

CITY OF ADEL
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2005

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditors' Report		5-6
Management's Discussion and Analysis		7-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	18-19
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	20-21
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	22
Notes to Financial Statements		24-33
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		35
Notes to Required Supplementary Information – Budgetary Reporting		36
Other Supplementary Information:	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	38-41
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Proprietary Fund	2	42
Schedule of Indebtedness	3	43-44
Bond and Note Maturities	4	45-46
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	5	47
Independent Auditors' 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		49-50
Schedule of Findings		51-55

City of Adel

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James F. Peters	Mayor	Jan 2006
Jon McAvoy	Council Member	Jan 2006
Jeff Harsh	Council Member	Jan 2008
Steve Nichols	Council Member	Jan 2008
Dale Swanson	Council Member	Jan 2006
Angie Overton	Council Member	Jan 2008
Chad Bird	Administrator	At will
Pat Gilliland	Clerk	At will
John Reich	Attorney	At will

City of Adel

CLINE, DEVRIES & ALLEN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

316 S. Duff Suite B – PO Box 187
Ames, Iowa 50010
Phone:515-233-4060 FAX:515-233-3703

13375 University Ave, Suite 203
Clive, Iowa 50325
Phone:515-252-7141 FAX:515-252-7073

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Adel, 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 primary government financial statements are the responsibility of the City of Adel's management. Our responsibility is to express opinions on these primary government 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 and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these primary government 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.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units.

In our opinion, the primary government 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 Adel 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.

However, the primary government financial statements, because they do not include the financial data of the component unit of the City of Adel do not purport to, and do not, present fairly the results of the cash transactions of the funds of the City of Adel as of and for the year ended June 30, 2005, and its indebtedness at June 30, 2005, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated July 21, 2005 on our consideration of the City of Adel'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 15 and 35 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 primary government financial statements that collectively comprise the City of Adel's primary government financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the primary government financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those primary government financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the primary government financial statements. Such information has been subjected to the auditing procedures applied in our audit of the primary government financial statements and, in our opinion, is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.

July 21, 2005
Ames, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Adel provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of financial activities focuses on current year activities and should be read in conjunction with the City's financial statements, which follow.

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 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 non-major and proprietary governmental funds.

Basis of Accounting

The City of Adel, along with many Iowa cities, maintains its financial records on the basis of cash receipts and disbursements. The financial statements of the City are prepared on that basis. The cash basis of accounting does not take into consideration 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 (GAAP). Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting. However, because the City of Adel has used the cash basis of accounting for many years, this report does show activities for a full 12 month period and can be easily compared to other 12 month reporting periods.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

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.

It should be noted that when major projects take place, financing and expenditures may occur in different fiscal years. For example: The Adel Public Library Construction project was financed in

FY04, dramatically increasing the cash balance. The majority of those funds were spent in FY05 reducing the cash balance "back to normal". These types of conditions will be addressed when reporting the financial highlights.

The City has two kinds of funds:

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, which includes the Special Street Reserve Fund 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Proprietary funds account for the City's Enterprise Funds. These proprietary funds are used to report business type activities. The City maintains separate funds for water and sewer, considered to be major funds of the City and garbage/recycling.

GOVERNMENT FINANCIAL STATEMENTS

All receipts and disbursements for the City of Adel are categorized as either governmental activities or business-type activities. As a tool in understanding the Statement of Activities, an explanation of government accounting follows:

Governmental Funds – Most of the city's basic services are reported in governmental funds. These are categorized during the budgeting process and subsequently the annual report as general, special revenue, debt service and capital projects. The following funds further detail revenue and expenditures.

Public Safety: includes police operations, fire protection, building inspections and animal control.

Public Works: includes roads, bridges, sidewalks, street cleaning, equipment, street lighting, snow removal, some tree care and traffic control.

Culture and Recreation: includes library services, museum, parks, pool and cemetery.

Community and Economic Development: includes activities in the urban renewal area including the industrial park funded by tax increment financing.

General Government: includes mayor, council, elections, general legal services, city hall, and general liability insurance.

Debt Service: includes bond payments for general obligation and street and storm sewer construction.

Capital Projects: This fund is utilized in two different ways:

1. Expenditures for construction/reconstruction projects that are reimbursed with bond proceeds, tax increment financing or other funds. Some projects are financed as internal debts.
2. Capital Improvements set aside funds for vehicle/equipment replacement, building maintenance, office equipment, playground equipment, as well as water and sewer improvement funds which can also be classified as internal service funds. These accounts are funded annually through the budgeting process. By setting aside money for future purchases, the taxpayer realizes savings by eliminating bond and interest costs and the city is able to upgrade its equipment and facilities.

Business-type activities: The City charges customers for these services. They are self-sufficient proprietary funds. Expenditures from these funds include operations, transfers and debt payments. Fees for all the enterprise services are combined on monthly billing statements to individual customers.

Water-Revenues to support the operation and maintenance of the City's water plant and distribution system are derived from billings to customers based on individual usage as well as interest on investments and connection fees. Rates charged for services reflect cost of operations and maintenance, debt payments and funding for future improvements.

Sewer-Revenues to support the operation and maintenance of the City's sewer system are derived from billings to customers based on water usage as well as interest and connection fees. Rates charged for services reflect the cost of operations and maintenance, debt payments as well as funding for future improvements.

Garbage/Recycling-The City contracts for collection of residential garbage and recycling service. Recycling contracts for residential customers include curbside recycling for cardboard, paper, plastic, glass, and metal in containers provided by the City. Yard waste collection is also provided by contract. Residential customers are billed based on that contract with the addition of the per capita landfill fee. The City also contracts for commercial collection of cardboard and paper in the business district and bills those customers accordingly. Revenues are used to pay contracts, purchase recycle containers and pay for services provided by city staff.

2005 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased by 14%, from fiscal 2004 to fiscal 2005. One of the biggest reasons for the decrease is due to the fact that the majority of the bond proceeds from the library bond were received in FY04 thus inflating last year's revenue. Some specific line items in FY05's Governmental Activities were higher than FY04 due to slight increases in revenue.

Property tax revenue increased 3.1% or approximately \$47,567 despite an increase in valuation of ½ of 1 percent. However, the valuation increase was offset by the city property tax levy decreasing from \$15.31 to 15.29 per thousand (<1%).

- Disbursements increased from fiscal year 2004 to 2005 by 35%, most of which is attributable to the 2004 expenditures for the Adel Public Library. If the library project is excluded, operational expenditures would have decreased by \$749,416 or 24%.
- The City's total cash basis net assets decreased by \$348,901 over 2004. Of this amount, the assets of the governmental activities decreased approximately \$350,792 and the assets of the business type activities increased by approximately \$1,891.

