

CITY OF WAUKON
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

June 30, 2004

HAGEN & KALLEVANG, P.C.
Certified Public Accountants

CITY OF WAUKON

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CITY OF WAUKON

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2004)		
Dwight Jones	Mayor	December 31, 2003
Duane DeWalle	Mayor Pro Tem	December 31, 2003
Terri Krueger	Council Member	December 31, 2003
Al Lyon	Council Member	December 31, 2005
Adam Nevermann	Council Member	December 31, 2005
Dennis Paul	Council Member	(Special election 10-8-02) December 31, 2005
Rodney Peterson	Council Member	(Resigned 7-31-02) December 31, 2005
Diane Sweeney	Clerk/Treasurer	December 31, 2003
James Garrett	Attorney	December 31, 2003
Jeff Swartz	Assistant Attorney	December 31, 2003
(After January 2004)		
Dwight Jones	Mayor	December 31, 2005
Duane DeWalle	Mayor Pro Tem	December 31, 2007
Al Lyon	Council Member	December 31, 2005
Adam Nevermann	Council Member	December 31, 2005 (Resigned 7-16-04)
Rodney Peterson	Council Member	December 31, 2005
Drew Hager	Council Member	December 31, 2007
Diane Sweeney	Clerk/Treasurer	December 31, 2004
James Garrett	Attorney	December 31, 2004
Jeff Swartz	Assistant Attorney	December 31, 2004

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 Waukon, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City of Waukon's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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.

The financial statements referred to above include only the primary government of the City of Waukon, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which U.S. generally accepted accounting principles require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Waukon as of June 30, 2004, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in note 1.

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 for the primary government of the City of Waukon as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As discussed in Note 16, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2004 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 26 and 27 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the 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.

Hagen & Kallewang, P.C.

December 20, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

Revenues of the City's governmental activities increased 3.9%, or approximately \$118,000, from fiscal 2003 to fiscal 2004. The revenue sources with major changes from the prior year are as follows:

	Increase (Decrease)
Taxes	\$ 24,000
Intergovernmental	(327,000)
Charges for service	96,000
Miscellaneous	(152,000)
Loan proceeds	500,000
All others, net	(23,000)
	<u>\$ 118,000</u>

Disbursements decreased 8.4%, or \$286,000, in fiscal 2004 from fiscal 2003. The disbursements with major changes from the prior year are as follows:

Public safety	\$ 23,000
Public works	(90,000)
Culture and recreation	(40,000)
Community and economic development	(1,005,000)
Debt service	540,000
Capital project	292,000
All others, net	(6,000)
	<u>\$ (286,000)</u>

The City's total cash basis net assets increased 10%, or approximately \$255,000, from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities increased approximately \$52,000 and the assets of the business type activities increased by approximately \$203,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the indebtedness of the City.

Basis of Accounting

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information 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 service, 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 and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and 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 statements for governmental funds include 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 two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

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

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

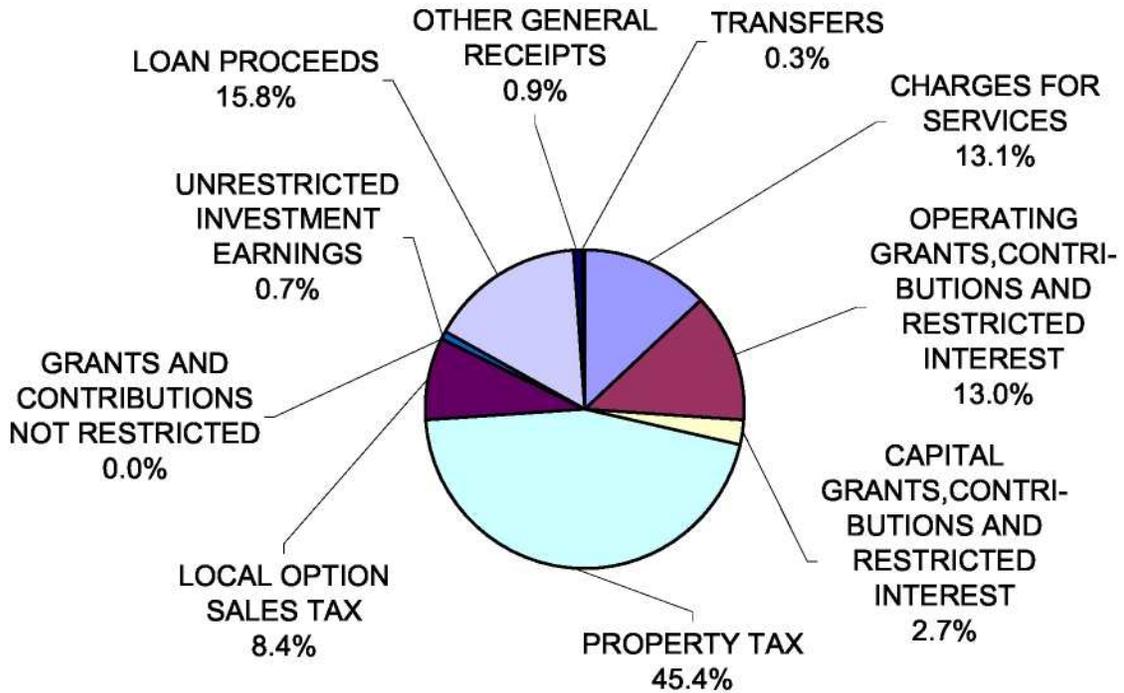
GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$1,715,117 to \$1,766,390. The analysis that follows focuses on the changes in cash balances for governmental activities.

