



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**NEWS RELEASE**

FOR RELEASE

May 12, 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 \$2,346,505 for the year ended June 30, 2005, a 5 percent decrease from 2004. The receipts included \$761,171 in property tax, \$302,471 from tax increment financing, \$979,042 from charges for service, \$237,674 from operating grants, contributions and restricted interest, \$54,545 from capital grants, contributions and restricted interest, \$11,314 from unrestricted interest on investments and \$288 from other general receipts.

Disbursements for the year totaled \$2,473,209, a 1.3 percent decrease from the prior year, and included \$808,986 for public works, \$369,952 for debt service and \$306,838 for public safety. Also, disbursements for business type activities totaled \$607,001.

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, 2005**

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**City of Bondurant**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Allen Ihde	Mayor	Jan 2006
Michelle Bailey	Council Member	Jan 2006
Jim Valentine	Council Member	Jan 2006
Bruce Cordes	Council Member	Jan 2008
Jeffrey Komrie	Council Member	Jan 2008
Gregory Schiermeister	Council Member	Resigned Nov 2005
Mike Adams (Appointed Dec 2005)	Council Member	Nov 2007
Darrel Steven Carlyle	City Administrator	Jan 2006
Mark J. Arentsen	City Administrator	Indefinite
Steven P. Brick	Attorney	Indefinite

**City of Bondurant**



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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, 2005, 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.

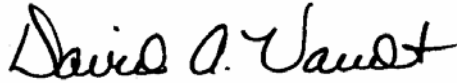
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

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, 2005, 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.

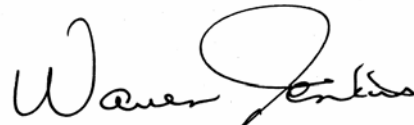
In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2006 on our consideration of the City of Bondurant's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 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 basic financial statements that collectively comprise the City of Bondurant's basic financial statements. The financial statements for the three years ended June 30, 2004 (which are not presented herein) were audited by another auditor who expressed unqualified opinions on those financial statements. 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

March 29, 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, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2005 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 13.1%, from \$1,832,614 in 2004 to \$1,591,789 for the year ended June 30, 2005, due to reductions in capital grants, contributions and restricted interest and other general receipts. Property and other City tax receipts increased \$114,354 to \$761,171.
- Governmental activities disbursements decreased 2%, from \$1,904,585 in 2004 to \$1,866,208 in 2005. Public works disbursements increased significantly, but were offset by decreases in community and economic development and debt service disbursements.
- The City's total cash basis net assets decreased \$126,704, from \$1,090,906 in 2004 to \$964,202 at June 30, 2005. The assets of the governmental activities decreased sharply from \$420,442 in 2004 to \$146,023 in 2005. The assets of the business type activities increased significantly from \$670,464 in 2004 to \$818,179 in 2005.

### 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.



## **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.

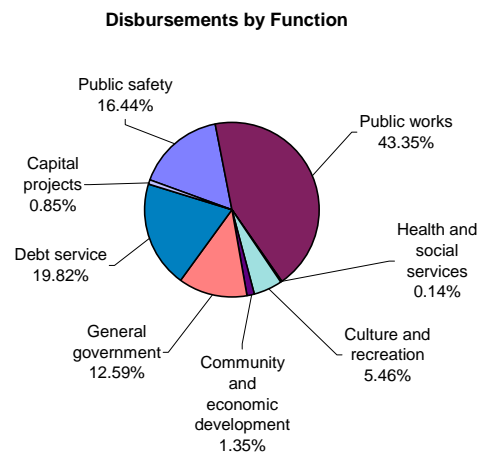
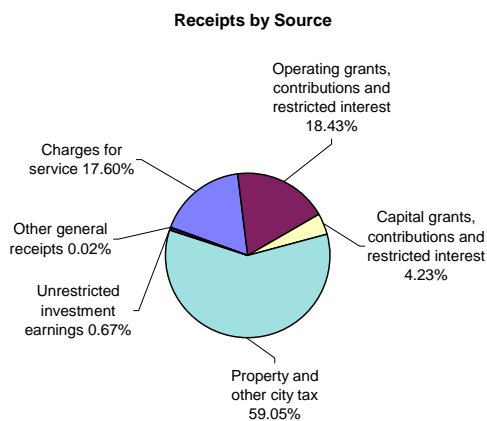
3) The Fiduciary Fund accounts for resources held for others. The Fiduciary Fund consists of an Agency, Sidewalk Escrow Fund.