PROPERTY TAX DISTRIBUTION--Another important question asked of City finances is, "What services are provided by property tax dollars?" Property taxes accounted for 38.0% of the funding for governmental activities in FY05. The following table shows how property taxes are distributed to each fund, the % of your total tax that is allocated to each fund as well as other revenues used to support each fund.

FUND	PROPERTY TAXES	% OF TOTAL TAXES	OTHER REVENUES	TOTAL
Public Safety	397,917	25.4%	228715	626,632
Public Works	58,359	4.0%	293279	351,638
Culture & Recreation	296,844	19.0%	73298	370,142
Economic Development	334,406	21.3%	81251	415,657
General Government	227,773	14.5%	55130	282,903
Debt Service	250,996	16.0%	1651016	1,902,012
Capital Projects	0	0.0%	131596	131,596
Total (including TIF)	1,566,295	100.20%	2514285	4,080,580

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2005
Receipts and transfers:	
Program receipts:	
Charges for service	\$ 355,153
Operating grants, contributions and restricted interest	343,871
General receipts:	
Property tax	1,231,889
Tax increment financing	334,406
Other taxes	11,341
Note proceeds	1,582,315
Unrestricted investment earnings and rent	58,328
Other general receipts	82,877
Other financing sources	80,400
Total receipts and transfers	<u>4,080,580</u>
Disbursements:	
Public safety	527,147
Public works	338,276
Health and social services	-0-
Culture and recreation	345,241
Community and economic development	56,238
General government	255,105
Debt service	515,837
Capital projects	2,393,528
Total disbursements	<u>4,431,372</u>
Decrease in cash basis net assets	(350,792)
Cash basis net assets beginning of year	<u>2,386,689</u>
Cash basis net assets end of year	<u>\$ 2,035,897</u>

Changes in Cash Basis Net Assets of Business Type Activities

	Year ended June 30,
	2005
Receipts:	
Program receipts:	
Charges for service:	
Water	472,445
Sewer	388,669
Garbage/Recycling	168,864
Capital grants, contributions & restricted interest	-
General receipts:	
Unrestricted interest on investments	3,975
Bond proceeds	-
Other general receipts	-
Total receipts	1,033,953
Disbursements and transfers:	
Water	481,658
Sewer	304,900
Garbage/Recycling	165,104
Transfers	80,400
Total disbursements and transfers	1,032,062
Increase (decrease) in cash balance	1,891
Cash basis net assets beginning of year	403,225
Cash basis net assets end of year	\$ 405,116

Total business type activities receipts for the fiscal year were \$1,033,953 compared to \$1,029,242 last year. Total disbursements and transfers for the fiscal year decreased by \$16,778 to total of \$1,015,284 mainly due to reduced debt service payments.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As The City of Adel completed the year, its governmental funds reported a combined fund balance of \$2,035,897. This balance then reflects a decrease of (\$350,792) from last year's total of \$2,386,689. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$6,572 from the prior year to \$206,387. This increase, however modest, is attributable to sound fiscal responsibility.

- The Road Use Tax Fund cash balance decreased by \$12,958 during the fiscal year. The City used this money to undertake various major street projects such as crack sealing on south 15th street and repairs or overlays to other streets.
- The Urban Renewal Tax Increment Fund cash balance of \$18,556 decreased from the previous year as this account saw major activity involved in the sale of the Adel Industrial Park.

- The Capital Projects Fund:

Construction/Reconstruction project cash balances decreased significantly due to the construction of the Library/Street Construction projects. Most of the proceeds for these projects were spent in FY 05.

Internal Debt projects (Brickyard Road, City Hall, Public Safety Building and Industrial Park purchase were increased by \$191,064. These debts will continue to be reduced by transfers from The TIF fund with the exception of the City Hall debt which was retired.

Capital Improvements fund balances had a net decrease of \$21,059 due to major purchases of vehicles and equipment. Some notable FY05 purchases include: police car, dump/snow truck, skid loader, park mower and pickup. Funds continue to be transferred from Water and Sewer funds for future utility improvements.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$15,408 to \$154,016, due primarily to some major repairs in the water plant. Substantial transfers were made to the Water Department for future system improvements and debt service.
- The Sewer Fund cash balance increased by \$18,539 to \$184,783 due to a rate adjustment and conservative spending. Substantial transfers were made to the Sewer Department for future system improvements and debt service.
- Garbage/Recycling Fund decreased by \$1,240 to \$66,317. The city will continue to improve services throughout the community.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 10th, 2005 and provided for changes in the revenue and disbursements in various city funds.

DEBT ADMINISTRATION

At June 30, 2005, the City had approximately \$7,805,470 in bonds and other long-term debt, compared to approximately \$6,635,470 last year, as shown below.

Outstanding Debt at Year-End

	June 30,	
	2005	2004
General obligation capital loan notes	\$ 7,039,000	5,589,000
Tax Increment Financing bonds	45,000	60,000
Revenue bonds and notes	646,470	851,470
Special assessment bonds	75,000	135,000
Bank Notes	-	-
Lease purchase agreement	-	-
Total	\$ 7,805,470	6,635,470

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. This also includes Tax Increment Revenue Bonds. FY05 debt is \$5,519,000. This debt, however, remains below the constitutional debt limit of \$7,084,458. The City of Adel is currently utilizing 80% of its debt limit.

TIF REBATES

The City has a 10-year decreasing tax rebate agreement with United Brick and Tile Company for its expansion at the brick plant, which increased their property values by \$1.75 million. The second rebate was paid in FY05 in the amount of \$54,365.44 which represented 90% of the increased taxes paid by the company as a result of the expansion. Next year's rebate will be in the amount of \$48,185.54 or 80% of the increased taxes. Rebates will continue to be paid, reducing by 10% each year until 2013.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Adel considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for various City activities. Park user fees were implemented to fund the playground equipment capital projects.

When adopting the budget for fiscal year 2005, it was recommended that departments submit budget requests essentially the same as the previous year after cuts were made due to the state reduced revenue. In doing so, the City of Adel tax levy rate increased slightly, to \$15.72 from \$15.29 per thousand of taxable value. Taxable valuations throughout the city increased by \$470,166 due to new construction. This will generate an additional \$7,388 in property taxes which is less than a 1% increase in property tax revenue.

Property valuation serves as the basis for calculating property taxes. Since 1978, residential, commercial, industrial and agricultural classifications have been subject to an assessment limitation order, or rollback, that limits annual growth in property values to 4%. A further restriction is that the growth of residential property cannot exceed that of agricultural property. Residential property for FY05 was taxed at 48.45% of its value, a decrease of 6% from FY04. This puts an additional tax burden on commercial properties, raising economic development issues.

Revenues from road use tax will increase due to the DOT formula of payment for the per capita of the city.

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 Chad Bird, City Administrator or Pat Gilliland, City Clerk/Treasurer, 301 S. 10th Street, P.O. Box 248, Adel, Iowa.