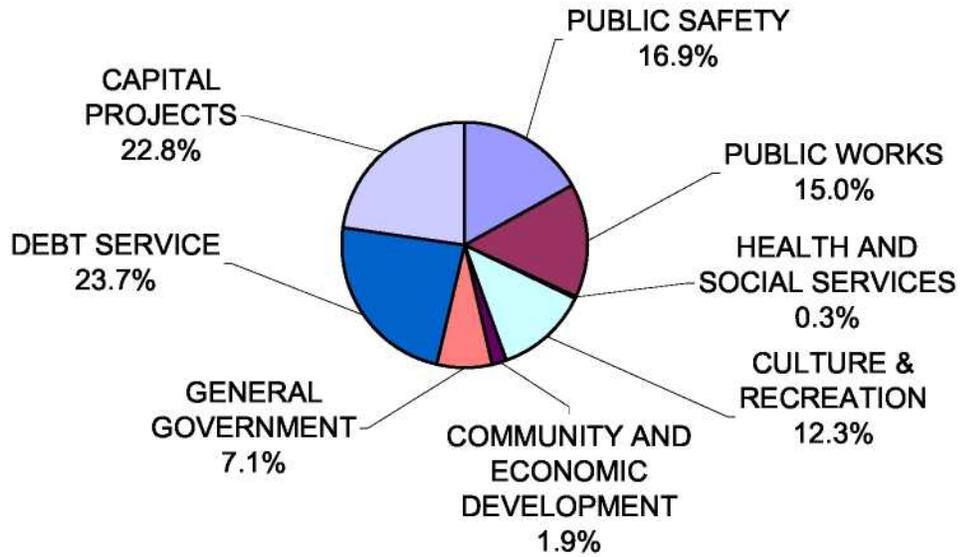
Changes in Cash Basis Net Assets of Governmental Activities

	Year ended June 30,	
	<u>2004</u>	<u>2003</u>
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 415,197	\$ 394,822
Operating grants, contributions and restricted interest	411,106	541,856
Capital grants, contributions and restricted interest	77,153	325,474
General receipts:		
Property tax	1,437,836	1,435,409
Local option sales tax	264,650	242,809
Grants and contributions not restricted to specific purposes	-	-
Unrestricted investment earnings	21,996	35,024
Loan proceeds	500,000	-
Other general receipts	27,545	40,290
Transfers, net	<u>9,861</u>	<u>31,825</u>
Total receipts and transfers	<u>3,165,344</u>	<u>3,047,509</u>
Disbursements:		
Public safety	526,815	503,460
Public works	465,949	556,741
Health and social services	9,000	9,000
Culture and recreation	384,617	424,912
Community and economic development	60,595	1,065,701
General government	220,089	225,889
Debt service	737,950	198,097
Capital projects	<u>709,056</u>	<u>416,616</u>
Total disbursements	<u>3,114,071</u>	<u>3,400,416</u>
Increase (decrease) in cash basis net assets	51,273	(352,907)
Cash basis net assets beginning of year	<u>1,715,117</u>	<u>2,068,024</u>
Cash basis net assets end of year	<u>\$ 1,766,390</u>	<u>\$ 1,715,117</u>

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities increased by 3.9% or \$118,000, which reflects the loss of state revenue funding of approximately \$70,000 and money which was received in 2003 for EDA grant of approximately \$290,000 and issuing \$500,000 in bonds. The total cost of all programs and services decreased by approximately \$286,000, or 8.4%, with no new programs added this year.

The City's total receipts for governmental activities:

Changes in Cash Basis Net Assets of Business Type Activities

	Year ended June 30,	
	<u>2004</u>	<u>2003</u>
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 389,936	\$ 378,185
Sewer	<u>414,814</u>	<u>353,648</u>
Total receipts	<u>804,750</u>	<u>731,833</u>
Disbursements and transfers:		
Water	317,016	304,912
Sewer	274,449	335,903
Transfers	<u>9,861</u>	<u>31,825</u>
Total disbursements and transfers	<u>601,326</u>	<u>672,640</u>
Increase (decrease) in cash balance	203,424	59,193
Cash basis net assets beginning of year	<u>841,620</u>	<u>782,427</u>
Cash basis net assets end of year	<u>\$ 1,045,044</u>	<u>\$ 841,620</u>