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, 2005 is \$146,023.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year Ended June 30,	
	2005	2004
<b>Receipts:</b>		
Program receipts:		
Charges for service	\$ 226,972	182,161
Operating grants, contributions and restricted interest	237,674	238,178
Capital grants, contributions and restricted interest	54,545	412,332
General receipts:		
Property and other city tax	761,171	646,817
Tax increment financing	302,471	284,615
Unrestricted investment earnings	8,668	7,946
Other general receipts	288	60,565
<b>Total receipts</b>	<b>1,591,789</b>	<b>1,832,614</b>
<b>Disbursements:</b>		
Public safety	306,838	300,707
Public works	808,986	371,775
Health and social services	2,573	2,284
Culture and recreation	101,946	100,964
Community and economic development	25,216	406,455
General government	234,923	210,746
Debt service	369,952	503,729
Capital projects	15,774	7,925
<b>Total disbursements</b>	<b>1,866,208</b>	<b>1,904,585</b>
Increase in cash basis net assets	(274,419)	(71,971)
Cash basis net assets beginning of year, as restated	420,442	492,413
Cash basis net assets end of year	\$ 146,023	420,442



The City's total receipts for governmental activities decreased 13.1%, or \$240,825, from \$1,832,614 in 2004 to \$1,591,789 in 2005. Disbursements decreased 2%, or \$38,377, from \$1,904,585 in 2004 to \$1,866,208 in 2005.

The City decreased its property tax rate .4% for 2005 to \$14.38937 per \$1,000 of taxable valuation from \$14.44808 per \$1,000 of taxable valuation in 2004. The residential rollback rate, used to calculate property tax rates, decreased .5% from 48.4558% in 2004 to 47.9642% in 2005. Revenue decreased as a result of the reduction in the tax rate and rollback rate was more than offset by increases in property valuation.

The cost of all governmental activities this year was nearly \$1.9 million. However, as shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was only \$1.35 million because some of the cost was paid by those directly benefited from the programs, \$226,972, or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest in the amount of \$292,219. Overall, the City's governmental activities receipts, including intergovernmental aid, interest and fees for service, were \$519,191. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$1.06 million in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general receipts.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year Ended June 30,	
	2005	2004
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 413,123	317,959
Sewer	236,355	195,360
Garbage	102,592	91,355
Operating grants, contributions and restricted interest	-	3,044
General receipts:		
Unrestricted interest on investments	2,646	-
Bond proceeds	-	23,112
Other general receipts	-	6,875
Total receipts	<u>754,716</u>	<u>637,705</u>
Disbursements:		
Water	345,082	347,751
Sewer	158,980	165,032
Garbage	102,939	89,363
Total disbursements	<u>607,001</u>	<u>602,146</u>
Increase in cash balance	147,715	35,559
Cash basis net assets beginning of year, as restated	<u>670,464</u>	<u>634,905</u>
Cash basis net assets end of year	<u>\$ 818,179</u>	<u>670,464</u>

Total business type activities receipts for the fiscal year were \$754,716. Business type disbursements for the fiscal year were \$607,001.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Bondurant completed the year, its governmental funds reported a combined fund balance of \$146,023, a decrease of \$274,419 from last year’s restated total of \$420,442. 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 restated balance of \$378,278 in 2004 to \$8,096 in 2005. The reduction is primarily due to a one time payment of \$500,000 for the City’s share of the I-80 interchange construction.
- The Road Use Tax Fund cash balance decreased from \$16,248 in 2004 to a deficit balance of \$78,591 in 2005. This decrease was due to a large increase in public works disbursements to \$756,685.
- The Urban Renewal Tax Increment Fund continued in a deficit position. The 2004 deficit ending balance of \$398,802 was decreased by \$71,227, yielding a 2005 deficit ending balance of \$327,575.
- The Capital Projects Fund cash balance increased by \$5,642 to \$416,790, which was not considered a significant change.
- The Debt Service Fund cash balance increased significantly from \$6,666 in 2004 to \$85,977 at the end of 2005, due in part to the maturity of three general obligation bond issues in 2004.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance increased \$70,684 to \$447,325, due primarily to increased water consumption.
- The Sewer Fund cash balance increased significantly by \$77,378 to \$362,648, also due to increased usage.

**BUDGET AMENDMENT**

Over the course of the year, the City amended its budget once. The amendment was approved on May 28, 2005.

**DEBT ADMINISTRATION**

At City’s total debt decreased by \$375,000 from June 30, 2004 to June 30, 2005, as shown below.

	Outstanding Debt at Year-End	
	Year ended June 30,	
	2005	2004
General obligation bonds	\$ 1,360,000	1,655,000
Revenue bonds	1,274,000	1,354,000
Total	\$ 2,634,000	3,009,000

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 \$1,360,000 is significantly below its constitutional debt limit of \$4,641,199.