City of Adel

Basic Financial Statements

City of Adel

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	
Functions / Programs:				
Governmental activities:				
Public safety	\$ 527,147	30,913	47,517	-
Public works	338,276	-	293,279	-
Health and social services	-	-	-	-
Culture and recreation	345,241	137,344	3,075	-
Community and economic development	56,238	202	-	-
General government	255,105	122,163	-	-
Debt service	515,837	-	-	-
Capital projects	2,393,528	64,531	-	-
Total governmental activities	4,431,372	355,153	343,871	-
Business type activities:				
Water	481,658	472,445	-	-
Sewer	304,900	388,669	-	-
Garbage/Recycling	165,104	168,864	-	-
Total business type activities	951,662	1,029,978	-	-
Total	\$ 5,383,034	1,385,131	343,871	-
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Mobile home tax				
Franchise taxes				
Grants and contributions not restricted to specific purpose				
Unrestricted interest on investments				
Rent				
Refunding note proceeds, net of discount				
Miscellaneous				
Sale of assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(448,717)	-	(448,717)
(44,997)	-	(44,997)
-	-	-
(204,822)	-	(204,822)
(56,036)	-	(56,036)
(132,942)	-	(132,942)
(515,837)	-	(515,837)
(2,328,997)	-	(2,328,997)
(3,732,348)	-	(3,732,348)
-	(9,213)	(9,213)
-	83,769	83,769
-	3,760	3,760
-	78,316	78,316
(3,732,348)	78,316	(3,654,032)
936,590	-	936,590
334,406	-	334,406
295,299	-	295,299
6,352	-	6,352
4,989	-	4,989
-	-	-
25,828	3,975	29,803
32,500	-	32,500
1,582,315	-	1,582,315
82,877	-	82,877
-	-	-
80,400	(80,400)	-
3,381,556	(76,425)	3,305,131
(350,792)	1,891	(348,901)
2,386,689	403,225	2,789,914
\$ 2,035,897	405,116	2,441,013
\$ 17,629	-	17,629
18,556	-	18,556
1,541,965	313,125	1,855,090
-	-	-
457,747	91,991	549,738
\$ 2,035,897	405,116	2,441,013

City of Adel

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	Urban Renewal Tax Increment	Road Use Tax	Employee Benefits
Receipts:				
Property tax	\$ 671,787	-	-	264,803
Tax increment financing collections	-	334,406	-	-
Other city tax	9,622	-	-	-
Licenses and permits	99,610	-	-	-
Use of money and property	43,533	-	-	-
Intergovernmental	3,281	-	293,279	-
Charges for service	130,222	-	-	-
Special assessments	-	-	-	-
Miscellaneous	54,366	-	-	-
Total receipts	<u>1,012,421</u>	<u>334,406</u>	<u>293,279</u>	<u>264,803</u>
Disbursements:				
Operating:				
Public safety	408,917	-	-	112,229
Public works	57,769	-	230,937	46,026
Culture and recreation	296,844	-	-	43,197
Community and economic development	-	56,238	-	-
General government	216,773	-	-	26,566
Debt service	-	19,395	-	-
Capital projects	-	-	-	-
Total disbursements	<u>980,303</u>	<u>75,633</u>	<u>230,937</u>	<u>228,018</u>
Excess (deficiency) of receipts over (under) disbursements	<u>32,118</u>	<u>258,773</u>	<u>62,342</u>	<u>36,785</u>
Other financing sources (uses):				
Refunding note proceeds, net of discount	-	-	-	-
Operating transfers in	81,137	-	-	-
Operating transfers out	(106,683)	(372,208)	(75,300)	(20,470)
Total other financing sources (uses)	<u>(25,546)</u>	<u>(372,208)</u>	<u>(75,300)</u>	<u>(20,470)</u>
Net change in cash balances	6,572	(113,435)	(12,958)	16,315
Cash balances beginning of year	199,815	131,991	30,587	91,769
Cash balances end of year	<u>\$ 206,387</u>	<u>18,556</u>	<u>17,629</u>	<u>108,084</u>
Cash Basis Fund Balances				
Reserved:				
Debt service	\$ -	-	-	-
Unreserved:				
General fund	206,387	-	-	-
Special revenue funds	-	18,556	17,629	108,084
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Total cash basis fund balances	<u>\$ 206,387</u>	<u>18,556</u>	<u>17,629</u>	<u>108,084</u>

See notes to financial statements.

Debt Service		Capital Projects		Other	Total
General	Refunded	Library	Nonmajor	Governmental	
Obligation	Bond	Building	Funds		
Bonds	Trust Fund	Project			
250,996	-	-	44,303		1,231,889
-	-	-	-	-	334,406
-	-	-	-	-	9,622
-	-	-	-	-	99,610
-	1,845	12,950	-	-	58,328
-	-	-	49,030	-	345,590
-	-	-	34,151	-	164,373
-	-	-	22,553	-	22,553
-	-	3,801	93,327	-	151,494
250,996	1,845	16,751	243,364		2,417,865
-	-	-	6,001		527,147
-	-	-	3,544		338,276
-	-	-	5,200		345,241
-	-	-	-		56,238
-	-	-	11,766		255,105
428,657	-	-	67,785		515,837
-	-	2,028,419	365,109		2,393,528
428,657	-	2,028,419	459,405		4,431,372
(177,661)	1,845	(2,011,668)	(216,041)		(2,013,507)
-	1,582,315	-	-		1,582,315
178,215	-	-	443,004		702,356
-	-	-	(47,295)		(621,956)
178,215	1,582,315	-	395,709		1,662,715
554	1,584,160	(2,011,668)	179,668		(350,792)
(42,749)	-	2,338,579	(363,303)		2,386,689
(42,195)	1,584,160	326,911	(183,635)		2,035,897
(42,195)	1,584,160	-	-		1,541,965
-	-	-			206,387
-	-	-	73,402		217,671
-	-	-	104,970		104,970
-	-	326,911	(362,007)		(35,096)
(42,195)	1,584,160	326,911	(183,635)		2,035,897

City of Adel

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	Other Nonmajor Proprietary Funds	
Operating receipts:				
Charges for service	\$ 469,770	388,669	168,864	1,027,303
Miscellaneous	2,675	-	-	2,675
Total operating receipts	472,445	388,669	168,864	1,029,978
Operating disbursements:				
Business type activities	481,658	304,900	165,104	951,662
Excess (deficiency) of operating receipts over (under) operating disbursements	(9,213)	83,769	3,760	78,316
Non-operating receipts (disbursements):				
Interest on investments	1,905	2,070		3,975
Debt service			-	-
Total non-operating receipts (disbursements)	1,905	2,070	-	3,975
Excess (deficiency) of receipts over (under) disbursements	(7,308)	85,839	3,760	82,291
Other financing sources (uses):				
Operating transfers in	140,350	109,822		250,172
Operating transfers out	(148,450)	(177,122)	(5,000)	(330,572)
Total other financing sources (uses)	(8,100)	(67,300)	(5,000)	(80,400)
Net change in cash balances	(15,408)	18,539	(1,240)	1,891
Cash balances beginning of year	169,424	166,244	67,557	403,225
Cash balances end of year	\$ 154,016	184,783	66,317	405,116
Cash Basis Fund Balances				
Reserved for debt service	\$ 130,574	182,551	-	313,125
Unreserved	23,442	2,232	66,317	91,991
Total cash basis fund balances	\$ 154,016	184,783	66,317	405,116

See notes to financial statements.

