

**City of Fort Madison**

**Independent Auditor's Report  
Financial Statements and Supplementary Information  
Auditor's Report on Compliance  
Comments and Recommendations**

**June 30, 2004**

## C o n t e n t s

	<b>Page</b>
<b>Officials</b>	1
<b>Independent Auditor's Report</b>	2 - 3
<b>Management's Discussion and Analysis</b>	4 - 9
<b>Basic Financial Statements:</b>	
<b>Government-wide Financial Statements</b>	
Statement of Activities and Net Assets - Cash basis	10
Statement of Cash Transactions and Changes in Cash Balances - Governmental Funds	11
Statement of Cash Transactions and Changes in Cash Balances - Proprietary Funds	12
<b>Notes to Financial Statements</b>	13 - 20
<b>Required Supplementary Information</b>	
Comparison of Receipts, Disbursements and Changes in Balances - Actual to Budget	21
Notes to Required Supplementary Information - Budgetary Reporting	22
<b>Other Supplementary Information</b>	
Combining Schedule of Cash Transactions and Changes in Cash Balances - Nonmajor Governmental Funds	23
Statement of Indebtedness	24
Bond and Note Maturities	25 - 26
Schedule of Receipts by Source and Disbursements by Function - All Governmental Fund Types	27
<b>Statistical Section</b>	
Miscellaneous Statistical Data	28 - 29
<b>Independent Auditor's Report on Compliance and on Internal     Control Over Financial Reporting</b>	30 - 31
<b>Schedule of Findings</b>	32 - 33

## City of Fort Madison

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Joseph Kowzan	Mayor	January, 2006
Steve Ireland	Council Member	January, 2008
Jean Hoffmeister	Council Member	January, 2006
Ron Brown	Council Member	January, 2006
Jim Helling	Council Member	January, 2008
David Sallen	Council Member	January, 2008
Neal Boeding	Council Member	January, 2006
Bob Chesnut	Council Member	January, 2008
William Kelly	City Manager	Indefinite
Judy Ann Clark	City Clerk	Indefinite
Judy Ann Clark	City Treasurer	Indefinite
Robert N. Johnson, III	Attorney	Indefinite
Randy Vanwye	Chief of Police	Indefinite
John Clatt	Fire Chief	Indefinite

James Walker, CPA  
James Egerton, CPA  
Kimberly Hunsaker, CPA  
Melodee Walker, CPA  
Stephanie Hoschek, CPA  
William Hesse, LPA



214 North Fourth Street  
PO Box 547  
Burlington IA 52601  
  
319 752 6348  
800 757 6348  
319 752 8644 fax  
info@walkeregerton.com

## Independent Auditor's Report

To the Honorable Mayor and City Council of  
the City of Fort Madison, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type, each major fund and the aggregate remaining fund information of the City of Fort Madison, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Fort Madison's management. Our responsibility is to express an opinion 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 opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - cash basis of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Fort Madison as of and for the year ended June 30, 2004, and the respective changes in financial position - cash basis thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our reports dated October 4, 2004 on our consideration of the City of Fort Madison's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are 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 on pages 4 through 9 and budgetary comparison information on pages 21 through 22 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, consisting 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 an opinion on the aforementioned financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements.

The supplementary information, as in the table of contents, 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 aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

The other data included in this report, designated as the "Statistical Section" in the table of contents, was not audited by us and, accordingly, we express no opinion.

*Walker Egerton & Hunsaker PC*

October 4, 2004

## **City of Fort Madison Management's Discussion and Analysis**

The City of Fort Madison 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 has implemented new reporting standards that include 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.

### **FINANCIAL HIGHLIGHTS**

- The City's governmental funds' receipts increased 2%, or approximately \$170,800, from fiscal year 2003 (FY03). Property tax increased approximately \$278,400 due to an increase in levy rates and collections. Bond proceeds decreased \$1,054,500 due to the issuance of general obligation refunding bonds in the previous fiscal year.
- City program disbursements decreased 16.8%, or approximately \$1,632,300, from FY03. Debt service expense decreased approximately \$1,337,200.
- The City's governmental funds' cash balance at June 30, 2004 increased more than 22%, or approximately \$670,000, from June 30, 2003.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements as well as other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the government's financial activities.
- The Government-wide Financial Statements consists of a statement of activities and changes in cash balances. 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 statements by providing information about the most significant funds.
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Supplementary Information provides detailed information about the annual budget, nonmajor governmental funds and debt obligations.

## **REPORTING THE CITY AS A WHOLE**

The statement of activities and changes in cash balance presents information showing how the City's cash balance changed during the most recent fiscal year.

The City's governmental activities are displayed in the statement of activities and changes in cash balance. Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

The business-type activities of the City include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

### Fund Financial Statements

The fund financial statements begin on page 10 and provide detailed information about individual, significant funds; not the City as a whole. Some funds are required to be established by State law and by bond covenants. The City can establish other funds to help it control and manage money for particular purposes.

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. They focus on how money flows into and out of the funds and the balances at year-end that are available for spending. 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. Governmental funds are reported on the basis of cash receipts and disbursements. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Financial records and reports are prepared on the basis of when cash is received and disbursed. The government fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide statement of activities and changes in cash balance. The City maintains the Enterprise Funds to provide information for the water, sewer, and solid waste funds, considered to be major funds of the City.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, the City reports the activities of the funds using the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles (GAAP). The City does not report capital assets or depreciation on those assets as would be required by GAAP.

### Governmental Activities

The City's cash balance for governmental activities increased from a year ago, increasing from \$3.07 million to \$3.74 million. Our analysis below focuses on this change in cash balance and changes in receipts and disbursements from the prior year.

Changes in Cash Balance of Governmental Activities (in thousands)

	2004	2003
Receipts and transfers:		
Property tax	\$ 3,671	\$ 3,463
Local option sales tax	955	857
Road use funds	956	934
Grants and reimbursements	852	860
Property tax replacement	-	226
Use of money and property	119	189
Charges for services	210	235
Other receipts	2,088	861
Bond proceeds	-	1,062
Transfers, net	<u>(94)</u>	<u>113</u>
Total receipts and transfers	<u>8,757</u>	<u>8,800</u>
Disbursements:		
Public safety	2,829	2,918
Public works	1,077	980
Health and social services	38	40
Culture and recreation	938	1,245
Community and economic development	403	640
General government	1,822	623
Debt service	678	2,015
Capital projects	<u>302</u>	<u>1,259</u>
Total disbursements	<u>8,087</u>	<u>9,720</u>
Increase (decrease) in cash balance	670	(920)
Cash balance beginning of year	<u>3,069</u>	<u>3,989</u>
Cash balance end of year	<u>\$ 3,739</u>	<u>\$ 3,069</u>

The City's total receipts for governmental activities decreased by .5 percent (\$43,000). The total cost of all programs and services decreased by approximately \$1,633,000 or 16.8 percent with no new programs added this year. The only significant decrease in receipts was primarily the result of proceeds received from the issuance of urban renewal tax increment financing revenue bonds.