## **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 2006 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 4.6% versus 5.0% a year ago. This compares with the State's unemployment rate of 4.4% and the national rate of 4.8%.

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 2006. Assuming the tax rate of \$14.38937 per \$1,000 of taxable valuation remains constant, the City expects to generate \$759,844 in property tax revenue for FY 2006. Total General Fund revenues at this time are anticipated to be approximately \$820,000. 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 2006 in a deficit position. This is a significant concern to the City and concerted effort is being made to reduce these deficits. Most FY 2006 TIF revenues are dedicated to reducing the fund balance deficit in this fund. Road Use Tax Fund disbursements for FY 2006 are budgeted at only half of the projected revenue in order to reduce the deficit in the Road Use Tax Fund.

## **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 50003, 515-967-2418, e-mail [marentsen@cityofbondurant.com](mailto:marentsen@cityofbondurant.com). Mr. Arentsen was not an employee of the City of Bondurant during 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, 2005

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 306,838	215,147	38,107
Public works	808,986	-	178,363
Health and social services	2,573	-	-
Culture and recreation	101,946	1,240	15,329
Community and economic development	25,216	-	3,465
General government	234,923	10,585	2,410
Debt service	369,952	-	-
Capital projects	15,774	-	-
Total governmental activities	1,866,208	226,972	237,674
Business type activities:			
Water	345,082	413,123	-
Sewer	158,980	236,355	-
Garbage	102,939	102,592	-
Total business type activities	607,001	752,070	-
Total	\$ 2,473,209	979,042	237,674

**General Receipts:**

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

Total general receipts

Change in cash basis net assets

Cash basis net assets beginning of year, as restated

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.

Capital Grants, Contributions and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
10,785	(42,799)	-	(42,799)
-	(630,623)	-	(630,623)
-	(2,573)	-	(2,573)
22,344	(63,033)	-	(63,033)
-	(21,751)	-	(21,751)
-	(221,928)	-	(221,928)
-	(369,952)	-	(369,952)
21,416	5,642	-	5,642
54,545	(1,347,017)	-	(1,347,017)
-	-	68,041	68,041
-	-	77,375	77,375
-	-	(347)	(347)
-	-	145,069	145,069
54,545	(1,347,017)	145,069	(1,201,948)

483,188	-	483,188
302,471	-	302,471
277,983	-	277,983
288	-	288
8,668	2,646	11,314
1,072,598	2,646	1,075,244
(274,419)	147,715	(126,704)
420,442	670,464	1,090,906
\$ 146,023	818,179	964,202

\$ 85,977	11,689	97,666
416,790	-	416,790
41,326	-	41,326
(398,070)	806,490	408,420
\$ 146,023	818,179	964,202



City of Bondurant

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

As of and for the year ended June 30, 2005

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 428,272	-	-
Tax increment financing	-	-	302,471
Other city tax	21,888	-	-
Licenses and permits	194,717	-	-
Use of money and property	8,608	-	-
Intergovernmental	48,368	153,487	-
Charges for service	31,015	-	-
Miscellaneous	27,755	8,359	-
Total receipts	<u>760,623</u>	<u>161,846</u>	<u>302,471</u>
Disbursements:			
Operating:			
Public safety	306,838	-	-
Public works	52,301	756,685	-
Health and social services	2,573	-	-
Culture and recreation	101,946	-	-
Community and economic development	7,962	-	17,254
General government	234,923	-	-
Debt service	-	-	171,280
Capital projects	-	-	-
Total disbursements	<u>706,543</u>	<u>756,685</u>	<u>188,534</u>
Excess (deficiency) of receipts over (under) disbursements	<u>54,080</u>	<u>(594,839)</u>	<u>113,937</u>
Other financing sources (uses):			
Operating transfers in	75,738	500,000	-
Operating transfers out	(500,000)	-	(42,710)
Total other financing sources (uses)	<u>(424,262)</u>	<u>500,000</u>	<u>(42,710)</u>
Net change in cash balances	(370,182)	(94,839)	71,227
Cash balances beginning of year, as restated	<u>378,278</u>	<u>16,248</u>	<u>(398,802)</u>
Cash balances end of year	<u>\$ 8,096</u>	<u>(78,591)</u>	<u>(327,575)</u>
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	\$ -	-	-
Unreserved:			
General fund	8,096	-	-
Special revenue funds	-	(78,591)	(327,575)
Capital projects fund	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	<u>\$ 8,096</u>	<u>(78,591)</u>	<u>(327,575)</u>

See notes to financial statements.