City of Adel

City of Adel

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

The City of Adel is a political subdivision of the State of Iowa located in Dallas County. It was first incorporated in 1848 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/recycling service for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Adel has included all funds, organizations, agencies, boards, commissions and authorities, except for its component unit, the South Dallas County Landfill Agency. 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 primary government financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These primary government financial statements present the City of Adel (the primary government) and exclude the component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. It has not been included in these primary government financial statements which present the primary government only. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from its administrative office.

Component Unit

The South Dallas Landfill Agency is a component unit of the City of Adel and is not presented in these primary government financial statements. It is legally separate from the City, but is financially accountable to the City. The Landfill is governed by a one member Board appointed by the City Council and the Landfill's operating budget is subject to the approval of the City Council.

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: Central Iowa Regional Transportation and Planning Alliance (CIRTPA) Board, Dallas County Airport Oversight Committee, CIRTPA Policy Committee, and the Greater Dallas County Development Alliance.

B. Basis of Presentation

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

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 that do not meet 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 and proprietary funds are aggregated and reported as nonmajor governmental and proprietary 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 that are not paid from other funds.

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

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

The Employee Benefits Tax Fund is used to account for property taxes levied to pay employee benefits.

Debt Service:

The General Obligation Bond Fund is used to account for the payment of interest and principal on the City's general obligation long-term debt.

The Refunding Bond Trust Fund is used to account for the 2005 general obligation capital loan notes.

Capital Projects:

The Library Building Project is used to account for construction on the new Library being built next to the City Hall.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

The City of Adel maintains its financial records on the basis of cash receipts and disbursements and the primary government 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 primary government 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 general government and the 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.

At June 30, 2005, the City had the following investments:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Maturity</u>
US Treasury Note	\$ 2,879	\$ 2,879	December 2005
US Treasury Note	1,568,251	1,568,251	June 2007

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$519,617 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Credit risk – The City's investment in the Iowa Public Agency Investment Trust is unrated.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation notes, urban renewal tax increment financing bonds, revenue bonds and notes, special assessment notes, and state revolving loans are as follows:

Year Ending June 30,	General Obligation		Revenue Bonds and Notes		Special Assessment Notes		Tax Increment Financing Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	360,000	319,496	106,000	24,103	-	4,425	15,000	3,330	481,000	351,354
2007	376,000	306,816	106,000	19,607	-	4,425	15,000	2,235	497,000	333,083
2008	384,000	292,662	81,000	14,866	25,000	4,425	15,000	1,125	505,000	313,078
2009	446,000	277,440	87,000	12,440	50,000	4,425	-	-	583,000	294,305
2010 - 2014	2,528,000	1,087,659	221,000	24,946	-	2,950	-	-	2,749,000	1,115,555
2015 - 2019	2,120,000	480,477	45,470	3,582	-	-	-	-	2,165,470	484,059
2020 - 2024	825,000	132,206	-	-	-	-	-	-	825,000	132,206
Total	\$ 7,039,000	2,896,756	646,470	99,544	75,000	20,650	45,000	6,690	7,805,470	3,023,640

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City, however the debt is subject to the constitutional debt limitation of the City.

On June 26, 1997, the City entered into a loan agreement with the Iowa Finance Authority for a State Revolving Loan in the amount of \$1,000,000. This loan bears interest at 3.92% per annum. Interest payments on the outstanding balance are due semi-annually in June and December. The loan proceeds were used to pay a portion of the cost of the construction and improvements to the City's sewer system.

The resolutions providing for the issuance of the water and sewer revenue bonds and notes include the following provisions:

- a) The bonds and notes will only be redeemed from the future earnings of the enterprise activity and the bond and note holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly cash transfers shall first be made to an operation and maintenance fund in an amount equal to current expenses of the month plus an amount equal to one-twelfth of the expenses payable on an annual basis.
- c) Sufficient monthly cash transfers shall be made to separate water and sewer revenue bond sinking accounts for the purpose of making the bond and note principal and interest payments when due.
- d) Additional monthly cash transfers shall be made to separate water and sewer reserve accounts until specific monthly balances have been accumulated.
- e) Additional monthly cash transfers of \$750 shall be made to a water revenue bond improvement account until a minimum of \$45,000 is accumulated. This account is restricted for the purpose of paying the cost of capital improvements and extensions to the municipal waterworks plant and system provided that no deficiency exists in the amounts required to be paid into the water revenue bond sinking account, and to call and redeem such bonds issued hereunder or as may be thereafter issued when subject to redemption prior to maturity.

The resolution providing for the issuance of the \$190,000 Urban Renewal Tax Increment Revenue Bonds, Taxable Series 1993 includes the following provisions:

- a) The net revenues of the project shall be deposited as collected in the Urban Renewal Tax Increment Revenue Fund.
- b) A special fund from which interest and principal on the bonds shall be paid shall be established. The fund shall be known as the Urban Renewal Project Revenue Sinking Account. The amount to be deposited in the account is an amount equal to the interest and principal coming due on such bonds during the fiscal year. Moines shall be transferred from the Urban Renewal Tax Increment Revenue Fund.

As noted in the Schedule of Findings, the City is not in compliance with the provisions of the water or sewer revenue bonds.

General Obligation Refunding Capital Loan Notes

On April 15, 2005, the City issued \$1,610,000 of general obligation refunding capital loan notes, with interest rates ranging from 3.10% to 4.15%, for a crossover refunding of \$95,000 in principal on the GO Capital Loan Notes dated March 1, 2000, and \$1,470,000 in principal for the GO Capital Loan Notes dated November 1, 2000. The City entered into an escrow agreement whereby the proceeds from general obligation refunding notes were converted into U.S. Securities. These securities were placed in an escrow account for the purpose of paying \$95,000 in principal and \$1,470,000 in principal on the refunded general obligation capital loan notes on the crossover date of June 1, 2007 and the interest from April 15, 2005 to and including June 1, 2007 on the refunding capital loan notes. After the principal and interest on all of the outstanding notes have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the City. The transactions, balances and liabilities of the escrow account are recorded by the City since the refunded debt is not considered extinguished.