The City increased property tax rates in 2004 by an average of 10 percent to help offset increases in employee salaries and health insurance costs. This increase raised the City's tax receipts by approximately \$278,400 in 2004.

The cost of all governmental activities this year was \$9.72 million compared to \$9.44 million last year. However, as shown in the statement of activities and changes in cash balance on page 10, the amount that our taxpayers ultimately financed for these activities through City taxes was \$8.038 million because some of the cost was paid by those directly benefited from the programs (\$416,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1,265,300). Overall, the City's governmental program receipts, including intergovernmental aid and fees for service, decreased in 2004 from approximately \$1,870,700 to approximately \$1,681,400, principally due to a decrease in operating and capital grants, contributions, local option sales tax revenues and unrestricted interest. The City paid for the remaining public benefit portion of governmental activities with approximately \$4,414,600 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

## Business-Type Activities

Change in cash balances of business-type activities(in thousands)	2004	2003
Program receipts:		
Water charges	\$ 1,998	\$ 1,968
Sewer charges	1,087	1,013
Solid waste charges	671	710
Bond proceeds	-	741
Other miscellaneous receipts	490	288
Transfers, net	94	(113)
Total receipts	<u>4,340</u>	<u>4,607</u>
Disbursements:		
Water	3,077	2,677
Sewer	1,163	1,070
Solid waste	693	618
Total disbursements	<u>4,933</u>	<u>4,365</u>
Increase in cash balance	(593)	242
Cash balance beginning of year	<u>4,459</u>	<u>4,217</u>
Cash balance end of year	<u>\$ 3,866</u>	<u>\$ 4,459</u>

Total business-type activities receipts for the fiscal year were \$4.34 million compared to \$4.61 million last year. This decrease was due primarily to the receipt of bond proceeds in the prior year. The cash balance decreased by approximately \$593,400 from the prior year because of capital outlay projects. Total disbursements for the fiscal year increased by approximately 13.0% to a total of \$4.932 million.

## **THE CITY'S INDIVIDUAL MAJOR FUNDS**

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's funds is to provide information on near-term inflows, outflows and cash balances of spendable resources. The following are the major reasons for the changes in cash balances from the prior year for the City's major funds.

### Governmental Funds

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$951,870, a decrease of \$1,913 from the prior year. Nearly all of this decrease was due to increased employee health benefit cost increases. The City has and will continue to aggressively pursue health insurance benefit concessions from its various collective bargaining units.

The Road Use Tax Fund cash balance decreased by \$82,249 to \$121,497 during the fiscal year. This decrease was attributable to increased costs.

The Local Option Sales Tax was established in previous years to provide additional general fund revenues to reduce the City's reliance on property tax revenues and provide a reliable funding source for capital projects. 60% of these Option Sales Tax revenues go to the general fund, while the other 40% goes to pay for capital improvement projects. At the end of the fiscal year, the cash balance was \$488,056, an increase of \$185,321 from the previous year. The increase was the result of proceeds of \$954,829 received from sales tax and only \$769,508 transferred to other funds.

Proprietary Funds

The cash balance of the Enterprise Funds decreased by approximately \$593,300 to \$3,865,728, due primarily to increases in capital outlay and debt service costs.

**BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the City amended its operating budget. The amendment was approved on May 7, 2004 and resulted in an increase in operating disbursements related fund balances carried forward into FY04 for ongoing or uncompleted capital projects. The City had sufficient cash balances to absorb these additional costs.

**DEBT ADMINISTRATION**

At year-end, the City had approximately \$5,666,400 in bonds and other long-term debt compared to approximately \$6,570,000 last year as shown below.

Outstanding debt at year-end (in thousands)	2004	2003
General obligation bonds	\$ 1,615	\$ 2,080
Revenue bonds	3,080	3,365
Capital loan notes	505	587
Urban renewal TIF's	<u>466</u>	<u>538</u>
Total	<u>\$ 5,666</u>	<u>\$ 6,570</u>

Debt decreased as a result of issuing general obligation bonds for a sewer construction project in the prior year. In addition, the City issued water revenue bonds during the year ended June 30, 2003 for the purpose of capital improvements in the current year.

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,586,400 is well below the City's \$15.4 million legal debt limit.

More detailed information about the City's long-term liabilities is presented in Note 3 to the financial statements.

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

The City's elected and appointed officials and citizens considered many factors when setting the 2005 fiscal year budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. Unemployment in the County now stands at 7.6 percent, versus 8.2 percent a year ago. This compares with the State's current unemployment rate of 3.4 percent and the current national rate of 3.9 percent.

Another factor is the continued drops in the State's residential rollback rate. Since FY02, the rate has dropped from 56.26% to 51.38%. The effect of these drops has been to completely cancel out all of the taxable valuation additions that were the result of new construction and development. This continued drop in the rollback rate in conjunction with the depreciation seen in commercial and industrial properties has caused the City's total taxable valuation to decline by 5% since FY00.

These indicators were taken into account when adopting the budget for 2005. Amounts available for appropriation in the budget are \$18 million, an increase of 8% over the final 2004 budget. Property tax (benefiting from the 2004 rate increases) and proceeds from grants and bonds are expected to lead this increase. The City will use these to finance programs currently offered and to defray the costs of carrying out two major Wastewater Treatment projects. Budgeted disbursements are expected to rise by approximately \$2 million. Increased insurance costs, wages and the combined sewer overflow and westerly pump projects represent the largest increases.

## **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. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the City Clerk, City of Fort Madison, P.O. Box 240, Fort Madison, Iowa 52627.

