	11,000	3.92	15,000	100,000	
2009	3.84	78,000	3.92	12,000	3.92	16,000	106,000	
2010	3.84	81,000	3.92	12,000	3.92	16,000	109,000	
2011	3.84	85,000	3.92	12,000	3.92	17,000	114,000	
2012	3.84	89,000	3.92	13,000	3.92	18,000	120,000	
2013	3.84	91,000	3.92	13,000	3.92	18,000	122,000	
2014	3.84	93,000	3.92	14,000	3.92	19,000	126,000	
2015	3.84	99,000	3.92	15,000	3.92	20,000	134,000	
2016	3.84	4,000	3.92	15,000	3.92	20,000	39,000	
2017	3.84	2,000	3.92	16,000	3.92	21,000	39,000	
2018		-	3.92	16,000	3.92	22,000	38,000	
2019		-	3.92	17,000	3.92	23,000	40,000	
2020		-		-		-	-	
2021		-		-		-	-	
2022		-		-		-	-	
2023		-		-		-	-	
2024		-		-		-	-	
2025		-		-		-	-	
2026		-		-		-	-	
2027		-		-		-	-	
Total		<u>\$ 767,000</u>		<u>\$ 177,000</u>		<u>\$ 239,000</u>	<u>1,183,000</u>	

See accompanying independent auditor's report.

General Obligation Bonds						
Essential Corporate Purpose		Essential Corporate Purpose		Essential Corporate Purpose		Total
Issued July 1, 1998		Issued June 8, 1999		Issued March 22, 2001		
Interest	Amount	Interest	Amount	Interest	Amount	
4.35%	\$ 50,000	4.30%	\$ 125,000	4.05%	\$ 65,000	240,000
4.40	50,000	4.40	130,000	4.10	65,000	245,000
	-	4.50	145,000	4.20	70,000	215,000
	-	4.60	55,000	4.30	70,000	125,000
	-	4.70	55,000	4.40	75,000	130,000
	-		-		-	-
	-		-		-	-
	<u>\$ 100,000</u>		<u>\$ 510,000</u>		<u>\$ 345,000</u>	<u>955,000</u>

Water Service Agreement	
Issued Aug 1, 2005	
Interest	Amount
4.000%	\$ 15,000
4.000	30,000
4.000	35,000
4.000	35,000
4.000	40,000
4.000	40,000
4.000	40,000
4.000	40,000
4.000	40,000
4.000	45,000
4.000	45,000
4.000	50,000
4.000	50,000
4.000	50,000
4.000	55,000
4.125	55,000
4.125	60,000
4.125	60,000
4.125	65,000
4.375	70,000
4.375	70,000
4.375	70,000
	<u>\$1,020,000</u>

**Schedule 4**

## City of Bondurant

Schedule of Receipts by Source and Disbursements by Function –  
All Governmental Funds

For the Last Five Years

	2006	2005	2004	2003	2002
Receipts:					
Property and other city tax	\$ 803,124	761,171	648,446	559,416	574,429
Tax increment financing	290,532	302,471	284,615	272,538	258,668
Licenses and permits	126,604	194,717	127,505	66,101	35,864
Use of money and property	8,509	8,668	7,947	11,515	27,790
Intergovernmental	594,283	224,504	336,186	244,828	247,267
Charges for service	137,027	31,015	56,905	46,528	34,169
Miscellaneous	29,784	69,243	371,010	68,787	60,017
Total	<u>\$ 1,989,863</u>	<u>1,591,789</u>	<u>1,832,614</u>	<u>1,269,713</u>	<u>1,238,204</u>
Disbursements:					
Operating:					
Public safety	\$ 452,157	306,838	300,707	264,611	194,661
Public works	417,440	808,986	371,775	178,302	185,538
Health and social services	-	2,573	2,284	2,572	1,353
Culture and recreation	114,763	101,946	100,964	99,334	106,139
Community and economic development	81,525	25,216	406,455	10,168	575,459
General government	335,955	234,923	210,746	302,866	192,568
Debt service	381,882	369,952	503,729	429,883	376,420
Capital projects	514,448	15,774	7,925	-	-
Total	<u>\$ 2,298,170</u>	<u>1,866,208</u>	<u>1,904,585</u>	<u>1,287,736</u>	<u>1,632,138</u>

See accompanying independent auditor's report.



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

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Auditor of State

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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

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 Bondurant, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated August 18, 2006. Our report expressed unqualified opinions 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Bondurant's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 Bondurant'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 reportable 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 caused by error or fraud 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.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bondurant's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 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.

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 Bondurant and other parties to whom the City of Bondurant 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 Bondurant 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

August 18, 2006

City of Bondurant

Schedule of Findings

Year ended June 30, 2006

**Findings Related to the Financial Statements:**

**REPORTABLE CONDITIONS:**

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. Generally, one person has control over each of the following areas for the City:

- (1) Accounting system – performing all general accounting functions and custody of assets.
- (2) Cash – preparing bank account reconciliations, initiating disbursements and depositing and recording cash.
- (3) Long term debt – recording and reconciling.
- (4) Receipts – depositing, reconciling and posting.