Annual debt service requirements to maturity of the general obligation refunding capital loan notes are as follows:

Year Ending June 30,	General Obligation Corporate Purpose and Refunding Notes	
	Issued April 15, 2005	
	Principal	Interest
2006	\$ -	-
2007	-	-
2008	95,000	60,385
2009	100,000	57,440
2010	100,000	54,190
2011-2015	775,000	199,900
2016-2018	540,000	45,215
Total	\$ 1,610,000	417,130

During the year ended June 30, 2005, none of the general obligation refunding capital loan notes were retired.

(4) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.907%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$48,151, \$50,654 and \$50,512, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation 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 termination payments payable to employees at June 30, 2005, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 34,234

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

(6) Settlement Agreement

On September 29, 1998, the Adel City Council approved a settlement agreement regarding the City of Adel's closure/post-closure costs which have been incurred in the past and those that are expected to be incurred in the future, based upon population and use of certain areas of the South Dallas County Landfill. Under the agreement, the City agreed to pay to the landfill the sum of \$39,592 per year for thirty years for future closure/post-closure costs, and \$27,553 per year for five years to reimburse the landfill agency for closure/post-closure costs already incurred. Also included in the settlement agreement is an indemnification provision. The other cities which execute the settlement agreement will have their annual contributions fixed at a "not to exceed" level.

(7) 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:	
	Emergency Levy	\$ 20,470
	Police	41,667
	Road Use Tax	14,000
	Enterprise:	
	Garbage	5,000
		<u>81,137</u>
Special Revenue:	Debt Service:	
Police Equipment	General	<u>8,000</u>
Debt Service:	Special Revenue:	
General Obligation Bonds	Urban Renewal Tax Increment	172,587
General Obligation Bonds	Debt Service:	
	2002 Street Utility	<u>5,628</u>
		<u>178,215</u>
Capital Projects:	Special Revenue:	
Industrial Park Project	Urban Renewal Tax Increment	20,000
Brickyard Road Project	Urban Renewal Tax Increment	10,000
Public Safety Building	Urban Renewal Tax Increment	26,586
New City Hall	Urban Renewal Tax Increment	143,035
Vehicle Replacement	Road Use Tax	60,000
Building Maintenance	Road Use Tax	1,300
Vehicle Replacement	Enterprise:	
	Water	5,600
	Sewer	8,300
Building Maintenance	General	2,900
Water Upgrade	Enterprise:	
	Water	2,500
Capital Improvement Sewer	Sewer	59,000
Fire Equipment Upgrade	General	3,000
Vehicle Replacement	General	56,483
Subdrain Asphalt	General	<u>36,300</u>
		<u>435,004</u>
Total		<u>\$ 702,356</u>

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

(8) Notes Receivable/Economic Development

The City of Adel is a member of the Dallas County Developers Organization. The Organization was developed to promote economic development within the community. Each year, the City contributes \$1 per capita. This year's contribution was \$6,870. In April of 2000, the Iowa Department of Economic Development approved the City's application for funding from the Community Economic Betterment Account. The funding consists of a zero percent seven year loan in an amount not to exceed \$500,000. The City received the \$500,000 in the fiscal year ended June 30, 2001 and disbursed the money to United Brick and Tile, Inc. and the City's liability is limited to its good faith enforcement of the loan.

(9) Related Party Transactions

The City had business transactions between the City and City officials totaling \$720 during the year ended June 30, 2005. The City also had business transactions with the South Dallas County Landfill Agency totaling \$18,713.

(10) South Dallas County Landfill Agency

The City of Adel is currently the sole participant in the South Dallas County Landfill Agency. The Agency was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. The Agency is governed by a board composed of an elected representative of the governed body of the participating governmental jurisdiction.

The Agency may not be accumulating sufficient financial resources and the municipalities may be obligated for a proportionate share of the debt, therefore, the City may have an ongoing financial obligation.

Complete financial statements for the Agency can be obtained from the Agency.

(11) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(12) Garbage Contract

On July 1, 1998, the City entered into a contract with Waste Management of Iowa to provide collection services for City residents. The contract runs thru June 30, 2009. The City pays the contractor \$11.83 per residential household unit from which solid waste is collected. During the year ended June 30, 2005, the City paid a total of \$149,963 to Waste Management of Iowa. These fees included garbage pickup, recycling, yard waste and per capita fees. In July of 2005, the City amended the garbage contract to increase the fee to \$12.58 per month per residential household.

(13) Deficit Fund Balances

The City had the following deficit balances at June 30, 2005:

Debt Service Fund	General Obligation Bonds	\$42,195
Capital Projects Funds	Industrial Park Project	145,150
	Brickyard Road Project	100,000
	Public Safety Building	303,407
	03-04 Asphalt Project	2,521
Special Revenue Funds	Fire	527
	Short Term Projects	610

(14) Construction Commitment

The City has entered into a construction contract totaling \$2,223,497. As of June 30, 2005, the remaining commitment was \$315,021.

(15) Line of Credit

At June 30, 2005, the City has an unused revolving line of credit with a financial institution. The revolving line of credit is for \$450,000 and expires on November 15, 2005.

Required Supplementary Information

City of Adel
 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	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts:						
Property tax	\$ 1,231,889	-	1,231,889	1,141,684	1,141,684	90,205
Tax increment financing collections	334,406	-	334,406	320,000	320,000	14,406
Other city tax	9,622	-	9,622	51,269	51,269	(41,647)
Licenses and permits	99,610	-	99,610	44,725	84,725	14,885
Use of money and property	58,328	3,975	62,303	34,000	34,000	28,303
Intergovernmental	345,590	-	345,590	410,334	410,334	(64,744)
Charges for service	164,373	1,027,303	1,191,676	1,115,200	1,115,200	76,476
Special assessments	22,553	-	22,553	35,000	35,000	(12,447)
Miscellaneous	151,494	2,675	154,169	798,403	827,403	(673,234)
Total receipts	<u>2,417,865</u>	<u>1,033,953</u>	<u>3,451,818</u>	<u>3,950,615</u>	<u>4,019,615</u>	<u>(567,797)</u>
Disbursements:						
Public safety	527,147	-	527,147	658,422	663,422	136,275
Public works	338,276	-	338,276	398,050	458,050	119,774
Culture and recreation	345,241	-	345,241	331,049	371,049	25,808
Community and economic development	56,238	-	56,238	53,605	56,605	367
General government	255,105	-	255,105	211,597	251,597	(3,508)
Debt service	515,837	-	515,837	344,087	344,087	(171,750)
Capital projects	2,393,528	-	2,393,528	2,500,000	2,500,000	106,472
Business type activities	-	951,662	951,662	1,024,977	1,059,977	108,315
Total disbursements	<u>4,431,372</u>	<u>951,662</u>	<u>5,383,034</u>	<u>5,521,787</u>	<u>5,704,787</u>	<u>321,753</u>
Excess (deficiency) of receipts over (under) disbursements	(2,013,507)	82,291	(1,931,216)	(1,571,172)	(1,685,172)	(246,044)
Other financing sources, net	1,662,715	(80,400)	1,582,315	-	-	1,582,315
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(350,792)	1,891	(348,901)	(1,571,172)	(1,685,172)	1,336,271
Balances beginning of year	2,386,689	403,225	2,789,914	1,877,731	1,877,731	912,183
Balances end of year	<u>\$ 2,035,897</u>	<u>405,116</u>	<u>2,441,013</u>	<u>306,559</u>	<u>192,559</u>	<u>2,248,454</u>

See accompanying independent auditors' report.