Total business type activities receipts for the fiscal year were \$804,750 compared to \$731,833 last year. This increase was due to approximately \$7,900 collected by an increase in water rates. The City also received from the city's insurance carrier an insurance claim check for \$65,000 for lightning damage. The repairs for damages will not be expended until next fiscal year. The cash balance increased by approximately \$203,000. Total disbursements and transfers for the fiscal year decreased by 10.6% to a total of \$601,326.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Waukon completed the year, its governmental funds reported a combined fund balance of \$1,766,390, an increase of approximately \$51,273 from last year's total of \$1,715,117. 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 \$121,821 from the prior year to \$361,815. Approximately \$64,400 of this decrease was because the city did not receive state and local grant and reimbursements, which resulted in the City using funds on hand for certain operating expenses.
- The Road Use Tax Fund cash balance increased by \$68,816 from the prior year to \$333,810 during the fiscal year. The City intends to use this money to upgrade street equipment.
- The Urban Renewal Tax Increment Fund was established to account for a major urban renewal projects within the City. At the end of the fiscal year, the cash balance was increased by \$103,085. These proceeds will be used for various construction projects within the urban renewal district.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance increased by \$68,768 to \$457,012, due primarily to an increase in rates and water sales and reduction in certain operating costs and debt service payment over the prior year.

The Sewer Fund cash balance increased by \$134,556 to \$588,043, due primarily to an increase in rates and debt paid off.

BUDGETARY HIGHLIGHTS

The City of Waukon amended the budget on May 17, 2004. The amendment increased budgeted disbursements by \$583,000 for debt guarantee settlement. The increased disbursements would be paid from the proceeds of a \$500,000 bond and the rest from cash balances.

DEBT ADMINISTRATION

At June 30, 2004, the City had approximately \$1,348,401 in bonds and other long-term debt, compared to approximately \$1,000,835 from last year. Debt increased as a result of issuing TIF revenue bonds for a loan settlement agreement.

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 \$1,197,842 is significantly below its constitutional debt limit of \$7,195,247.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Waukon considered many factors when setting the fiscal year 2005 budget. Amounts available for appropriation in the budget are \$3,337,874. This is a decrease of \$1,619,933 over the final 2004 budget, which included a loan settlement agreement and various capital projects.

The City of Waukon and Veterans Memorial Hospital entered into a lease agreement with Gundersen Clinic, Ltd. in September 2004. Gundersen Clinic, Ltd. will lease a medical clinic facility to be constructed by the City on real estate owned by the City and controlled and managed by the City's Hospital Board of Trustees. The City of Waukon will amend the budget expenditures for the fiscal year 2005 \$1,500,000 for this project, with the financing to be obtained from local banks. This project will add new jobs to the community and enhance the City's hospital services in addition to giving the City's hospital financial stability.

The City's budgeted ending fund balance is expected to be approximately 2,468,000 as of June 30, 2005.

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 Diane Sweeney, City Clerk, City of Waukon, 101 Allamakee Street, Waukon, IA 52172 (563-568-3492).

BASIC FINANCIAL STATEMENTS

CITY OF WAUKON

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

As of and for the year ended June 30, 2004

Functions/Programs	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
		Charges for Services	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities							
Public safety	\$ (526,815)	\$ 16,799	\$ 5,844	\$ -	\$ (504,172)	\$ -	\$ (504,172)
Public works	(465,949)	204,317	351,812	-	90,180	-	90,180
Health and social services	(9,000)	-	-	-	(9,000)	-	(9,000)
Culture and recreation	(384,617)	138,672	53,450	-	(192,495)	-	(192,495)
Community and economic development	(60,595)	18,000	-	-	(42,595)	-	(42,595)
General government	(220,089)	23,301	-	-	(196,788)	-	(196,788)
Debt service	(737,950)	-	-	-	(737,950)	-	(737,950)
Capital projects	(709,056)	14,108	-	77,153	(617,795)	-	(617,795)
Total governmental activities	<u>(3,114,071)</u>	<u>415,197</u>	<u>411,106</u>	<u>77,153</u>	<u>(2,210,615)</u>	<u>-</u>	<u>(2,210,615)</u>
Business type activities							
Water	(317,016)	389,936	-	-	-	72,920	72,920
Sewer	(274,449)	414,814	-	-	-	140,365	140,365
Total business type activities	<u>(591,465)</u>	<u>804,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>213,285</u>	<u>213,285</u>
Total	<u>\$ (3,705,536)</u>	<u>\$ 1,219,947</u>	<u>\$ 411,106</u>	<u>\$ 77,153</u>	<u>(2,210,615)</u>	<u>213,285</u>	<u>(1,997,330)</u>
General Receipts							
Property tax levied for							
General purposes					770,008	-	770,008
Tax increment financing					589,101	-	589,101
Debt service					78,727	-	78,727
Local option sales tax					264,650	-	264,650
Grants and contributions not restricted to specific purpose					-	-	-
Unrestricted interest on investments					21,996	-	21,996
Bond proceeds					500,000	-	500,000
Miscellaneous					27,545	-	27,545
Sale of assets					-	-	-
Transfers					9,861	(9,861)	-
Total general receipts and transfers					<u>2,261,888</u>	<u>(9,861)</u>	<u>2,252,027</u>
Change in cash basis net assets					51,273	203,424	254,697
Cash basis net assets beginning of year, as restated					<u>1,715,117</u>	<u>841,620</u>	<u>2,556,737</u>
Cash basis net assets end of year					<u>\$ 1,766,390</u>	<u>\$ 1,045,044</u>	<u>\$ 2,811,434</u>
Cash Basis Net Assets							
Restricted							
Streets					\$ 333,810	\$ -	\$ 333,810
Urban renewal purposes					488,349	-	488,349
Debt service					647	185,777	186,424
Other purposes					581,769	-	581,769
Unrestricted					<u>361,815</u>	<u>859,267</u>	<u>1,221,082</u>
Total cash basis net assets					<u>\$ 1,766,390</u>	<u>\$ 1,045,044</u>	<u>\$ 2,811,434</u>