Respectfully submitted,

William Kelly  
City Manager

**City of Fort Madison**  
**Statement of Activities and Net Assets - Cash Basis**  
**Year Ended June 30, 2004**

	Program Receipts				Net (Disbursements) Receipts		
	Disbursements	Charges for Service and Sales	Operating Grants Contributions, and Restricted Interest	Capital Grants Contributions	Governmental Activities	Business-Type Activities	
<b>Functions / Programs:</b>							
Governmental activities:							
Public safety	\$ 2,829,448	\$ 14,892	\$ 79,920	\$ -	\$ (2,734,636)	\$ -	\$ (2,734,636)
Public works	1,076,688	-	-	-	(1,076,688)	-	(1,076,688)
Health and social services	37,616	-	24,690	-	(12,926)	-	(12,926)
Culture and recreation	938,339	201,618	182,290	-	(554,431)	-	(554,431)
Community and economic development	402,983	-	15,000	-	(387,983)	-	(387,983)
General government	1,821,715	80,693	42,381	-	(1,698,641)	-	(1,698,641)
Debt service	677,883	-	-	-	(677,883)	-	(677,883)
Capital projects	302,088	-	507,246	-	205,158	-	205,158
Total government activities	<u>8,086,760</u>	<u>297,203</u>	<u>851,527</u>	<u>-</u>	<u>(6,938,030)</u>	<u>-</u>	<u>(6,938,030)</u>
Business-type activities:							
Water	3,077,442	1,997,939	333,695	-	-	(745,808)	(745,808)
Sewer	1,163,055	1,087,064	-	-	-	(75,991)	(75,991)
Solid waste	692,253	670,649	-	-	-	(21,604)	(21,604)
Total business-type activities	<u>4,932,750</u>	<u>3,755,652</u>	<u>333,695</u>	<u>-</u>	<u>-</u>	<u>(843,403)</u>	<u>(843,403)</u>
<b>Total</b>	<u>\$ 13,019,510</u>	<u>\$ 4,052,855</u>	<u>\$ 1,185,222</u>	<u>\$ -</u>	<u>(6,938,030)</u>	<u>(843,403)</u>	<u>(7,781,433)</u>
<b>General Receipts:</b>							
Property tax levied for:							
General purposes					2,991,068	19,553	3,010,621
Tax increment financing					139,318	-	139,318
Debt service					540,329	-	540,329
Local option sales tax					954,829	-	954,829
Road use tax					984,127	-	984,127
Unrestricted investment earnings					119,138	98,951	218,089
Transfers					(93,627)	93,627	-
Miscellaneous					1,972,785	37,908	2,010,693
Total general receipts and transfers					<u>7,607,967</u>	<u>250,039</u>	<u>7,858,006</u>
Change in cash balance					669,937	(593,364)	76,573
Cash balance beginning of year					<u>3,069,324</u>	<u>4,459,092</u>	<u>7,528,416</u>
Cash balance end of year					<u>\$ 3,739,261</u>	<u>\$ 3,865,728</u>	<u>\$ 7,604,989</u>
<b>Cash Basis Net Assets</b>							
Restricted:							
Streets					\$ 121,497	\$ -	\$ 121,497
Sales Tax					488,056	-	488,056
Other purposes					593,701	2,619,925	3,213,626
Unrestricted					<u>2,536,007</u>	<u>1,245,803</u>	<u>3,781,810</u>
Total cash basis net assets					<u>\$ 3,739,261</u>	<u>\$ 3,865,728</u>	<u>\$ 7,604,989</u>

See notes to financial statements.

**City of Fort Madison**  
**Statement of Cash Transactions and Changes in Cash Balances**  
**Governmental Funds**  
**Year Ended June 30, 2004**

	Special Revenue					Other Nonmajor Governmental	Total
	General	Road Use	Sales Tax	Debt Service	Capital Projects		
<b>Receipts:</b>							
Property tax	\$ 1,900,568	\$ -	\$ -	\$ 540,329	\$ -	\$ 1,090,500	\$ 3,531,397
Tax increment financing collections	-	-	-	-	-	139,318	139,318
Other taxes	-	-	954,829	-	-	128,407	1,083,236
Use of money and property	90,506	-	-	-	-	28,632	119,138
License and permits	62,527	-	-	-	-	-	62,527
Intergovernmental	87,130	955,808	-	-	550,760	224,403	1,818,101
Charges for services	126,407	-	-	-	-	83,502	209,909
Special assessments	-	-	-	-	596	-	596
Miscellaneous	234,962	28,319	-	-	31,263	1,591,558	1,886,102
<b>Total receipts</b>	<b>2,502,100</b>	<b>984,127</b>	<b>954,829</b>	<b>540,329</b>	<b>582,619</b>	<b>3,286,320</b>	<b>8,850,324</b>
<b>Disbursements:</b>							
<b>Governmental activities:</b>							
Public safety	2,674,298	-	-	-	-	155,150	2,829,448
Public works	23,806	1,052,882	-	-	-	-	1,076,688
Health and social services	750	-	-	-	-	36,866	37,616
Culture and recreation	852,626	-	-	-	-	85,713	938,339
Community and economic development	156,617	-	-	-	-	246,366	402,983
General government	536,570	-	-	-	-	1,285,145	1,821,715
Debt service	-	-	-	569,100	-	108,783	677,883
Capital projects	-	-	-	-	302,088	-	302,088
<b>Total disbursements</b>	<b>4,244,667</b>	<b>1,052,882</b>	<b>-</b>	<b>569,100</b>	<b>302,088</b>	<b>1,918,023</b>	<b>8,086,760</b>
Excess (deficiency) of receipts over disbursements	(1,742,567)	(68,755)	954,829	(28,771)	280,531	1,368,297	763,564
<b>Other financing sources (uses):</b>							
Operating transfers in (out)	1,740,654	(13,494)	(769,508)	27,510	101,478	(1,180,267)	(93,627)
Net	(1,913)	(82,249)	185,321	(1,261)	382,009	188,030	669,937
Balance beginning of year	953,783	203,746	302,735	187,232	25,721	1,396,107	3,069,324
Balance end of year	\$ 951,870	\$ 121,497	\$ 488,056	\$ 185,971	\$ 407,730	\$ 1,584,137	\$ 3,739,261
<b>Cash Basis Fund Balances</b>							
<b>Reserved:</b>							
Debt service	\$ -	\$ -	\$ -	\$ 185,971	\$ -	\$ -	\$ 185,971
<b>Unreserved:</b>							
General fund	951,870	-	-	-	-	339,999	1,291,869
Special revenue fund	-	121,497	488,056	-	-	1,070,285	1,679,838
Capital projects fund	-	-	-	-	407,730	-	407,730
Permanent fund	-	-	-	-	-	173,853	173,853
<b>Total cash basis fund balances</b>	<b>\$ 951,870</b>	<b>\$ 121,497</b>	<b>\$ 488,056</b>	<b>\$ 185,971</b>	<b>\$ 407,730</b>	<b>\$ 1,584,137</b>	<b>\$ 3,739,261</b>

See notes to financial statements.