City of Adel

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. 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 or fund type. 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, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds and 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 receipts and disbursements by \$69,000 and \$183,000, respectively. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the general government and debt service functions.

Other Supplementary Information

City of Adel

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

As of and for the year ended June 30, 2005

	Special Revenue						
	Self Insurance	Library Memorial	Central Park Memorial	Fire	Police	Police DARE	Police Academy
Receipts:							
Property tax	\$ -	-	-	-	-	-	-
Intergovernmental	-	1,513	-	-	41,667	-	-
Special assessments	-	-	-	-	-	-	-
Charges for service	-	-	-	-	-	-	-
Miscellaneous	7,671	3,749	2,834	1,443	-	83	-
Total receipts	<u>7,671</u>	<u>5,262</u>	<u>2,834</u>	<u>1,443</u>	<u>41,667</u>	<u>83</u>	<u>-</u>
Disbursements:							
Operating:							
Public safety	-	-	-	-	-	151	-
Public works	-	-	-	-	-	-	-
Culture and recreation	-	4,249	-	-	-	-	-
General government	11,766	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Total disbursements	<u>11,766</u>	<u>4,249</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(4,095)</u>	<u>1,013</u>	<u>2,834</u>	<u>1,443</u>	<u>41,667</u>	<u>(68)</u>	<u>-</u>
Other financing sources (uses):							
Operating transfers in	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	(41,667)	-	-
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,667)</u>	<u>-</u>	<u>-</u>
Net change in cash balances	(4,095)	1,013	2,834	1,443	-	(68)	-
Cash balances beginning of year	16,952	12,075	2,364	(1,970)	16,510	138	3,000
Cash balances end of year	<u>\$ 12,857</u>	<u>13,088</u>	<u>5,198</u>	<u>(527)</u>	<u>16,510</u>	<u>70</u>	<u>3,000</u>
Cash Basis Fund Balances							
Unreserved:							
Special revenue funds	\$ 12,857	13,088	5,198	(527)	16,510	70	3,000
Debt service funds	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-
Total cash basis fund balances	<u>\$ 12,857</u>	<u>13,088</u>	<u>5,198</u>	<u>(527)</u>	<u>16,510</u>	<u>70</u>	<u>3,000</u>

See accompanying independent auditors' report.

Special Revenue				Debt Service		Capital Projects		
Police Equipment	Short Term Projects	Park Impact Fees	Refunds	1998 Paving	2002 Street Utility	Capital Improvement Sewer	Office Replacement	Vehicle Replacement
-	-	-	-	-	44,303	-	-	-
5,850	-	-	-	-	-	-	-	-
-	-	-	-	22,553	-	-	-	-
-	-	-	-	-	-	-	-	-
210	11,377	4,250	980	-	-	-	-	-
6,060	11,377	4,250	980	22,553	44,303	-	-	-
5,850	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	951	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	67,785	-	-	-	-
-	10,515	-	-	-	-	42,239	-	164,784
5,850	10,515	951	-	67,785	-	42,239	-	164,784
210	862	3,299	980	(45,232)	44,303	(42,239)	-	(164,784)
8,000	-	-	-	-	-	59,000	-	130,383
-	-	-	-	-	(5,628)	-	-	-
8,000	-	-	-	-	(5,628)	59,000	-	130,383
8,210	862	3,299	980	(45,232)	38,675	16,761	-	(34,401)
2,332	(1,472)	7,750	1,245	105,964	5,563	19,207	14,550	145,118
10,542	(610)	11,049	2,225	60,732	44,238	35,968	14,550	110,717
10,542	(610)	11,049	2,225	-	-	-	-	-
-	-	-	-	60,732	44,238	-	-	-
-	-	-	-	-	-	35,968	14,550	110,717
10,542	(610)	11,049	2,225	60,732	44,238	35,968	14,550	110,717

City of Adel

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

As of and for the year ended June 30, 2005

	Capital Projects						Line of Credit
	Building Maintenance	Brick Improvement	Water Upgrade	Industrial Park Project	South 12th Street	Brickyard Road Project	
Receipts:							
Property tax	\$ -	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-
Charges for service	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	-
Disbursements:							
Operating:							
Public safety	-	-	-	-	-	-	-
Public works	3,544	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital projects	-	-	12,281	5,150	-	-	-
Total disbursements	3,544	-	12,281	5,150	-	-	-
Excess (deficiency) of receipts over (under) disbursements	(3,544)	-	(12,281)	(5,150)	-	-	-
Other financing sources (uses):							
Operating transfers in	4,200	-	2,500	20,000	-	10,000	-
Operating transfers out	-	-	-	-	-	-	-
Total other financing sources (uses):	4,200	-	2,500	20,000	-	10,000	-
Net change in cash balances	656	-	(9,781)	14,850	-	10,000	-
Cash balances beginning of year	4,597	3,995	20,243	(160,000)	-	(110,000)	-
Cash balances end of year	\$ 5,253	3,995	10,462	(145,150)	-	(100,000)	-
Cash Basis Fund Balances							
Unreserved:							
Special revenue funds	\$ -	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-
Capital projects funds	5,253	3,995	10,462	(145,150)	-	(100,000)	-
Total cash basis fund balances	\$ 5,253	3,995	10,462	(145,150)	-	(100,000)	-

See accompanying independent auditors' report.