See notes to financial statements.

CITY OF WAUKON

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2004

	Special Revenue			Capital Projects		Other Nonmajor Governmental Funds	Total
	General	Road Use Tax	Urban Renewal Increment	S.E. Urban Renewal Project	Street Improvements Projects		
Receipts							
Property tax	\$ 648,443	\$ -	\$ -	\$ -	\$ -	\$ 163,651	\$ 812,094
Tax increment financing collections	-	-	589,101	-	-	-	589,101
Other city tax	20,591	-	11,071	-	-	269,629	301,291
Licenses and permits	19,143	-	-	-	-	-	19,143
Use of money and property	28,133	-	-	-	-	1,612	29,745
Intergovernmental	78,563	344,061	-	36,000	14,000	-	472,624
Charges for service	291,507	-	-	-	-	-	291,507
Special assessments	1,084	-	-	-	14,108	-	15,192
Miscellaneous	63,565	-	1,805	18,485	6,863	34,068	124,786
Total receipts	1,151,029	344,061	601,977	54,485	34,971	468,960	2,655,483
Disbursements							
Operating							
Public safety	454,231	-	9,168	-	-	63,416	526,815
Public works	195,060	270,889	-	-	-	-	465,949
Health and social services	9,000	-	-	-	-	-	9,000
Culture and recreation	361,126	-	-	-	-	23,491	384,617
Community and economic development	59,409	-	-	-	-	1,186	60,595
General government	208,241	-	-	-	-	11,848	220,089
Debt service	-	-	659,870	-	-	78,080	737,950
Capital projects	-	-	36,879	347,460	324,717	-	709,056
Total disbursements	1,287,067	270,889	705,917	347,460	324,717	178,021	3,114,071
Excess of receipts over disbursements	(136,038)	73,172	(103,940)	(292,975)	(289,746)	290,939	(458,588)
Other financing sources (uses)							
Bond proceeds	-	-	500,000	-	-	-	500,000
Sale of capital assets	-	-	-	-	-	-	-
Operating transfers in	63,699	-	54,485	347,460	289,746	-	755,390
Operating transfers out	(49,482)	(4,356)	(347,460)	(54,485)	-	(289,746)	(745,529)
Total other financing sources (uses)	14,217	(4,356)	207,025	292,975	289,746	(289,746)	509,861
Net change in cash balances	(121,821)	68,816	103,085	-	-	1,193	51,273
Cash balances beginning of year	483,636	264,994	385,264	-	-	581,223	1,715,117
Cash balances end of year	\$ 361,815	\$ 333,810	\$ 488,349	\$ -	\$ -	\$ 582,416	\$ 1,766,390
Cash Basis Fund Balances							
Reserved							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 647	\$ 647
Unreserved							
General fund	361,815	-	-	-	-	-	361,815
Special revenue funds	-	333,810	488,349	-	-	529,166	1,351,325
Capital projects fund	-	-	-	-	-	52,603	52,603
Total cash basis fund balances	\$ 361,815	\$ 333,810	\$ 488,349	\$ -	\$ -	\$ 582,416	\$ 1,766,390

See notes to financial statements.

CITY OF WAUKON

RECONCILIATION OF THE STATEMENT OF CASH
RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
TO THE STATEMENT OF ACTIVITIES AND NET ASSETS -
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2004

Total governmental funds cash balances (page 12)	\$ 1,766,390
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:	
Not applicable	<u> -</u>
Cash basis net assets of governmental activities (page 11)	<u>\$ 1,766,390</u>
Net change in cash balances (page 12)	\$ 51,273
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:	
Not applicable	<u> -</u>
Change in cash balance of governmental activities (page 11)	<u>\$ 51,273</u>

See notes to financial statements.