In addition, an independent person does not enter payroll and utility rates, and rates entered into the computer system are not tested and reviewed for accuracy.

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 various reviews should be indicated by initials of the independent reviewer and the date of the review.

Response – The City agrees that there should be a greater segregation of duties. The City hired a full time Finance Director at the end of June, 2006. Due to the volume of catch up work needed, few changes to established routines have been made to date. There will be a number of changes in the coming months to address the issues pointed out in this Audit. The deposit function will likely be performed by the Deputy City Clerk. The staff will review other financial procedures by October 1 and implement other changes designed to increase segregation by November 1.

Conclusion – Response accepted.

(B) Bank Reconciliations – Monthly bank statements are reconciled to the City's monthly financial report. However, the monthly bank reconciliations are not reviewed and approved by an independent person.

Recommendation – An independent person should review the reconciliations and document their review by initialing and dating the monthly reconciliations.

City of Bondurant

Schedule of Findings

Year ended June 30, 2006

Response – The bank reconciliation for July was reviewed and initialed by the City Administrator. All future bank statements will be reviewed and approved by the City Administrator.

Conclusion – Response accepted.

- (C) Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year. In addition, listings of delinquent accounts were not retained for much of the year under audit.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period. An independent person should review the reconciliations and monitor delinquencies.

A listing of delinquent accounts should be maintained for all billing periods and City personnel should investigate all delinquencies and resolve through collection or established write-off procedures.

Response – This issue will also be addressed when the segregation of duties activities are reviewed. The recommendations made for this item will be reviewed over the next several months.

Conclusion – Response accepted.

- (D) Electronic Data Processing Systems – The following weaknesses in the City's computer based systems were noted:

- User profiles are not restricted to users who have a legitimate need for the programs.
- User profiles are not periodically reviewed and employee logins are not removed immediately upon termination.
- Users do not log off of computer terminals prior to leaving them unattended for extended periods of time and the terminals do not use a time out/log off function to protect them when left unprotected.
- Employee passwords are not changed periodically and password history is not used to prevent re-use of passwords.
- There is no policy to ensure unlicensed software is not installed on City computers. In addition, the City is not monitoring software licensing requirements.
- The City does not have a written disaster recovery plan.

Recommendation – The City should address the above items in order to improve the City's control over computer based systems. Also, a written disaster recovery plan should be developed.

City of Bondurant

Schedule of Findings

Year ended June 30, 2006

Response – The City agrees that improvements need to be made in the areas mentioned. The City Administrator has asked the Ankeny City Manager to consider allowing the City of Bondurant to contract for IT maintenance services with the City of Ankeny. The Ankeny Manager has stated that he believes a contract arrangement may be possible but would not start until around January 1, 2007.

Conclusion – Response accepted.

- (E) Accounting Records – A separate process is not documented for adjustments to the accounting records. Correcting entries are not adequately explained and supported, including identification of the affected accounts. In addition, adjustments made to the financial records are not reviewed and approved by an independent person.

Recommendation – A separate process should be established to document adjustments to the accounting records. The adjustments should be adequately explained and supported. An independent person should review and approve correcting entries made to the financial records.

Response – The City will establish a procedure for adjustments to accounting records. Any adjustments will be reviewed and approved by the City Administrator. The new procedures will be established by November 1.

Conclusion – Response accepted.

- (F) Petty Cash – A petty cash fund is maintained at City Hall. However, there is no policy regarding acceptable uses of the fund. In addition, petty cash vouchers are not signed by the person receiving the cash and are not cancelled to prevent re-use.

Recommendation – A policy should be established regarding acceptable uses of the petty cash fund. Petty cash vouchers should be signed by the individual receiving the cash and vouchers should be cancelled to prevent re-use.

Response – The City will implement the recommendations for changes to petty cash fund record keeping by October 1.

Conclusion – Response accepted.

- (G) Receipts – The individual opening the mail does not prepare an initial listing of collections and receipts are not given directly to the person preparing the deposit.

A pre-numbered receipt is completed for collections other than utilities. However, an independent person does not reconcile receipts to daily deposits.

Recommendation – The individual who opens the mail should prepare an initial listing of collections and receipts should be given directly to the individual preparing the deposit. In addition, an independent person should reconcile receipts to daily deposits.

City of Bondurant

Schedule of Findings

Year ended June 30, 2006

Response – The City will review its mail handling and receipt preparation procedures to determine if greater segregation of the duties as recommended is possible. Changes deemed reasonable will be implemented by December 1.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

City of Bondurant

Schedule of Findings

Year ended June 30, 2006

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the public works, community and economic development, general government, debt service and capital projects functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

In addition, Chapter 384.16 states, in part, “The Council shall set a time and place for public hearing on the budget ...and shall publish notice of the hearing not less than ten nor more than twenty days before the hearing.” The City published notice of the public hearing for the budget less than ten days prior to the public hearing date.