Capital Projects									
Public Safety Building	2003-2004 Asphalt Paving Project	New City Hall	Sewer Refund Project	Subdrain Asphalt	Fire Equipment Upgrade	Playground Equipment	Ball Diamond		Total
-	-	-	-	-	-	-	-	-	44,303
-	-	-	-	-	-	-	-	-	49,030
-	-	-	-	-	-	-	-	-	22,553
-	-	-	-	-	-	34,151	-	-	34,151
-	-	-	-	-	927	-	59,803	-	93,327
-	-	-	-	-	927	34,151	59,803	-	243,364
-	-	-	-	-	-	-	-	-	6,001
-	-	-	-	-	-	-	-	-	3,544
-	-	-	-	-	-	-	-	-	5,200
-	-	-	-	-	-	-	-	-	11,766
-	-	-	-	-	-	-	-	-	67,785
3,407	-	-	-	36,300	1,568	30,384	58,481	-	365,109
3,407	-	-	-	36,300	1,568	30,384	58,481	-	459,405
(3,407)	-	-	-	(36,300)	(641)	3,767	1,322	-	(216,041)
26,586	-	143,035	-	36,300	3,000	-	-	-	443,004
-	-	-	-	-	-	-	-	-	(47,295)
26,586	-	143,035	-	36,300	3,000	-	-	-	395,709
23,179	-	143,035	-	-	2,359	3,767	1,322	-	179,668
(326,586)	(2,521)	(143,035)	678	-	-	-	-	-	(363,303)
(303,407)	(2,521)	-	678	-	2,359	3,767	1,322	-	(183,635)
-	-	-	-	-	-	-	-	-	73,402
-	-	-	-	-	-	-	-	-	104,970
(303,407)	(2,521)	-	678	-	2,359	3,767	1,322	-	(362,007)
(303,407)	(2,521)	-	678	-	2,359	3,767	1,322	-	(183,635)

City of Adel
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Fund
As of and for the year ended June 30, 2005

	Garbage/ Recycling
Operating Receipts:	
Charges for service	\$ 168,864
Operating Disbursements:	
Business type activities	165,104
Excess (deficiency) of receipts over (under) disbursements	3,760
Other financing uses:	
Operating transfers out	(5,000)
Net change in cash balance	(1,240)
Cash balance beginning of year	67,557
Cash balance end of year	\$ 66,317
Cash Basis Fund Balance	
Unreserved	\$ 66,317
Total cash basis fund balance	\$ 66,317

See accompanying independent auditors' report.

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

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Capital loan notes	Mar 1, 2000	4.90-5.50%	\$ 270,000
Capital loan notes	Jan 14, 2000	4.75-5.35%	300,000
Capital loan notes	Nov 1, 2000	4.80-5.80%	1,655,000
Capital loan notes	Oct 1, 2002	3.00-5.00%	1,000,000
Capital loan notes	Jun 1, 2004	2.25-5.30%	2,600,000
Capital loan notes	Apr 15, 2005	3.10-4.15%	1,610,000
Total			
Revenue notes:			
Water	May 1, 1989	10.00-10.10%	\$ 275,000
Water revenue capital loan notes	Aug 1, 1992	4.00-6.60%	900,000
Sewer revenue capital loan notes	May 1, 2003	1.50-3.50%	575,000
1997 State revolving sewer revenue loan	Jun 26, 1997	3.92.%	309,000
Total			
Special assessment notes:			
Street improvement capital loan notes	Mar 1, 2000	5.20-6.00%	\$ 215,000
Urban renewal tax increment financing (TIF) revenue bonds:			
1993 Series	Aug 1, 1993	4.50-7.50%	\$ 190,000

See accompanying independent auditors' report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
175,000	-	25,000	150,000	9,440	-
199,000	-	30,000	169,000	10,467	-
1,615,000	-	45,000	1,570,000	89,763	-
1,000,000	-	60,000	940,000	43,073	-
2,600,000	-	-	2,600,000	113,215	-
-	1,610,000	-	1,610,000	-	-
<u>\$ 5,589,000</u>	<u>1,610,000</u>	<u>160,000</u>	<u>7,039,000</u>	<u>265,958</u>	<u>-</u>
\$ 75,000	-	25,000	50,000	7,575	-
100,000	-	100,000	-	6,600	-
510,000	-	70,000	440,000	14,215	-
166,470	-	10,000	156,470	6,546	-
<u>\$ 851,470</u>	<u>-</u>	<u>205,000</u>	<u>646,470</u>	<u>34,936</u>	<u>-</u>
\$ 135,000	-	60,000	75,000	7,785	-
\$ 60,000	-	15,000	45,000	4,395	-

City of Adel
Bond and Note Maturities

June 30, 2005

Year Ending June 30,	General					
	Capital Loan Notes Issued Jan 14, 2000		Capital Loan Notes Issued Mar 1, 2000		Capital Loan Notes Issued Nov 1, 2000	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2006	5.35%	\$ 30,000	5.30%	\$ 25,000	5.15%	\$ 50,000
2007	5.35	31,000	5.35	30,000	5.20	50,000
2008	5.35	34,000	5.40	30,000	5.25	50,000
2009	5.35	36,000	5.45	30,000	5.30	55,000
2010	5.35	38,000	5.50	35,000	5.35	55,000
2011		-		-	5.40	135,000
2012		-		-	5.50	140,000
2013		-		-	5.55	150,000
2014		-		-	5.60	160,000
2015		-		-	5.65	165,000
2016		-		-	5.70	175,000
2017		-		-	5.75	185,000
2018		-		-	5.80	200,000
2019		-		-		-
2020		-		-		-
2021		-		-		-
2022		-		-		-
2023		-		-		-
2024		-		-		-
Total		<u>\$ 169,000</u>		<u>\$ 150,000</u>		<u>\$ 1,570,000</u>

Year Ending June 30,	Revenue Bonds and Notes						
	Sewer Revenue						
	Water Issued May 1, 1989		Capital Loan Notes Issued May 1, 2003		State Revolving Loan Issued Jun 26, 1997		Total
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2006	10.10%	\$ 25,000	2.20%	\$ 70,000	3.92%	\$ 11,000	\$ 106,000
2007	10.10	25,000	2.55	70,000	3.92	11,000	106,000
2008		-	2.85	70,000	3.92	11,000	81,000
2009		-	3.10	75,000	3.92	12,000	87,000
2010		-	3.30	75,000	3.92	12,000	87,000
2011		-	3.50	80,000	3.92	13,000	93,000
2012		-		-	3.92	13,000	13,000
2013		-		-	3.92	14,000	14,000
2014		-		-	3.92	14,000	14,000
2015		-		-	3.92	15,000	15,000
2016		-		-	3.92	15,000	15,000
2017		-		-	3.92	15,470	15,470
Total		<u>\$ 50,000</u>		<u>\$ 440,000</u>		<u>\$ 156,470</u>	<u>\$ 646,470</u>

See accompanying independent auditors' report.