Capital Projects	Debt Service	Nonmajor	Total
-	277,983	33,028	739,283
-	-	-	302,471
-	-	-	21,888
-	-	-	194,717
-	-	60	8,668
21,416	-	1,233	224,504
-	-	-	31,015
-	-	33,129	69,243
21,416	277,983	67,450	1,591,789
-	-	-	306,838
-	-	-	808,986
-	-	-	2,573
-	-	-	101,946
-	-	-	25,216
-	-	-	234,923
-	198,672	-	369,952
15,774	-	-	15,774
15,774	198,672	-	1,866,208
5,642	79,311	67,450	(274,419)
-	-	-	575,738
-	-	(33,028)	(575,738)
-	-	(33,028)	-
5,642	79,311	34,422	(274,419)
411,148	6,666	6,904	420,442
416,790	85,977	41,326	146,023
-	85,977	-	85,977
-	-	-	8,096
-	-	34,362	(371,804)
416,790	-	-	416,790
-	-	6,964	6,964
416,790	85,977	41,326	146,023

**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, 2005

	Enterprise Funds			Total
	Water	Sewer	Nonmajor - Garbage	
Operating receipts:				
Charges for service	\$ 381,196	236,355	102,592	720,143
Miscellaneous	31,927	-	-	31,927
Total operating receipts	413,123	236,355	102,592	752,070
Operating disbursements:				
Business type activities	253,422	117,599	102,939	473,960
Excess (deficiency) of operating receipts over (under) operating disbursements	159,701	118,756	(347)	278,110
Non-operating receipts (disbursements):				
Interest on investments	2,643	3	-	2,646
Debt service	(91,660)	(41,381)	-	(133,041)
Total non-operating receipts (disbursements)	(89,017)	(41,378)	-	(130,395)
Excess (deficiency) of receipts over (under) disbursements	70,684	77,378	(347)	147,715
Other financing sources (uses):				
Operating transfers in	-	42,710	-	42,710
Operating transfers out	-	(42,710)	-	(42,710)
Total operating transfers	-	-	-	-
Net change in cash balances	70,684	77,378	(347)	147,715
Cash balances beginning of year, as restated	376,641	285,270	8,553	670,464
Cash balances end of year	\$ 447,325	362,648	8,206	818,179
<b>Cash Basis Fund Balances</b>				
Reserve for debt service	\$ 8,252	3,437	-	11,689
Unreserved	439,073	359,211	8,206	806,490
Total cash basis fund balances	\$ 447,325	362,648	8,206	818,179

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, 2005

	<u>Agency Fund Sidewalk Escrow</u>
Cash balance beginning of year, as restated	\$ 115,647
Additions:	
Sidewalk escrow received	136,948
Deductions:	
Escrow remittances	<u>111,137</u>
Cash balance end of year	<u>\$ 141,458</u>

See notes to financial statements.

City of Bondurant

Notes to Financial Statements

June 30, 2005

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

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

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.

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, 2005, disbursements exceeded the amounts budgeted in the public works, community and economic development and debt service functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2005 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 \$166,843 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) 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
2006	\$ 80,000	8,953	240,000	51,730	91,000	49,274	411,000	109,957
2007	85,000	4,632	240,000	41,658	96,000	45,760	421,000	92,050
2008	-	-	245,000	31,475	100,000	42,053	345,000	73,528
2009	-	-	215,000	20,890	106,000	38,193	321,000	59,083
2010	-	-	125,000	11,425	109,000	34,100	234,000	45,525
2011 - 2015	-	-	130,000	5,885	616,000	103,675	746,000	109,560
2016 - 2019	-	-	-	-	156,000	15,321	156,000	15,321
Total	\$ 165,000	13,585	1,195,000	163,063	1,274,000	328,376	2,634,000	505,024

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, \$130,000 of general obligation debt principal was paid from the 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, 2005 the restricted balance was \$11,689.
- (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 provisions.

**(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 of Bondurant 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, 2005, the Series 2004B bonds had a balance of \$66,830,000 and the City of Bondurant's estimated future allocation based on the WRA flows is currently \$354,525, or .53%.

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.

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, 2005, 2004 and 2003 were \$13,946, \$14,090 and \$13,188, 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 sick leave termination payments payable to employees at June 30, 2005, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 11,900
Compensatory time	<u>1,100</u>
Total	<u>\$ 13,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2005.

**(7) Construction Commitments**

The City has entered into various construction contracts totaling approximately \$115,500. The unpaid contract balances as of June 30, 2005 totaled approximately \$88,700, which will be paid as work on the projects progresses.