CITY OF WAUKON

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2004

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Use of money and property	\$ 2,007	\$ 1,903	\$ 3,910
Charges for service	387,429	346,257	733,686
Miscellaneous	500	66,654	67,154
Total operating receipts	<u>389,936</u>	<u>414,814</u>	<u>804,750</u>
Operating disbursements:			
Business type activities	<u>214,186</u>	<u>274,449</u>	<u>488,635</u>
Total operating disbursements	<u>214,186</u>	<u>274,449</u>	<u>488,635</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>175,750</u>	<u>140,365</u>	<u>316,115</u>
Non-operating receipts (disbursements):			
Debt service	<u>(102,830)</u>	-	<u>(102,830)</u>
Total non-operating receipts (disbursements)	<u>(102,830)</u>	-	<u>(102,830)</u>
Excess (deficiency) of receipts over (under) disbursements	72,920	140,365	213,285
Other financing sources (uses)			
Operating transfers in	102,825	65,000	167,825
Operating transfers out	<u>(106,977)</u>	<u>(70,709)</u>	<u>(177,686)</u>
Total other financing sources (uses)	(4,152)	(5,709)	(9,861)
Net change in cash balances	68,768	134,656	203,424
Cash balances beginning of year	<u>388,244</u>	<u>453,376</u>	<u>841,620</u>
Cash balances end of year	<u>\$ 457,012</u>	<u>\$ 588,032</u>	<u>\$ 1,045,044</u>
Cash Basis Fund Balance			
Reserved for debt service	\$ 106,549	\$ 79,228	\$ 185,777
Unreserved	<u>350,463</u>	<u>508,804</u>	<u>859,267</u>
Total cash basis fund balances	<u>\$ 457,012</u>	<u>\$ 588,032</u>	<u>\$ 1,045,044</u>

See notes to financial statements.

CITY OF WAUKON

RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
TO THE STATEMENT OF ACTIVITIES AND NET ASSETS -
PROPRIETARY FUNDS

As of and for the year ended June 30, 2004

Total enterprise funds cash balances (page 14)	\$ 1,045,044
Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:	
Not applicable	<u> -</u>
Cash basis net assets of business type activities (page 11)	<u>\$ 1,045,044</u>
Net change in cash balances (page 14)	\$ 203,424
Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:	
Not applicable	<u> -</u>
Change in cash balance of business type activities (page 11)	<u>\$ 203,424</u>

CITY OF WAUKON

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Waukon is a political subdivision of the State of Iowa located in Allamakee County. It was first incorporated in 1883 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 nonpartisan basis. The City provides numerous services to citizens including public safety, public works, health and social service, culture and recreation, community and economic development and general government. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

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

These financial statements present the City of Waukon (the primary government) and excludes all component units. The component units discussed below are not included in the City's reporting entity for various reasons although the operational or financial relationship with the City may or may not be significant.

Excluded Component Units:

The Veterans Memorial Hospital, which was established under Chapter 392 of the Code of Iowa. The Hospital has the potential to provide specific benefits to, or impose specific burdens on the City. The Hospital is governed by an elected five-member board of trustees. The Hospital has been audited separately and the report is filed under separate cover. The financial statements can be obtained from the Hospital's administrative office.

The Waukon Pioneer Fire Department collects donations which are used to purchase items which are not included in the City's budget for fire protection.

The Waukon Economic Development Corporation and Waukon Trees Forever, are non-profit corporations but have the potential to provide specific benefits to, or impose specific burdens on the City.

Allamakee DARE collects donations which are used to purchase items which are not included in the City's budget to educate children on the prevention of substance abuse.

CITY OF WAUKON

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

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: Allamakee County Economic Development and Tourism Commission, Upper Explorerland Regional Housing Authority, Allamakee County Joint E911 Service Board, and Solid Waste 28E Commission.

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. Government 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 funds are aggregated and reported as nonmajor governmental funds.

CITY OF WAUKON

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

Capital Projects:

S.E. Urban Renewal Project Fund is used to account for capital improvement projects in the southeast area of the City.

Street Improvement Projects Fund is used to account for street improvements funded mostly from local option sales tax receipts.

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

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

D. Budgets and Budgetary Accounting

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

CITY OF WAUKON

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts and the disclosure of other financial information. Actual results could differ from those estimates.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments noted above at June 30, 2004.

CITY OF WAUKON

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2004

NOTE 3 - BONDS AND NOTES PAYABLE

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

Year Ending June 30,	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2005	\$ 55,000	\$ 25,780	\$ 85,000	\$ 17,790
2006	55,000	23,195	90,000	12,350
2007	60,000	20,555	100,000	6,500
2008	60,000	17,615	-	-
2009	65,000	14,615	-	-
2010 - 2012	220,000	22,995	-	-
	<u>\$ 515,000</u>	<u>\$ 124,755</u>	<u>\$ 275,000</u>	<u>\$ 36,640</u>

Year Ending June 30,	Urban Renewal Tax Increment Financing (TIF) Revenue Bonds		Total	
	Principal	Interest	Principal	Interest
2005	\$ 116,768	\$ 21,740	\$ 256,768	\$ 65,310
2006	120,455	17,993	265,455	53,538
2007	99,588	12,758	259,588	39,813
2008	103,670	8,676	163,670	26,291
2009	107,920	4,424	172,920	19,039
2010 - 2012	-	-	220,000	22,995
	<u>\$ 548,401</u>	<u>\$ 65,591</u>	<u>\$ 1,338,401</u>	<u>\$ 226,986</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

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 Special Revenue, 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.