**City of Fort Madison**  
**Statement of Cash Transactions and Changes in Cash Balances**  
**Proprietary Funds**  
**Year Ended June 30, 2004**

	Enterprise Funds			
	Water	Sewer	Solid Waste	Total
Receipts:				
Charges for service	\$ 1,997,939	\$ 1,087,064	\$ 670,649	\$ 3,755,652
Use of money and property	39,574	57,058	2,319	98,951
Customer deposits	17,200	-	-	17,200
Special assessments	8,361	5,846	5,346	19,553
Miscellaneous	334,470	18,903	1,030	354,403
Total receipts	<u>2,397,544</u>	<u>1,168,871</u>	<u>679,344</u>	<u>4,245,759</u>
Disbursements:				
Business-type activities:				
Operations	1,631,089	970,050	620,899	3,222,038
Capital outlay	1,012,733	141,430	71,354	1,225,517
Debt service	433,620	51,575	-	485,195
Total business-type activities	<u>3,077,442</u>	<u>1,163,055</u>	<u>692,253</u>	<u>4,932,750</u>
Excess (deficiency) of receipts over disbursements	(679,898)	5,816	(12,909)	(686,991)
Other financing sources (uses):				
Bond proceeds	-	-	-	-
Operating transfers in	80,133	13,494	-	93,627
Net	(599,765)	19,310	(12,909)	(593,364)
Balance beginning of year	<u>1,875,952</u>	<u>2,469,090</u>	<u>114,050</u>	<u>4,459,092</u>
Balance end of year	<u>\$ 1,276,187</u>	<u>\$ 2,488,400</u>	<u>\$ 101,141</u>	<u>\$ 3,865,728</u>
<b>Cash Basis Fund Balances</b>				
Reserved for equipment replacement	\$ 397,415	\$ 106,100	\$ -	\$ 503,515
Unreserved	<u>878,772</u>	<u>2,382,300</u>	<u>101,141</u>	<u>3,362,213</u>
<b>Total cash basis fund balances</b>	<u>\$ 1,276,187</u>	<u>\$ 2,488,400</u>	<u>\$ 101,141</u>	<u>\$ 3,865,728</u>

See notes to financial statements.

**City of Fort Madison**  
**Notes to Financial Statements**  
**Year Ended June 30, 2004**

---

**Note 1. Summary of Significant Accounting Policies**

The City of Fort Madison is a political subdivision of the State of Iowa located in Lee County. It was first incorporated in 1838 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, culture, recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

Reporting Entity

For financial reporting purposes, the City of Fort Madison has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Planning and Zoning Commission, Board of Adjustments, Airport Commission, and Great River Regional Waste Authority.

Other organizations which City officials are members of are 28E purchasing arrangements, regional planning commission, E911 joint service boards, Southeast Iowa area safety support organizations, ambulance associations, and drug task force.

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.

**City of Fort Madison**  
**Notes to Financial Statements**  
**Year Ended June 30, 2004**

---

**Note 1. Summary of Significant Accounting Policies** (continued)

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.

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.

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and used for capital improvements, equipment and community programs and services.

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

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

**City of Fort Madison**  
**Notes to Financial Statements**  
**Year Ended June 30, 2004**

---

**Note 1. Summary of Significant Accounting Policies** (continued)

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.

Measurement Focus and Basis of Accounting

The City of Fort Madison 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.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, no disbursements exceeded the amounts budgeted in the general government and business type activities functions.

**Note 2. Deposits and Investments**

The City's deposits 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 and the Treasurer of the State of Iowa; 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's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all category 1 which means that the investments are insured or registered or the securities are held by the City or its agent in the City's name.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

The City received \$187,400 interest income during the year.

**City of Fort Madison**  
**Notes to Financial Statements**  
**Year Ended June 30, 2004**

**Note 3. Bonds Payable and Lease Commitments**

A summary of the City's June 30, 2004 general obligation, revenue and special assessment bonded indebtedness is as follows:

Year Ended June 30,	General Obligation		Revenue Bonds		Urban Renewal		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 541,182	\$ 85,950	\$ 295,000	\$ 136,002	\$ 75,794	\$ 38,119	\$ 911,976	\$ 260,071
2006	278,000	69,423	310,000	123,857	80,235	31,933	668,235	225,213
2007	289,000	58,135	315,000	111,168	84,710	25,370	688,710	194,673
2008	271,000	46,223	325,000	97,902	87,000	18,384	683,000	162,509
2009	253,000	34,372	340,000	83,986	67,000	11,158	660,000	129,516
2010	200,000	22,841	225,000	69,234	35,000	5,239	460,000	97,314
2011	157,500	13,876	235,000	59,386	37,000	2,310	429,500	75,572
2012	65,000	6,468	245,000	48,682	-	-	310,000	55,150
2013	65,000	3,250	250,000	37,310	-	-	315,000	40,560
2014	-	-	265,000	25,590	-	-	265,000	25,590
2015	-	-	275,000	13,075	-	-	275,000	13,075
	<u>\$ 2,119,682</u>	<u>\$ 340,538</u>	<u>\$ 3,080,000</u>	<u>\$ 806,192</u>	<u>\$ 466,739</u>	<u>\$ 132,513</u>	<u>\$ 5,666,421</u>	<u>\$ 1,279,243</u>

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water revenue bond sinking accounts for the purpose of making the bond principal and interest payments when due.
- (c) Monthly transfers equal to a sum of one-twelfth of the principal of all 1995, 1998, 2001 and 2002 Water Revenue Bonds maturing on the next maturity date plus one-sixth of the interest coming due on the next interest payment date shall be made to the Water Revenue Bond Sinking Fund for the purpose of making bond interest and principal payments when due.
- (d) A Water Revenue Bond Reserve Fund of \$619,000 shall be maintained and used solely for payment of principal and interest on the 1995, 1998, 2001 and 2002 Water Revenue Bonds and any Parity Bonds when insufficient funds are available in the Water Revenue Bond Sinking Fund.
- (e) A minimum of \$1,500 per month shall be transferred to the Water Revenue Bond Depreciation Fund until a fund balance of \$100,000 is attained. These funds are to be used solely to pay the cost of extraordinary maintenance expense or repairs and capital improvements to the system. At June 30, 2004, this restricted fund had a balance of \$152,725 and is included as part of the Water Revenue Fund balance.

**City of Fort Madison**  
**Notes to Financial Statements**  
**Year Ended June 30, 2004**

---

**Note 3. Bonds Payable and Lease Commitments (continued)**

As of June 30, 2004, the outstanding general obligation debt of the City did not exceed its legal debt margin computed as follows:

Actual valuation - 2002	<u>\$308,454,262</u>
Debt limit - 5% of total actual valuation	\$ <u>15,422,713</u>
Debt applicable to debt limit:	
General obligation bonds outstanding	1,615,000
General obligation notes outstanding	504,682
Tax increment financing bonds	<u>466,739</u>
	<u>2,586,421</u>
Total debt margin	\$ <u>12,836,292</u>

**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 salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.04% and 9.07%, respectively. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002, was \$130,100, \$131,000, and \$131,300, respectively, equal to the required contributions for each year.

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits which are established by State statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th Street, Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate may not be less than 17% of earnable compensation (20.48% as of July 1, 2003). Contribution requirements are established by State statute. The City's contribution to the Plan for the years ended June 30, 2004, 2003, and 2002 was \$278,900, \$250,900, and \$268,900, respectively, equal to the required contributions for each year.

**City of Fort Madison**  
**Notes to Financial Statements**  
**Year Ended June 30, 2004**

---

**Note 4. Pension and Retirement Benefits** (continued)

International City Management Association

The Iowa Public Employees Retirement System regulations exempt the City Manager from participating in the state retirement system. Therefore, the City has made a retirement contribution to the ICMA retirement system for the City Manager which allows up to 25% of salary with a maximum of \$8,000. For the years ended June 30, 2004, 2003, and 2002, these contributions totaled \$3,790, \$3,785, and \$1,400, respectively.