**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits	\$ 33,028
	Enterprise:	
	Sewer	<u>42,710</u>
		<u>75,738</u>
Special Revenue:		
Road Use Tax	General	500,000
Enterprise:	Special Revenue:	
Sewer	Urban Renewal Tax Increment	<u>42,710</u>
Total		<u>\$ 618,448</u>

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

**(9) Risk Management**

The City of Bondurant 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 509 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, 2005 were \$29,273.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$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, 2005, 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.

**(10) Deficit Balance**

The City had deficit balances at June 30, 2005 in the Road Use Tax Fund and Urban Renewal Tax Increment Fund of \$78,591 and \$327,575, respectively.

The deficit balances are the result of costs incurred prior to availability of funds. The deficit balances will be eliminated upon receipt of state road use tax funds and tax increment financing, respectively.

**(11) Subsequent Event**

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.

**(12) Restatement**

The following beginning balances have been restated to properly report the Sidewalk Escrow as a Fiduciary Fund, Cemetery Perpetual Care as a Permanent Fund and to reclassify water deposits as part of the Enterprise, Water Fund.

Activities	Beginning Net Assets	Restatement	Beginning Net Assets, As Restated
Governmental Activities	\$ 545,333	(124,891)	420,442
Business Type Activities	661,220	9,244	670,464
Total	\$ 1,206,553	(115,647)	1,090,906

Fund	Beginning Fund Balances	Restatement	Beginning Fund Balances, As Restated
General	\$ 445,776	(67,498)	378,278
Enterprise:			
Water	367,397	9,244	376,641
Permanent:			
Sidewalk Escrow	64,297	(64,297)	-
Cemetery Perpetual Care	-	6,904	6,904
Agency:			
Sidewalk Escrow	-	115,647	115,647
Total	\$ 877,470	-	877,470

**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, 2005

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 739,283	-
Tax increment financing	302,471	-
Other city tax	21,888	-
Licenses and permits	194,717	-
Use of money and property	8,668	2,646
Intergovernmental	224,504	-
Charges for service	31,015	720,143
Miscellaneous	69,243	31,927
Total receipts	1,591,789	754,716
Disbursements:		
Public safety	306,838	-
Public works	808,986	-
Health and social services	2,573	-
Culture and recreation	101,946	-
Community and economic development	25,216	-
General government	234,923	-
Debt service	369,952	-
Capital projects	15,774	-
Business type activities	-	607,001
Total disbursements	1,866,208	607,001
Excess (deficiency) of receipts over (under) disbursements	(274,419)	147,715
Other financing sources, net	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(274,419)	147,715
Balances beginning of year, as restated	420,442	670,464
Balances end of year	\$ 146,023	818,179

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
739,283	690,637	615,827	123,456
302,471	284,560	277,110	25,361
21,888	31,085	31,173	(9,285)
194,717	53,450	158,200	36,517
11,314	27,400	27,600	(16,286)
224,504	231,455	183,603	40,901
751,158	821,775	759,647	(8,489)
101,170	67,910	286,576	(185,406)
<u>2,346,505</u>	<u>2,208,272</u>	<u>2,339,736</u>	<u>6,769</u>
306,838	309,322	380,622	73,784
808,986	186,804	806,904	(2,082)
2,573	18,504	18,504	15,931
101,946	108,508	111,014	9,068
25,216	10,200	11,270	(13,946)
234,923	225,052	257,452	22,529
369,952	271,758	271,758	(98,194)
15,774	1,651,474	1,651,474	1,635,700
607,001	647,271	803,580	196,579
<u>2,473,209</u>	<u>3,428,893</u>	<u>4,312,578</u>	<u>1,839,369</u>
(126,704)	(1,220,621)	(1,972,842)	1,846,138
-	1,315,000	1,286,909	(1,286,909)
(126,704)	94,379	(685,933)	559,229
<u>1,090,906</u>	<u>1,344,602</u>	<u>1,438,981</u>	<u>(348,075)</u>
<u>964,202</u>	<u>1,438,981</u>	<u>753,048</u>	<u>211,154</u>



City of Bondurant

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

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 Debt Service Fund, the Capital Projects 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 increased budgeted disbursements by \$883,685. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the public works, community and economic development and debt service functions.