CITY OF WAUKON

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2004

NOTE 3 - BONDS AND NOTES PAYABLE (continued)

The resolutions providing for the issuance of the revenue notes include the following provisions.

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

One general obligation bearer bond issued in 1976 in the amount of \$10,000 remains outstanding as of June 30, 2004. Efforts by the City to ascertain the identity of the bondholder have not been successful.

The City has agreed to guarantee payments on a contract to purchase land by Waukon Economic Development Corporation within the City's urban renewal area. The contract is for ten years beginning December 1, 1997. The City has advanced \$203,821. The City's guarantee is up to \$360,000.

NOTE 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 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$45,519, \$46,265 and \$43,306, respectively, equal to the required contributions for each year.

CITY OF WAUKON

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2004

NOTE 5 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. 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, 2004, primarily relating to the General Fund, is as follows:

Vacation	\$ 26,323
Sick Leave	<u>78,444</u>
Total	<u>\$104,767</u>

Sick leave is forfeited if not used by the employee before termination. Upon retirement an employee is eligible for payment of 50% of the unused sick leave. This liability has been computed based on rates of pay in effect at June 30, 2004.

NOTE 6 – INTERFUND TRANSFERS

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

	<u>Transfer In</u>		<u>Transfer out</u>
General		General	
General	\$ 4,937	Library	\$ (4,937)
Self Insurance	8,446	General	(8,446)
Ambulance	5,500	General	(5,500)
Airport	5,000	General	(5,000)
Capital Equipment	<u>25,599</u>	General	<u>(25,599)</u>
	49,482		<u>\$ (49,482)</u>
		Special Revenue:	
Self Insurance	<u>4,356</u>	Road Use Tax	<u>\$ (4,356)</u>
		Enterprise	
Self Insurance	4,152	Water	\$ (4,152)
Self Insurance	<u>5,709</u>	Sewer	<u>(5,709)</u>
	9,861		<u>\$ (9,861)</u>
	<u>\$ 63,699</u>		
Special Revenue		Capital Projects	
Urban Renewal Increment	<u>\$ 54,485</u>	SE Urban Renewal Project	<u>\$ (54,485)</u>
Capital Project		Special Revenue	
SE Urban Renewal Project	<u>\$ 347,460</u>	Urban Renewal	<u>\$ (347,460)</u>
Capital Project		Special Revenue	
Street Improvement	<u>\$ 289,746</u>	Local Option Sales Tax	<u>\$ (289,746)</u>

CITY OF WAUKON

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2004

NOTE 6 – INTERFUND TRANSFERS (continued)

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

NOTE 7 - RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials or employees totaling \$1,304 during the year ended June 30, 2004.

NOTE 8 - LEASES

The City leases space for equipment for wireless communication on top of City Hall for \$120 per year. The City received \$120 during the year ended June 30, 2003.

The City in October 2002 entered into a 25 year agreement to allow a Company the right to maintain an antenna on the City's water tower and other equipment on City property. In exchange the City would receive free high speed internet connection e-mail for a certain number of computers located at City Hall.

The City leases space in its fire station on a monthly basis to the rural fire district at \$250 per month. The City received \$1,500 during the year ended June 30, 2004. The City is in the process of setting up a longer term lease agreement.

NOTE 9 - SELF FUNDING

The City has established a partially self funded group medical plan. The plan allows the City lower monthly premiums for coverage in exchange for the potential of claims actually filed. If all the covered individuals submitted the maximum claim to be paid by the City, the total would be estimated at \$31,000.

NOTE 10 – 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.

NOTE 11 – LITIGATION

Included in the footnotes to the financial statements of the City for the year ended June 30, 2003 the City was named a defendant as part of a foreclosure action. The City's involvement was due to its junior secured position as a guarantor to a loan made with a local lending institution to assist a start up manufacturing business within the City's industrial park. The City had approved a guarantee of up to \$775,000. In June 2004 the City paid \$582,000 to settle its obligation as the guarantor. The judgment is being paid by Tax Increment Financing collections

CITY OF WAUKON

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2004

NOTE 12 - SUBSEQUENT EVENTS AND COMMITMENTS

The City has committed \$7,300 to a regional revolving loan fund. Cities and counties in the area and the federal government have committed a total of \$500,000. The funds will be used for economic development. After approval of an application the various governmental units will then submit their committed funds. As of June 30, 2003 no funds have been requested of the City.

The City has outstanding construction contracts of \$318,937 at June 30, 2003. The costs will be paid from various revenue sources available to the City.

NOTE 13 - JOINT USE AGREEMENT

The City has an agreement with the Waukon Rural Fire District (the District) to allow the City to use fire-fighting equipment owned by the District. The agreement ends on June 30, 2008 and \$10,000 is due by January 1 of each year during the term of the agreement. As of June 30, 2004, a total of \$40,000 is expected to be paid by the City.