**Note 5. Compensated Absences**

City employees, with the exceptions of fire department and water department personnel, accumulate sick leave hours at a rate of 14 days per year up to a maximum of 1,160 hours. Fire and water department employees accumulate 12 hours per month up to a maximum of 1,160 hours. Accumulated sick leave is not payable on termination, retirement or death, with the exception of water department employees who can receive 400 hours of sick leave upon retirement.

Accumulated sick leave and vacation are not recognized as expenditures by the City until used or paid. The City's maximum liability for unrecognized accrued employee benefits as of June 30, 2004, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 330,000
Sick leave	<u>675,000</u>
	<u>\$ 1,005,000</u>

This liability has been computed based on rates of pay as of June 30, 2004.

**Note 6. Related Party Transactions**

No transactions were noted during the course of the audit with the City employees or related parties.

**City of Fort Madison**  
**Notes to Financial Statements**  
**Year Ended June 30, 2004**

---

**Note 7. Conduit Debt Obligations**

The City has, in the past, assisted in several issues of industrial revenue bonds, issued for the purposes of constructing privately owned manufacturing and other related facilities within the City. The bonds are not direct or contingent liabilities of the City, as the revenue from lease agreements and properly purchased with the bond proceeds are pledged for the total payment of principal and interest on the bonds and the bondholders can only look to these sources for repayment. The following are the outstanding issues in which the City assisted:

<u>Company</u>	<u>Type</u>	<u>Year Issued</u>	<u>Amount Issued</u>
Amax, Inc.	Revenue	1977	\$ 12,000,000
Fort Madison Community Hospital	Revenue	1996	3,500,000
WOW, LLC	Revenue	1999	1,450,000

**Note 8. Joint Venture**

The City is a participant in the Great River Regional Waste Authority, a political subdivision pursuant to the Code of Iowa Chapter 28E. The purpose of the agreement is to provide area governments with solid waste disposal sources. The City currently provides two members of the eight-member Board. Financial statements of the Waste Authority will be available at the landfill office, 2092 303rd Avenue, Fort Madison, Iowa.

**Note 9. Deficit Fund Balance**

The following Special Revenue Funds had deficit balances at year end:

Drug Task Force	\$ 5,876
Traffic Safety Grants	500
Housing Rehabilitation Grants	<u>20,823</u>
	<u>\$ 32,575</u>

The deficit balances were a result of costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of grant monies.

**City of Fort Madison  
Notes to Financial Statements  
Year Ended June 30, 2004**

---

**Note 10. Risk Management**

The City of Fort Madison 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 11. Post-Closure Care Costs**

The City was previously a member of the Lee County Solid Waste Commission, a political subdivision pursuant to the Code of Iowa Chapter 28E. The landfill was closed in 1990 and is required to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City has been contributing approximately \$50,000 per year for these costs.

**Note 12. Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special revenue	\$ 1,740,654
Capital projects	Special revenue	101,478
Enterprise funds	Special revenue	93,627
Debt service	Special revenue	<u>27,510</u>
		<u>\$ 1,963,269</u>

**Note 13. Commitments**

The City has committed to the following significant purchases as of June 30, 2004:

Combined sewer overflow project	\$ 784,000
Westerly sewer project	1,800,000
Airport taxiway and apron improvement	110,000
Water Treatment Plant - SCADA System Phase II	<u>162,500</u>
Total	<u>\$ 2,856,500</u>

**City of Fort Madison**  
**Comparison of Receipts, Disbursements and Changes in Balances**  
**Actual to Budget**  
**Year Ended June 30, 2004**

	Governmental Fund Types <u>Actual</u>	Proprietary Fund Type <u>Actual</u>	Less Funds Not Required to be <u>Budgeted</u>	<u>Net</u>	<u>Budget Original</u>	<u>Budget Final</u>	Final to Actual Variance Favorable (Unfavorable)
<b>Receipts:</b>							
Property tax	\$ 3,531,397	\$ -	\$ -	\$ 3,531,397	\$ 3,333,728	\$ 3,333,728	\$ 197,669
Tax increment financing collections	139,318	-	-	139,318	114,910	114,910	24,408
Other taxes	1,083,236	-	-	1,083,236	1,096,183	1,096,183	(12,947)
Use of money and property	119,138	100,732	1,781	218,089	321,770	321,770	(103,681)
Licenses and permits	62,527	-	-	62,527	26,540	26,540	35,987
Intergovernmental	1,818,101	-	-	1,818,101	2,161,170	2,501,170	(683,069)
Charges for services	209,909	3,755,652	-	3,965,561	4,217,370	4,217,370	(251,809)
Special assessments	596	19,553	-	20,149	8,000	8,000	12,149
Miscellaneous	<u>1,886,102</u>	<u>371,603</u>	<u>1,200,153</u>	<u>1,057,552</u>	<u>1,865,820</u>	<u>1,865,820</u>	<u>(808,268)</u>
Total receipts	<u>8,850,324</u>	<u>4,247,540</u>	<u>1,201,934</u>	<u>11,895,930</u>	<u>13,145,491</u>	<u>13,485,491</u>	<u>(1,589,561)</u>
<b>Disbursements:</b>							
Public safety	2,829,448	-	-	2,829,448	2,952,340	2,952,340	122,892
Public works	1,076,688	-	-	1,076,688	1,138,740	1,138,740	62,052
Health and social services	37,616	-	-	37,616	84,710	84,710	47,094
Culture and recreation	938,339	-	-	938,339	1,250,390	1,250,390	312,051
Community and economic development	402,983	-	-	402,983	404,240	464,240	61,257
General government	1,821,715	-	1,204,301	617,414	2,066,970	2,066,970	1,449,556
Debt service	677,883	-	-	677,883	682,810	682,810	4,927
Capital projects	302,088	-	-	302,088	195,000	475,000	172,912
Business-type	-	4,932,750	-	4,932,750	7,466,090	7,466,090	2,533,340
Non-program	-	-	-	-	-	-	-
Total disbursements	<u>8,086,760</u>	<u>4,932,750</u>	<u>1,204,301</u>	<u>11,815,209</u>	<u>16,241,290</u>	<u>16,581,290</u>	<u>4,766,081</u>
Excess (deficiency) of receipts over disbursements	763,564	(685,210)	(2,367)	80,721	(3,095,799)	(3,095,799)	3,176,520
Other financing sources	<u>(93,627)</u>	<u>93,627</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>
Net	669,937	(591,583)	(2,367)	80,721	(1,095,799)	(1,095,799)	3,176,520
Balance beginning of year	<u>3,069,324</u>	<u>4,459,092</u>	<u>788,937</u>	<u>6,738,626</u>	<u>7,574,387</u>	<u>7,574,387</u>	<u>-</u>
Balance end of year	<u>\$ 3,739,261</u>	<u>\$ 3,867,509</u>	<u>\$ 786,570</u>	<u>\$ 6,819,347</u>	<u>\$ 6,478,588</u>	<u>\$ 6,478,588</u>	<u>\$ 3,176,520</u>

**City of Fort Madison**  
**Required Supplementary Information**  
**Notes to Required Supplementary Information - Budgetary Reporting**  
**Year Ended 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 blended component units, internal service, non-expendable trust, and agency funds (when they exist). 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 disbursement 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 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 permanent 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, budget amendments increased budgeted disbursements by \$340,000. The budget amendments are reflected in the final budgeted amounts.