**Other Supplementary Information**

**City of Bondurant**

## 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, 2005

	Special Revenue					Permanent Cemetery	Total
	Employee Benefits	EMS Donations	Library	Park & Recreation	Drainage Districts	Perpetual Care	
Receipts:							
Property tax	\$ 33,028	-	-	-	-	-	33,028
Use of money and property	-	-	-	-	-	60	60
Intergovernmental	-	-	-	-	1,233	-	1,233
Miscellaneous	-	10,785	12,194	10,150	-	-	33,129
Total receipts	33,028	10,785	12,194	10,150	1,233	60	67,450
Disbursements:							
Operating:							
None	-	-	-	-	-	-	-
Excess of receipts over disbursements	33,028	10,785	12,194	10,150	1,233	60	67,450
Other financing uses:							
Operating transfers out	(33,028)	-	-	-	-	-	(33,028)
Net change in cash balances	-	10,785	12,194	10,150	1,233	60	34,422
Cash balances beginning of year, as restated	-	-	-	-	-	6,904	6,904
Cash balances end of year	\$ -	10,785	12,194	10,150	1,233	6,964	41,326
<b>Cash Basis Fund Balances</b>							
Unreserved:							
Special revenue funds	\$ -	10,785	12,194	10,150	1,233	-	34,362
Permanent fund	-	-	-	-	-	6,964	6,964
Total cash basis fund balances	\$ -	10,785	12,194	10,150	1,233	6,964	41,326

See accompanying independent auditor's report.

City of Bondurant  
 Schedule of Indebtedness  
 Year ended June 30, 2005

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Essential corporate purpose	May 1, 1997	4.50-5.45%	\$ 780,000
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	3.84%	\$ 972,000
Sewer	Jan 6, 1999	3.92	248,934
Sewer	Jan 6, 1999	3.92	326,066
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 240,000	75,000	165,000	12,965
190,000	45,000	145,000	8,222
765,000	120,000	645,000	33,573
460,000	55,000	405,000	19,093
\$ 1,415,000	220,000	1,195,000	60,888
891,000	57,000	834,000	34,214
197,000	10,000	187,000	7,722
266,000	13,000	253,000	10,427
\$ 1,354,000	80,000	1,274,000	52,363

City of Bondurant  
Bond and Note Maturities  
June 30, 2005

Year Ending June 30,	General Obligation Notes			
	Essential Corporate Purpose		Essential Corporate Purpose	
	Issued May 1, 1997		Issued July 1, 1998	
	Interest	Amount	Interest	Amount
2006	5.40%	\$ 80,000	4.30%	\$ 45,000
2007	5.45	85,000	4.35	50,000
2008		-	4.40	50,000
2009		-		-
2010		-		-
2011		-		-
Total		<u>\$ 165,000</u>		<u>\$ 145,000</u>

Year Ending June 30,	Revenue Bonds			
	Water		Sewer	
	Issued Dec 15, 2000		Issued Jan 6, 1999	
	Interest	Amount	Interest	Amount
2006	3.84%	\$ 67,000	3.92%	\$ 10,000
2007	3.84	71,000	3.92	11,000
2008	3.84	74,000	3.92	11,000
2009	3.84	78,000	3.92	12,000
2010	3.84	81,000	3.92	12,000
2011	3.84	85,000	3.92	12,000
2012	3.84	89,000	3.92	13,000
2013	3.84	91,000	3.92	13,000
2014	3.84	93,000	3.92	14,000
2015	3.84	99,000	3.92	15,000
2016	3.84	4,000	3.92	15,000
2017	3.84	2,000	3.92	16,000
2018			3.92	16,000
2019		-	3.92	17,000
Total		<u>\$ 834,000</u>		<u>\$ 187,000</u>

See accompanying independent auditor's report.

General Obligation Bonds				
Essential Corporate Purpose		Essential Corporate Purpose		Total
Issued June 8, 1999		Issued March 22, 2001		
Interest	Amount	Interest	Amount	
4.25%	\$ 135,000	4.00%	\$ 60,000	240,000
4.30	125,000	4.05	65,000	240,000
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>\$ 645,000</u>		<u>\$ 405,000</u>	<u>1,195,000</u>

Sewer		
Issued Jan 6, 1999		
Interest	Amount	Total
3.92%	\$ 14,000	91,000
3.92	14,000	96,000
3.92	15,000	100,000
3.92	16,000	106,000
3.92	16,000	109,000
3.92	17,000	114,000
3.92	18,000	120,000
3.92	18,000	122,000
3.92	19,000	126,000
3.92	20,000	134,000
3.92	20,000	39,000
3.92	21,000	39,000
3.92	22,000	38,000
3.92	23,000	40,000
	<u>\$ 253,000</u>	<u>1,274,000</u>



## City of Bondurant

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

For the Last Four Years

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

See accompanying independent auditor's report.



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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, 2005, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 29, 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.

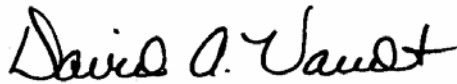
Compliance and Other Matters

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.