The City had entered into another agreement dated April 4, 2003 with the District to purchase a rescue truck for a total cost of \$217,053. The City will have a one half interest in the vehicle as well as operating costs to maintain it. The vehicle was purchased during the year with the final City's share at \$118,558.

NOTE 14 - CONTINGENCIES

The City participates in state and federal assisted grant programs. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at June 30, 2004.

NOTE 15 - GENERAL FUND BALANCE

The City has designated \$90,191 of the \$361,815 General Fund balance to be available for library operations and equipment replacement.

CITY OF WAUKON

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2004

NOTE 16 - ACCOUNTING CHANGE AND RESTATEMENTS

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statement reports the City’s governmental and business type activities. Beginning net assets have been restated to include the allocation of accumulated resources for future purchase of equipment.

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Cash basis net assets June 30, 2004 as previously reported	\$ 1,756,156	\$ 800,581
Reclassified cash balances	<u>(41,039)</u>	<u>41,039</u>
Cash basis net assets July 1, 2004, as restated	<u>\$ 1,715,117</u>	<u>\$ 841,620</u>

Required Supplementary Information

CITY OF WAUKON

BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) -
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

As of and for the year ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
					Original	Final	
Receipts							
Property tax	\$ 812,094	\$ -	\$ -	\$ 812,094	\$ 814,101	\$ 814,101	\$ (2,007)
Tax increment financing collections	589,101	-	-	589,101	835,000	579,361	9,740
Other city tax	301,291	-	-	301,291	259,196	259,196	42,095
Licenses and permits	19,143	-	-	19,143	10,506	10,506	8,637
Use of money and property	29,745	3,910	-	33,655	41,240	41,240	(7,585)
Intergovernmental	472,624	-	-	472,624	448,040	448,040	24,584
Charges for service	291,507	733,686	-	1,025,193	901,800	901,800	123,393
Special assessments	15,192	-	-	15,192	-	-	15,192
Miscellaneous	124,786	67,154	-	191,940	151,600	151,600	40,340
Total receipts	<u>2,655,483</u>	<u>804,750</u>	<u>-</u>	<u>3,460,233</u>	<u>3,461,483</u>	<u>3,205,844</u>	<u>254,389</u>
Disbursements							
Public safety	526,815	-	-	526,815	554,788	561,855	(35,040)
Public works	465,949	-	-	465,949	636,279	641,067	(175,118)
Health and social services	9,000	-	-	9,000	9,000	9,000	-
Culture and recreation	384,617	-	-	384,617	462,927	463,798	(79,181)
Community and economic development	60,595	-	-	60,595	1,061,049	81,049	(20,454)
General government	220,089	-	-	220,089	312,548	313,739	(93,650)
Debt service	737,950	-	-	737,950	155,449	738,449	(499)
Capital projects	709,056	-	-	709,056	350,000	1,330,000	(620,944)
Business type activities	-	591,465	-	591,465	832,767	818,850	(227,385)
Total disbursements	<u>3,114,071</u>	<u>591,465</u>	<u>-</u>	<u>3,705,536</u>	<u>4,374,807</u>	<u>4,957,807</u>	<u>(1,252,271)</u>
Excess of receipts over disbursements	(458,588)	213,285	-	(245,303)	(913,324)	(1,751,963)	1,506,660
Other financing sources, net	<u>509,861</u>	<u>(9,861)</u>	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>838,639</u>	<u>(338,639)</u>
Excess of receipts and other financing sources over disbursements and other financing uses	51,273	203,424	-	254,697	(913,324)	(913,324)	1,168,021
Balances beginning of year	<u>1,715,117</u>	<u>841,620</u>	<u>-</u>	<u>2,556,737</u>	<u>2,157,434</u>	<u>2,157,434</u>	<u>399,303</u>
Balances end of year	<u>\$ 1,766,390</u>	<u>\$ 1,045,044</u>	<u>\$ -</u>	<u>\$ 2,811,434</u>	<u>\$ 1,244,110</u>	<u>\$ 1,244,110</u>	<u>\$ 1,567,324</u>

See accompanying independent auditor's report.

CITY OF WAUKON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY REPORTING

June 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except component units Internal Service Funds and Fiduciary 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, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, 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 disbursements by \$583,000. The budget amendments are reflected in the final budgeted amounts.

The City did not exceed amounts budgeted.