Recommendation – The budget should be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget. In addition, the City should comply with publication requirements in accordance with Chapter 384.16 of the Code of Iowa.

Response – The City agrees that it should comply with all statutory publication requirements and believes that it has for subsequent budget related actions.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follow:

Name, Title, and Business Connection	Transaction Description	Amount
Allen Ihde, former Mayor, partner in J.I.C.K. Investors Corporation, LLC Bruce Cordes, Council Member, partner in J.I.C.K. Investors Corporation, LLC	Rental of library space	\$ 9,600

Although the transaction noted above appears to represent a conflict of interest in accordance with Chapter 362.5 of the Code of Iowa since the total amount exceeded \$2,500 during the fiscal year, the City Attorney has concluded this transaction does not represent a conflict of interest because the portion allocable to each partner within the partnership was less than \$2,500 for the fiscal year.

City of Bondurant

Schedule of Findings

Year ended June 30, 2006

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (6) Council Minutes – Except as noted below, no transactions were found that we believe should have been approved in the minutes but were not.

Total disbursements from each fund and a summary of receipts were not published in the Council minutes as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – Total disbursements for each fund and a summary of receipts should be published in the Council minutes as required by the Code of Iowa.

Response – The City has been publishing its disbursements but not receipts. Publication of receipts along with the disbursements will begin in September 2006.

Conclusion – Response accepted.

- (7) Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa were noted.

The City does not have an investment policy.

Recommendation – The City should adopt an investment policy in accordance with Chapter 12B.10 of the Code of Iowa.

Response – The City will adopt an investment policy by January 1, 2007.

Conclusion – Response accepted.

- (8) Water and Sewer Revenue Bonds – The provisions of the water and sewer revenue bond resolutions require sufficient monthly transfers be made to separate water and sewer revenue bond sinking accounts for the purpose of making the bond principal and interest payments when due.

The City has not established the sinking accounts as required by the water and sewer revenue bond resolutions.

Recommendation – The City should establish the required sinking accounts and make sufficient monthly transfers to the bond sinking accounts for the purpose of making the bond principal and interest payments when due.

Response – The City began making deposits to the required sinking funds effective July 1, 2006, and will continue making monthly deposits as required.

Conclusion – Response accepted.

City of Bondurant

Schedule of Findings

Year ended June 30, 2006

- (9) Economic Development – The City made certain disbursements for economic development which may not be an appropriate expenditure of public funds.

In accordance with Chapter 15A of the Code of Iowa and an Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises the governing body to evaluate the public benefits to be obtained and discusses specific criteria to be considered in documenting the public purpose.

Recommendation – The Council should evaluate and document the public purpose served by the disbursements before authorizing further payments.

Response – The City will comply with the law regarding expenditures for economic development.

Conclusion – Response accepted.

- (10) Payment of General Obligation Bonds – Certain general obligation bonds were paid from the Special Revenue, Urban Renewal Tax Increment Fund. Chapter 384.4 of the Code of Iowa states, in part, "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 funds from the Special Revenue, Urban Renewal Tax Increment Fund to the Debt Service Fund for future funding contributions. Payment of the bonds should then be made from the Debt Service Fund.

Response – The City will make the required transfer to the Debt Service Fund for future TIF debt payments.

Conclusion – Response accepted.

- (11) Recycling Fee – The recycling fee per the City ordinance is \$2.55 per month. However, the City is collecting only \$2.40 per month from utility customers.

Recommendation – The City should collect the recycling fee in accordance with the City ordinance or amend the ordinance.

Response – The City is currently collecting a \$2.40 per month recycling fee from customers. Given that the Garbage Fund is generating a surplus at the current rate, it would seem best to amend the ordinance to establish \$2.40 as the appropriate recycling fee. This will be done by October 1, 2006.

Conclusion – Response accepted.

City of Bondurant

Schedule of Findings

Year ended June 30, 2006

- (12) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The City should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The City will work with its bank to obtain the proper documentation. If the bank with the existing checking account is unable or unwilling to provide the proper documentation, bids will be solicited from other area banks. This activity will be completed by June 1, 2007.

Conclusion – Response accepted.

- (13) Financial Condition – The City had deficit balances at June 30, 2006, as follows:

<u>Fund</u>	<u>Amount</u>
General	\$ 159,049
Special Revenue:	
Road Use Tax	171,203
Urban Renewal Tax Increment	240,911
Employee Benefits	56,853

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – The City agrees that deficit fund balances in the funds listed is not desirable. City staff will present a plan to the City Council by January 1, 2007, for reducing or eliminating the negative fund balances. The City is currently conducting a Special Census which should result in collection of additional road use funds. This will assist in reducing the Road Use Tax Fund deficit.

Conclusion – Response accepted.

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City of Bondurant

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager  
Lesley R. Geary, CPA, Senior Auditor II  
Nickolas J. Schaul, Assistant Auditor  
James R. Wittenwyler, Assistant Auditor

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Deputy Auditor of State