Obligation Notes

Capital Loan Notes		Capital Loan Notes		Capital Loan Notes		Total
Issued Oct 1, 2002		Issued Jun 1, 2004		Issued Apr 15, 2005		
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
3.30%	\$ 60,000	2.25%	\$ 100,000	3.10%	\$ 95,000	\$ 360,000
3.60	65,000	2.70	100,000	3.25	100,000	376,000
3.85	65,000	3.10	105,000	3.40	100,000	384,000
4.05	70,000	3.35	110,000	3.50	145,000	446,000
4.20	75,000	3.55	115,000	3.60	150,000	468,000
4.35	80,000	3.75	120,000	3.70	155,000	490,000
4.50	80,000	3.95	120,000	3.80	160,000	500,000
4.60	85,000	4.10	125,000	3.90	165,000	525,000
4.70	85,000	4.25	130,000	4.00	170,000	545,000
4.80	90,000	4.40	135,000	4.10	180,000	570,000
4.90	90,000	4.55	140,000	4.15	190,000	595,000
5.00	95,000	4.65	150,000	-	-	430,000
-	-	4.75	160,000	-	-	360,000
-	-	4.85	165,000	-	-	165,000
-	-	4.95	150,000	-	-	150,000
-	-	5.05	160,000	-	-	160,000
-	-	5.15	165,000	-	-	165,000
-	-	5.25	175,000	-	-	175,000
-	-	5.30	175,000	-	-	175,000
	<u>\$ 940,000</u>		<u>\$ 2,600,000</u>		<u>\$ 1,610,000</u>	<u>\$7,039,000</u>

Year Ending June 30,	Urban Renewal Tax Increment Financing (TIF) Revenue Bonds 1993 Series Issued Aug 1, 1993		Year Ending June 30,	Special Assessment Notes Street Improvement Capital Loan Notes Issued Mar 1, 2000	
	Interest			Interest	
	Rates	Amount		Rates	Amount
2006	7.30%	\$ 15,000	2006	5.50%	\$ -
2007	7.40	15,000	2007	5.60	-
2008	7.50	15,000	2008	5.70	25,000
		-		5.80	50,000
Total		<u>\$ 45,000</u>	Total		<u>\$ 75,000</u>

City of Adel

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Two Years

	<u>2005</u>	<u>2004</u>
Receipts:		
Property tax	\$ 1,231,889	\$ 1,209,994
Tax increment financing collections	334,406	308,734
Other city tax	9,622	6,174
Licenses and permits	99,610	29,476
Use of money and property	58,328	26,892
Intergovernmental	345,590	341,249
Charges for service	164,373	119,810
Special assessments	22,553	47,615
Miscellaneous	151,494	740,112
	<u> </u>	<u> </u>
Total	<u>\$ 2,417,865</u>	<u>\$ 2,830,056</u>
Disbursements:		
Operating:		
Public safety	\$ 527,147	\$ 602,796
Public works	338,276	382,280
Culture and recreation	345,241	359,094
Community and economic development	56,238	81,218
General government	255,105	187,818
Debt service	515,837	667,377
Capital projects	2,393,528	1,002,337
	<u> </u>	<u> </u>
Total	<u>\$ 4,431,372</u>	<u>\$ 3,282,920</u>

See accompanying independent auditors' report.

City of Adel

CLINE, DEVRIES & ALLEN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

316 S. Duff Suite B – PO Box 187
Ames, Iowa 50010
Phone:515-233-4060 FAX:515-233-3703

13375 University Ave, Suite 203
Clive, Iowa 50325
Phone:515-252-7141 FAX:515-252-7073

Independent Auditors' 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 Adel, 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 July 21, 2005. Our report expressed an unqualified opinion on the primary government 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 Adel'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 Adel'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 Part II of 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 II-A-05 is a material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Adel's primary government 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 Part III of 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 Adel and other parties to whom the City of Adel 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 Adel 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.

July 21, 2005
Ames, Iowa

City of Adel

Schedule of Findings

Year Ended June 30, 2005

Part I: Summary of the Independent Auditors' Results:

- (a) An unqualified opinion was issued on the primary government financial statements which 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.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including two material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

City of Adel

Schedule of Findings

Year Ended June 30, 2005

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- II-A-05 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. We noted that certain functions are not entirely segregated.

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.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- II-B-05 General Obligation Notes – The proceeds of the 2005 General Obligation Refunding Capital Loan Notes were not recorded on the City's books. This was corrected during the audit.

Recommendation – The City should properly reflect all activity on their accounting records.

Response – We will do so.

Conclusion – Response accepted.

City of Adel

Schedule of Findings

Year Ended June 30, 2005

Part III: Other Findings Related to Statutory Reporting:

III-A-05 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.

III-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the general government and debt service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – Although the budget was amended, it should have been amended in amounts sufficient to prevent the budget from being exceeded.

Response – We will do so.

Conclusion – Response accepted.

III-C-05 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

III-D-05 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-E-05 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Snakebyte Technologies, Owned by son of a Council Member	Services	\$ 720

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the above individual do not appear to represent a conflict of interest since total transactions with the individual were less than \$1,500 during the fiscal year.

III-F-05 Bond Coverage – Surety bond coverage of City officials and employees is not in accordance with statutory provisions. The City Administrator is currently the only one covered on the policy. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

Recommendation – The City should update their policy to include all required individuals in accordance with Chapter 64 of the Code of Iowa.

Response – We will do so.

City of Adel

Schedule of Findings

Year Ended June 30, 2005

Conclusion – Response accepted.

III-G-05 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not. However, the Council entered into closed sessions a few times throughout the fiscal year and the specific exemption under the Code of Iowa was not documented.

Recommendation – The Council should document the specific exemption under Chapter 21 of the Code of Iowa in the future whenever a closed session is entered into.

Response – We will do so.

Conclusion – Response accepted.

III-H-05 Financial Condition – The City had the following deficit balances at June 30, 2005:

Debt Service Fund	General Obligation Bonds	\$42,195
Capital Projects Funds	Industrial Park Project	145,150
	Brickyard Road Project	100,000
	Public Safety Building	303,407
	03-04 Asphalt Project	2,521
Special Revenue Funds	Fire	527
	Short Term Projects	610

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

Response – The Industrial Park will be sold in the next fiscal year which will eliminate the deficit in the Industrial Park Project. The other deficits will be eliminated upon receipt of funds in the next fiscal year.

Conclusion – Response accepted.

City of Adel

Schedule of Findings

Year Ended June 30, 2005

III-I-05 Deposits and Investments – The City has not updated their investment policy to comply with the provisions of Ch. 12B.10B of the Code of Iowa.

Recommendation – The City should adopt a new investment policy that meets the provisions of the Code of Iowa.

Response – We will do so.

Conclusion – Response accepted.

III-J-05 Revenue Bonds and Notes – The resolution providing for the issuance of the 1989 water revenue bonds requires that any excess over the minimum in the sinking fund and reserve fund are to be withdrawn and deposited into the revenue account. At June 30, 2005, the sinking fund has an excess of approximately \$10,000 and the reserve has an excess of approximately \$93,500. The improvement fund is below the minimum required balance by approximately \$47,000.

In addition, the City is not in compliance with the provisions of the Sewer Revenue Fund. The sinking fund has an excess balance of approximately \$19,000 which should be transferred to the revenue fund.

Recommendation – The City should make the necessary transfers to bring the funds to their required balances.

Response – We will do so.

Conclusion – Response accepted.