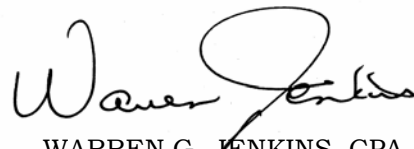
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions 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

March 29, 2006

City of Bondurant

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**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 greater segregation duties. Beginning no later than July 1, 2006, deposits will be made by the Deputy City Clerk rather than the Accounting Clerk. This will separate the deposit function from the checking account reconciliation function. The City is in the process of hiring a full time Finance Director. The Accounting Clerk position will be eliminated at that time. The Finance Director should be in place by July 1, 2006. The City is also planning to contract with the Auditor of State for its FY 2006 audit. The City plans to discuss the segregation of duties issue further with the Auditor's staff as part of the FY 2006 audit. A plan for implementing more segregation will be developed prior to the time the Auditor of State's staff completes their field work for the FY 2006 audit.

Conclusion – Response accepted.

City of Bondurant

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

- (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.

Response – Bank reconciliations will be reviewed and initialed by the City Administrator beginning no later than July 1, 2006.

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.

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 – The utility billing function is performed and maintained by the Deputy City Clerk. Beginning no later than July 1, 2006, the Finance Director will assume some of the review and reconciliation functions performed by the Deputy City Clerk. As with the segregation of duties issue, City staff will discuss this further with Auditor of State’s staff as part of the FY 2006 audit.

Conclusion – Response accepted.

- (D) Accounting Policies and Procedures Manual – We encourage the development of an office procedures and standardized accounting manual for the City. This manual should provide the following benefits:

- (1) Help achieve uniformity in accounting and in the application of policies and procedures.
- (2) Save supervisory time by recording decisions so that they will not have to be made each time the same or similar situation arises.
- (3) Aid in training additional or replacement personnel.

Recommendation – An accounting policies and procedures manual should be developed.

Response – The City agrees that an accounting manual is necessary.

Conclusion – Response accepted.

City of Bondurant

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

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

- A computer log is not maintained to determine who recorded a transaction based on the login name.
- 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.

Response – The City agrees that improvements need to be made in this area. It would be helpful if the Auditor of State would prioritize its recommendations. This would allow the City to address these issues on a systematic basis.

Conclusion – Response acknowledged. Although all items identified above are considered important, the City should prioritize controls safeguarding access to assets and financial reporting by restricting access to programs and updating passwords.

(F) 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. Correcting entries are not identified or recorded in a manner to prevent duplicate correction. 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. Correcting entries should be identified and recorded in a manner to prevent duplicate correction. An independent person should review and approve correcting entries made to the financial records.

Response – This issue will be addressed with the new Finance Director. Adjustments will be reviewed and initialed by the City Administrator.

Conclusion – Response accepted.

City of Bondurant

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

- (G) 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 agrees that better documentation is needed for the petty cash fund.

Conclusion – Response accepted.

- (H) 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, a copy of the receipt is not retained in the receipt book. As a result, the numerical sequence of receipts is not monitored.

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.

A copy of the pre-numbered receipts should be retained in the receipt book and an independent person should reconcile receipts to daily deposits. The numerical sequence of the receipts should be monitored.

Response – The City agrees that the changes recommended are necessary. The City has obtained and is now using a triplicate prenumbered receipt book. The recommendations made for this issue will be implemented no later than July 1, 2006.

Conclusion – Response accepted.

- (I) Disbursements – The numerical sequence of checks was not accounted for and all void checks were not properly mutilated and retained. In addition, supporting documentation could not be located for certain disbursements.

Recommendation – The numerical sequence of checks should be accounted for and all void checks should be properly mutilated and retained. Supporting documentation should be retained for all disbursements.

Response – The City has already implemented a number of the recommendations on this issue. More attention is now paid to the numerical sequence of checks. The other recommendations on this issue will be addressed by the new Finance Director.

Conclusion – Response accepted.

City of Bondurant

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

- (J) Transfers – The Council did not approve transfers between funds and transfers were not properly recorded in the accounting records. In addition, supporting documentation was not retained to document the purpose of the transfer.

Recommendation – The Council should approve transfers between funds and the transfers should be properly recorded in the accounting records. Supporting documentation should be retained to document the purpose of each transfer.

Response – These recommendations will be implemented with the new Finance Director.

Conclusion – Response accepted.



City of Bondurant

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

**Other 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, 2005.
- (2) Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amount budgeted in the public works, community and economic development and debt service 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, when the City amended the budget, incorrect figures were used for original budget receipt amounts.