Other Supplementary Information

CITY OF WAUKON

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2004

	Special Revenue				Debt Service	Capital Projects	Total
	Employee Benefits	Local Option Sales Tax	Library Memorial	Park Memorial			
Receipts							
Property tax	\$ 87,129	\$ -	\$ -	\$ -	\$ 76,522	\$ -	\$ 163,651
Other city tax	2,774	264,650	-	-	2,205	-	269,629
Use of money and property	-	-	1,571	-	-	41	1,612
Intergovernmental	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-
Miscellaneous	-	-	15,853	215	-	18,000	34,068
Total receipts	<u>89,903</u>	<u>264,650</u>	<u>17,424</u>	<u>215</u>	<u>78,727</u>	<u>18,041</u>	<u>468,960</u>
Disbursements							
Operating							
Public safety	63,416	-	-	-	-	-	63,416
Public works	-	-	-	-	-	-	-
Health and social services	-	-	-	-	-	-	-
Culture and recreation	9,150	-	14,341	-	-	-	23,491
Community and economic development	1,186	-	-	-	-	-	1,186
General government	11,848	-	-	-	-	-	11,848
Debt service	-	-	-	-	78,080	-	78,080
Capital projects	-	-	-	-	-	-	-
Total disbursements	<u>85,600</u>	<u>-</u>	<u>14,341</u>	<u>-</u>	<u>78,080</u>	<u>-</u>	<u>178,021</u>
Excess (deficiency) of receipts over (under) disbursements	<u>4,303</u>	<u>264,650</u>	<u>3,083</u>	<u>215</u>	<u>647</u>	<u>18,041</u>	<u>290,939</u>
Other financing uses							
Operating transfers in	-	-	-	-	-	-	-
Operating transfers out	-	(289,746)	-	-	-	-	(289,746)
Total other financing sources (uses)	<u>-</u>	<u>(289,746)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(289,746)</u>
Net change in cash balances	<u>4,303</u>	<u>(25,096)</u>	<u>3,083</u>	<u>215</u>	<u>647</u>	<u>18,041</u>	<u>1,193</u>
Cash balances beginning of year	-	372,654	172,161	1,846	-	34,562	581,223
Cash balances end of year	<u>\$ 4,303</u>	<u>\$ 347,558</u>	<u>\$ 175,244</u>	<u>\$ 2,061</u>	<u>\$ 647</u>	<u>\$ 52,603</u>	<u>\$ 582,416</u>
Cash Basis Fund Balances							
Reserved							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 647	\$ -	\$ 647
Unreserved							
Special revenue funds	4,303	347,558	175,244	2,061	-	-	529,166
Capital projects fund	-	-	-	-	-	52,603	52,603
Total cash basis fund balances	<u>\$ 4,303</u>	<u>\$ 347,558</u>	<u>\$ 175,244</u>	<u>\$ 2,061</u>	<u>\$ 647</u>	<u>\$ 52,603</u>	<u>\$ 582,416</u>

See accompanying independent auditor's report.

CITY OF WAUKON

BOND AND NOTE MATURITIES

June 30, 2004

Year Ending June 30,	<u>GENERAL OBLIGATION BONDS</u>		<u>REVENUE BONDS</u>		Total		
	<u>Aquatic Center</u>		<u>Water</u>				
	<u>Issued Dec 1, 1996</u>		<u>Issued May 1, 1992</u>				
	Interest		Interest				
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>			
2005	4.70%	\$ 55,000	6.40%	\$ 85,000			
2006	4.80	55,000	6.50	90,000			
2007	4.90	60,000	6.50	100,000			
2008	5.00	60,000		-			
2009	5.05	65,000		-			
2010	5.10	70,000		-			
2011	5.15	75,000		-			
2012	5.20	75,000		-			
		<u>\$ 515,000</u>		<u>\$ 275,000</u>			
	<u>URBAN RENEWAL TAX INCREMENT FINANCING (TIF)</u>						
	<u>Industrial Park</u>		<u>Series 2004</u>		<u>Series 2004</u>		
	<u>Issued Dec 1, 1998</u>		<u>Issued June 24, 2004</u>		<u>Issued June 24, 2004</u>		
	Interest		Interest		Interest		
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	
2005	5.25%	\$ 23,612	4.1%	\$ 46,578	4.1%	\$ 46,578	\$ 116,768
2006	5.25	24,789	4.1	47,833	4.1	47,833	120,455
2007		-	4.1	49,794	4.1	49,794	99,588
2008		-	4.1	51,835	4.1	51,835	103,670
2009		-	4.1	53,960	4.1	53,960	107,920
		<u>\$ 48,401</u>		<u>\$ 250,000</u>		<u>\$ 250,000</u>	<u>\$ 548,401</u>

See accompanying independent auditor's report.

CITY OF WAUKON

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS

For the Last Two Years

	Years ended June 30,	
	<u>2004</u>	<u>2003</u>
Receipts		
Property tax	\$ 812,094	\$ 843,054
Tax increment financing collections	589,101	555,498
Other city tax	301,291	279,666
Licenses and permits	19,143	10,336
Use of money and property	29,745	35,024
Intergovernmental	472,624	799,388
Charges for service	291,507	195,108
Special assessments	15,192	20,996
Miscellaneous	124,786	276,614
Total	<u>\$ 2,655,483</u>	<u>\$ 3,015,684</u>
Disbursements		
Operating		
Public safety	526,815	503,460
Public works	465,949	551,134
Health and social services	9,000	9,000
Culture and recreation	384,617	424,912
Community and economic development	60,595	1,065,701
General government	220,089	225,889
Debt service	737,950	198,097
Capital projects	709,056	416,616
Total	<u>\$ 3,114,071</u>	<u>\$ 3,394,809</u>

See accompanying independent auditor's report.