**City of Fort Madison**  
**Combining Schedule of Cash Transactions and Changes in Cash Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2004**

	Unrestricted Gifts and Misc	Hotel/Motel Tax	Traffic/Safety Grants	LHAP Grants	Emergency Tax Levy	Drug Task Force	EDSA Grants	Grant Opportunity	Urban Renewal TIF	Police/Fire Retirement	Insurance Reserve	Permanent Cemetery PC	Total
<b>Receipts:</b>													
Property tax	\$ -	\$ -	\$ -	\$ -	\$ 58,797	\$ -	\$ -	\$ -	\$ -	\$ 221,142	\$ 810,561	\$ -	\$ 1,090,500
TIF collections	-	-	-	-	-	-	-	-	139,318	-	-	-	139,318
Other taxes	-	128,407	-	-	-	-	-	-	-	-	-	-	128,407
Interest on investments	3,632	159	-	-	-	-	-	7,406	2,718	5,397	7,539	1,781	28,632
Intergovernmental	28,888	-	8,876	114,661	-	65,527	6,451	-	-	-	-	-	224,403
Charges for service	83,502	-	-	-	-	-	-	-	-	-	-	-	83,502
Miscellaneous	119,624	-	-	-	-	-	10,000	261,781	-	-	1,200,153	-	1,591,558
<b>Total receipts</b>	<b>235,646</b>	<b>128,566</b>	<b>8,876</b>	<b>114,661</b>	<b>58,797</b>	<b>65,527</b>	<b>16,451</b>	<b>269,187</b>	<b>142,036</b>	<b>226,539</b>	<b>2,018,253</b>	<b>1,781</b>	<b>3,286,320</b>
<b>Disbursements:</b>													
Public safety	7,919	-	9,376	-	54,047	76,927	470	-	-	6,411	-	-	155,150
Public works	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and social services	36,866	-	-	-	-	-	-	-	-	-	-	-	36,866
Culture and recreation	80,428	-	-	5,285	-	-	-	-	-	-	-	-	85,713
Comm & econ development	805	-	-	111,821	-	-	5,100	128,640	-	-	-	-	246,366
General government	10,020	70,824	-	-	-	-	-	-	-	-	1,204,301	-	1,285,145
Debt service	-	-	-	-	-	-	-	-	108,783	-	-	-	108,783
<b>Total disbursements</b>	<b>136,038</b>	<b>70,824</b>	<b>9,376</b>	<b>117,106</b>	<b>54,047</b>	<b>76,927</b>	<b>5,570</b>	<b>128,640</b>	<b>108,783</b>	<b>6,411</b>	<b>1,204,301</b>	<b>-</b>	<b>1,918,023</b>
Excess (deficiency) of receipts over disbursements	<u>99,608</u>	<u>57,742</u>	<u>(500)</u>	<u>(2,445)</u>	<u>4,750</u>	<u>(11,400)</u>	<u>10,881</u>	<u>140,547</u>	<u>33,253</u>	<u>220,128</u>	<u>813,952</u>	<u>1,781</u>	<u>1,368,297</u>
<b>Other financing sources (uses)</b>													
Operating transfer in	7,682	-	-	23,000	-	15,000	-	-	-	-	-	-	45,682
Operating transfer out	-	(41,000)	-	-	-	-	-	151,000	-	275,298	758,651	-	1,225,949
Total other	<u>7,682</u>	<u>(41,000)</u>	<u>-</u>	<u>23,000</u>	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>(151,000)</u>	<u>-</u>	<u>(275,298)</u>	<u>(758,651)</u>	<u>-</u>	<u>(1,180,267)</u>
Net	107,290	16,742	(500)	20,555	4,750	3,600	10,881	(10,453)	33,253	(55,170)	55,301	1,781	188,030
Balance beginning	<u>180,799</u>	<u>6,363</u>	<u>-</u>	<u>(41,378)</u>	<u>109,071</u>	<u>(9,476)</u>	<u>20,021</u>	<u>307,559</u>	<u>119,855</u>	<u>205,457</u>	<u>325,764</u>	<u>172,072</u>	<u>1,396,107</u>
Balance ending	<u>\$ 288,089</u>	<u>\$ 23,105</u>	<u>\$ (500)</u>	<u>\$ (20,823)</u>	<u>\$ 113,821</u>	<u>\$ (5,876)</u>	<u>\$ 30,902</u>	<u>\$ 297,106</u>	<u>\$ 153,108</u>	<u>\$ 150,287</u>	<u>\$ 381,065</u>	<u>\$ 173,853</u>	<u>\$ 1,584,137</u>