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. The City should ensure the correct amounts are used when completing budget documents.

Response – The City intends to comply with all statutory requirements regarding budget administration. Actions related to this issue should improve with a full time Finance Director.

Conclusion – Response accepted.

- (3) 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.
- (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 follow:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Allen Ihde, 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

In accordance with Chapter 362.5 of the Code of Iowa, the transactions with the Mayor and Council Member appear to represent a conflict of interest since total transactions with the individuals exceeded \$2,500 during the fiscal year.

City of Bondurant

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Recommendation – The City should comply with the requirements of the Code of Iowa. The City should ensure bids are solicited for purchases that may benefit a city employee or officer, directly or indirectly, which exceed \$2,500 during the fiscal year. In addition, the City should consult legal counsel to determine the disposition of this matter.

Response – This issue has been pointed out in previous audits. The City Attorney has indicated that he does not believe this arrangement to be a violation of section 362.5 because no City official received more than \$2,500.

Conclusion – Response acknowledged. We will review documentation of the City Attorney's decision during the subsequent audit.

- (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 – 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.

Transfers between funds were not approved in the Council minutes.

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. All transfers between funds should be approved in the Council minutes.

Response – The deficient items listed will be included in future Council minutes.

Conclusion – Response accepted.

- (8) Deposits and Investments – No instances of noncompliance 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) 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.

City of Bondurant

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Response – The required sinking accounts will be established shortly after the start of the FY 2007 fiscal year.

Conclusion – Response acknowledged. The required sinking accounts should be established as soon as possible.

- (10) Annual Financial Report – The 2005 Annual Financial Report was not filed by December 1 as required by Chapter 384.22 of the Code of Iowa.

Recommendation – The Annual Financial Report should be completed and filed in accordance with Chapter 382.22 of the Code of Iowa.

Response – Future Annual Financial Reports will be submitted on a timely basis.

Conclusion – Response accepted.

- (11) Payment of General Obligation Bonds – Certain general obligation bonds were paid from the 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 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 follow the recommended procedure for future debt payments.

Conclusion – Response accepted.

- (12) Public Improvements – Public improvements with a cost in excess of \$25,000 are subject to certain requirements in Chapters 384.95 to 385.103 in the Code of Iowa. These requirements include advertising for sealed bids and holding a public hearing on the proposed plans, specifications, the form of contract and the estimated cost. Notice of the public hearing must be published in accordance with Chapter 362.3 of the Code of Iowa.

The City did not publish a notice or hold a public hearing for the Lake Petocka Walking Trail project. In addition, the City did not advertise for sealed bids.

Recommendation – The City should hold public hearings and advertise for sealed bids in accordance with the Code of Iowa.

Response – The City will follow the prescribed statutory procedure for future public improvements.

Conclusion – Response accepted.

City of Bondurant

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

- (13) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks, outstanding for more than two years to the State Treasurer’s Office annually. The City did not remit these obligations as required.

Recommendation – The outstanding checks should be reviewed annually and items over two years old should be remitted to the State Treasurer’s Office as required.

Response – The City’s new Finance Director will review all outstanding obligations and remit any funds required to the State Treasurer’s Office no later than 90 days after July 1, 2006.

Conclusion – Response accepted.

- (14) 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 obtain an image of both sides of all cancelled checks beginning no later than July 1, 2006.

Conclusion – Response accepted.

- (15) Financial Condition – The Special Revenue, Road Use Tax and Urban Renewal Tax Increment Funds had deficit balances of \$78,591 and \$327,575, respectively, at June 30, 2005.

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

Response – As part of its FY 2007 budget process the City has developed a plan for eliminating the deficits in the Road Use Tax and Urban Renewal Tax Increment Funds (TIF). Part of the plan involves increased Road Use revenues from the State of Iowa as a result of a Special Census scheduled for 2006. Additional Road Use Tax Fund revenues are anticipated beginning in January, 2007. The City is applying only half of its anticipated FY 2007 Road Use Tax Fund revenues to the budget. The City will continue budgeting less than its anticipated Road Use Tax Fund revenues in future years until the fund balance deficit is eliminated. Regarding TIF, the City intends to apply all FY 2006 TIF collections to the fund balance deficit. This should eliminate all but approximately \$30,000 of the fund balance deficit. The remaining deficit will be eliminated through application of FY 2007 TIF collections.

Conclusion – Response accepted.

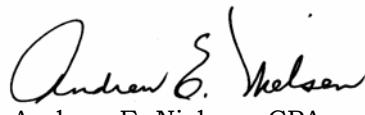
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City of Bondurant

Staff

This audit was performed by:

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