**City of Fort Madison  
Statement of Indebtedness  
Year Ended June 30, 2004**

<u>Obligation</u>	<u>Date of Issuance</u>	<u>Interest Rate</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
General obligation bonds:									
Refunding bonds	10/29/02	1.45-2.80%	\$ 1,065,000	\$ 755,000	\$ -	\$ 320,000	\$ 435,000	\$ 14,710	\$ -
Park, library, city hall	08/21/01	3.00-4.50%	540,000	450,000	-	50,000	400,000	18,738	-
Street improvement	05/01/98	4.20-4.90%	750,000	550,000	-	45,000	505,000	25,690	-
Drainage/flood protection	10/01/99	5.00%	500,000	<u>325,000</u>	<u>-</u>	<u>50,000</u>	<u>275,000</u>	<u>16,250</u>	<u>-</u>
Total				<u>\$ 2,080,000</u>	<u>\$ -</u>	<u>\$ 465,000</u>	<u>\$ 1,615,000</u>	<u>\$ 75,388</u>	<u>\$ -</u>
Revenue bonds:									
Water	10/23/95	3.70-4.85%	\$ 375,000	\$ 90,000	\$ -	\$ 45,000	\$ 45,000	\$ 4,320	\$ -
Water	10/01/02	2.25-4.10%	750,000	705,000	-	50,000	655,000	24,265	-
Water	08/21/01	3.30-5.00%	1,660,000	1,600,000	-	40,000	1,560,000	75,933	-
Water	05/01/98	4.25-4.50%	2,005,000	<u>970,000</u>	<u>-</u>	<u>150,000</u>	<u>820,000</u>	<u>42,883</u>	<u>-</u>
Total				<u>\$ 3,365,000</u>	<u>\$ -</u>	<u>\$ 285,000</u>	<u>\$ 3,080,000</u>	<u>\$ 147,401</u>	<u>\$ -</u>
Capital loan notes:									
FMBT - Old Fort	03/01/90	7.50%	\$ 250,000	\$ 38,383	\$ -	\$ 25,026	\$ 13,357	\$ 2,482	\$ -
Iowa Revolving Loan Fund	04/19/04	3.00%	700,000	-	7,000	-	7,000	24	-
Capital loan note - fire truck	02/02/01	4.75%	287,500	237,500	-	25,000	212,500	11,375	-
Sewer revenue capital loan note	09/27/00	3.92%	420,000	<u>310,825</u>	<u>-</u>	<u>39,000</u>	<u>271,825</u>	<u>12,191</u>	<u>-</u>
Total				<u>\$ 586,708</u>	<u>\$ 7,000</u>	<u>\$ 89,026</u>	<u>\$ 504,682</u>	<u>\$ 26,072</u>	<u>\$ -</u>
Urban renewal TIF's:									
Hall Towing	08/11/93	7.00%	\$ 180,000	\$ 105,000	\$ -	\$ 20,000	\$ 85,000	\$ 7,350	\$ -
Gregory Manufacturing	07/25/96	6.50%	59,000	28,118	-	6,379	21,739	1,828	-
Cyprus Climax	09/23/97	Variable	265,000	175,000	-	24,000	151,000	8,764	-
Wolfe Packaging	11/03/99	8.25%	268,000	<u>230,000</u>	<u>-</u>	<u>21,000</u>	<u>209,000</u>	<u>18,562</u>	<u>-</u>
Total				<u>\$ 538,118</u>	<u>\$ -</u>	<u>\$ 71,379</u>	<u>\$ 466,739</u>	<u>\$ 36,504</u>	<u>\$ -</u>
Total of all debt				<u>\$ 6,569,826</u>	<u>\$ 7,000</u>	<u>\$ 910,405</u>	<u>\$ 5,666,421</u>	<u>\$ 285,365</u>	<u>\$ -</u>

**City of Fort Madison  
Bond and Note Maturities  
June 30, 2004**

**General Obligation Bonds**

Year Ending June 30.	<u>Parking Library City Hall</u> <u>Issued August 21, 2001</u>		<u>Refunding Bond</u> <u>Issued October 29, 2002</u>		<u>Drainage/Flood Protection</u> <u>Issued October 1, 1999</u>		<u>Street Improvement</u> <u>Issued May 1, 2000</u>		Total
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	
2005	3.75%	\$ 50,000	2.00%	\$ 305,000	5.00%	\$ 50,000	4.45%	\$ 45,000	\$ 450,000
2006	4.00%	55,000	2.40%	50,000	5.00%	50,000	4.50%	50,000	205,000
2007	4.15%	55,000	2.60%	55,000	5.00%	55,000	4.55%	50,000	215,000
2008	4.30%	55,000	2.80%	25,000	5.00%	60,000	4.60%	55,000	195,000
2009	4.40%	60,000	-	-	5.00%	60,000	4.70%	55,000	175,000
2010	4.50%	60,000	-	-	-	-	4.75%	60,000	120,000
2011	4.50%	65,000	-	-	-	-	4.80%	60,000	125,000
2012	-	-	-	-	-	-	4.85%	65,000	65,000
2013	-	-	-	-	-	-	4.90%	65,000	65,000
		<u>\$ 400,000</u>		<u>\$ 435,000</u>		<u>\$ 275,000</u>		<u>\$ 505,000</u>	<u>\$ 1,615,000</u>

**Revenue Bonds**

Year Ending June 30.	<u>Issued October 29, 2002</u>		<u>Issued April 19, 2004</u>		<u>Issued August 21, 2001</u>		<u>Issued October 23, 1995</u>		<u>Issued May 1, 1998</u>		Total
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	
2005	2.87%	\$ 50,000	3.00%	26,000	3.90%	\$ 50,000	4.85%	\$ 45,000	4.35%	\$ 150,000	\$ 295,000
2006	3.00%	50,000	3.00%	27,000	4.00%	100,000	-	-	4.40%	160,000	310,000
2007	3.25%	50,000	3.00%	28,000	4.15%	100,000	-	-	4.50%	165,000	315,000
2008	3.30%	55,000	3.00%	29,000	4.30%	100,000	-	-	4.50%	170,000	325,000
2009	3.30%	55,000	3.00%	29,000	4.45%	110,000	-	-	4.50%	175,000	340,000
2010	3.35%	60,000	3.00%	30,000	4.60%	165,000	-	-	-	-	225,000
2011	3.55%	60,000	3.00%	31,000	4.75%	175,000	-	-	-	-	235,000
2012	3.65%	65,000	3.00%	32,000	4.90%	180,000	-	-	-	-	245,000
2013	3.80%	65,000	3.00%	33,000	5.00%	185,000	-	-	-	-	250,000
2014	3.90%	70,000	3.00%	34,000	5.00%	195,000	-	-	-	-	265,000
2015	4.10%	75,000	-	-	5.00%	200,000	-	-	-	-	275,000
		<u>\$ 655,000</u>		<u>\$ 299,000</u>		<u>\$ 1,560,000</u>		<u>\$ 45,000</u>		<u>\$ 820,000</u>	<u>\$ 3,080,000</u>

**City of Fort Madison  
Bond and Note Maturities  
June 30, 2004**

**Capital Loan Notes**

Year Ending June 30,	<u>Old Fort Restoration Issued 03/01/90</u>		<u>Sewer Revenue Note Issued 09/27/00</u>		<u>Fire Truck Issued 02/02/01</u>		Total
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	
2005	7.50%	\$ 13,357	3.92%	\$ 41,000	4.75%	\$ 30,000	\$ 84,357
2006	-	-	3.92%	43,000	4.75%	30,000	73,000
2007	-	-	3.92%	44,000	4.75%	30,000	74,000
2008	-	-	3.92%	46,000	4.75%	30,000	76,000
2009	-	-	3.92%	48,000	4.75%	30,000	78,000
2010	-	-	3.92%	50,000	4.75%	30,000	80,000
2011	-	-	-	-	4.75%	32,500	32,500
		<u>\$ 13,357</u>		<u>\$ 272,000</u>		<u>\$ 212,500</u>	<u>\$ 497,857</u>

**Urban Renewal TIF's**

Year Ending June 30,	<u>Hall Towing Issued 08/11/93</u>		<u>Gregory Mfg Issued 07/25/96</u>		<u>Cyprus Climax Issued 09/23/97</u>		<u>Wolfe Packaging Issued 11/03/99</u>		Total
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	
2005	7.00%	\$ 20,000	6.50%	\$ 6,793	9.25%	\$ 26,000	8.25%	\$ 23,000	\$ 75,793
2006	7.00%	20,000	6.50%	7,235	9.25%	28,000	8.25%	25,000	80,235
2007	7.00%	20,000	6.50%	7,711	9.25%	30,000	8.25%	27,000	84,711
2008	7.00%	25,000	-	-	9.25%	32,000	8.25%	30,000	87,000
2009	-	-	-	-	9.25%	35,000	8.25%	32,000	67,000
2010	-	-	-	-	-	-	8.25%	35,000	35,000
2011	-	-	-	-	-	-	8.25%	37,000	37,000
2012	-	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-	-
		<u>\$ 85,000</u>		<u>\$ 21,739</u>		<u>\$ 151,000</u>		<u>\$ 209,000</u>	<u>\$ 466,739</u>

**City of Fort Madison**  
**Schedule of Receipts By Source and Disbursements**  
**By Function - All Governmental Fund Types**

	Years Ended June 30,				
	2004	2003	2002	2001	2000
Property tax	\$ <u>3,531,397</u>	\$ <u>3,253,011</u>	\$ <u>3,207,877</u>	\$ <u>3,214,100</u>	\$ <u>3,407,186</u>
Tax increment financing	<u>139,318</u>	<u>210,536</u>	<u>207,367</u>	<u>167,062</u>	<u>157,953</u>
Intergovernmental:					
Road use tax	955,808	934,297	863,752	915,957	942,393
Liquor license	20,047	18,249	17,339	16,949	17,209
Grants	775,163	860,286	1,012,097	579,933	491,300
Bank franchise tax	26,054	51,379	17,470	31,230	35,511
Tax replacement	-	226,407	231,383	255,762	256,511
Other	<u>41,029</u>	<u>50,016</u>	<u>56,251</u>	<u>330,766</u>	<u>126,475</u>
	<u>1,818,101</u>	<u>2,140,634</u>	<u>2,198,292</u>	<u>2,130,597</u>	<u>1,869,399</u>
Other taxes:					
Local option	954,829	857,370	921,814	948,922	938,286
Hotel/motel	<u>128,407</u>	<u>93,728</u>	<u>81,951</u>	<u>97,384</u>	<u>101,427</u>
	<u>1,083,236</u>	<u>951,098</u>	<u>1,003,765</u>	<u>1,046,306</u>	<u>1,039,713</u>
Miscellaneous	<u>2,278,272</u>	<u>1,069,710</u>	<u>1,128,896</u>	<u>795,195</u>	<u>1,231,956</u>
Total	\$ <u>8,850,324</u>	\$ <u>7,624,989</u>	\$ <u>7,746,197</u>	\$ <u>7,353,260</u>	\$ <u>7,706,207</u>
Disbursements:					
Public safety	\$ 2,829,448	\$ 2,917,643	\$ 2,863,765	\$ 2,906,449	\$ 2,449,474
Public works	1,076,688	980,075	830,947	858,393	930,751
Health and social services	37,616	39,599	39,589	34,578	39,293
Culture and recreation	938,339	1,245,505	1,293,043	1,107,988	1,175,978
Comm & econ development	402,983	639,942	913,105	389,497	494,924
General government	1,821,715	622,754	628,539	1,038,320	862,119
Debt service	677,883	2,015,079	1,880,074	1,242,055	1,206,494
Capital projects	<u>302,088</u>	<u>1,258,502</u>	<u>991,449</u>	<u>1,529,116</u>	<u>1,420,474</u>
	\$ <u>8,086,760</u>	\$ <u>9,719,099</u>	\$ <u>9,440,511</u>	\$ <u>9,106,396</u>	\$ <u>8,579,507</u>

**City of Fort Madison  
Miscellaneous Statistical Data**

**Major Area Employers**

<u>Name</u>	<u>Product</u>	<u>Approximate Number of Employees</u>
Dial Corp. Inc.	Canned meats and shelf stable microwavables	600
Iowa State Penitentiary	Corrections facility	530
Fort Madison Community School District	Education	389
Burlington Northern Santa Fe Railway	Freight shipment	271
E.I. Dupont de Nemours	Industrial and automotive sealants and finishes, resins & thinners	225
Scheaffer Pen Company	Mechanical pencils, fountain ballpoint and roller ball pens	170
Gleason Corporation	Rubber tired wheels, hammocks, raincaps	170
The Scotts Co.	Consumer products for home, lawn and garden	140
Silgan Containers Corp.	Soft drawn aluminum containers	125
Box USA	Corrugating medium paper	124
Climax Molybdenum Company, Division of AMAX	Molybdenum chemicals and sulfuric acid	110

**City of Fort Madison  
Miscellaneous Statistical Data**

Date of Incorporation .....	January 18, 1838
Form of Government .....	Mayor-Council with Full-Time City Manager
Area .....	16.58 square miles

Fire Protection:

Number of stations	1
Number of employees	18

Police Protection:

Number of stations	1
Number of employees	20

Recreation:

Number of parks	9
Number of acres	238.2

Cemeteries

4

Airports

1

Employees:

Permanent	109
Permanent Part Time	11

Schools:

Public	5
Parochial	3

2003-04 Tax Rates:

City	16.08460
County	7.22842
School	12.42768
Merged Area College	.99765
State	.00400
Other	.46806
Total	<u>37.21041</u>

Populations:

2000	11,476
1990	11,618
1980	13,520
1970	13,966
1960	15,247
1950	14,954
1940	14,063
1930	13,779

James Walker, CPA  
James Egerton, CPA  
Kimberly Hunsaker, CPA  
Melodee Walker, CPA  
Stephanie Hoschek, CPA  
William Hesse, LPA



214 North Fourth Street  
PO Box 547  
Burlington IA 52601

319 752 6348  
800 757 6348  
319 752 8644 fax  
Info@walkeregerton.com

## **Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting**

To the Officials of  
the City of Fort Madison, Iowa

We have audited the financial statements of the City of Fort Madison, as of and for the year ended June 30, 2004, and have issued our report thereon dated October 4, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with another comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the City of Fort Madison's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance 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 noncompliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for item II-J-04.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Fort Madison's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City'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 I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. None of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the officials, employees and citizens of the City of Fort Madison and other parties to whom the City of Fort Madison 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 Fort Madison 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.

*Walker Egerton & Hunsaker PC*

October 4, 2004

**City of Fort Madison  
Schedule of Findings  
Year Ended June 30, 2004**

**Part I: Findings Related to the Financial Statements**

REPORTABLE CONDITIONS

I-A-04     Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. 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 could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

## Part II: Other Findings Related to Required Statutory Reporting

- II-A-04 Official Depositories - A resolution naming official depositories has been adopted by the Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- II-B-04 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- II-C-04 Business Transactions - We noted no evidence of business transactions between the City and City officials or employees which we believed to be in violation of statutory provisions.
- II-D-04 Revenue Notes - The City has established sinking, reserve and surplus accounts required by the water revenue note resolutions.
- II-E-04 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- II-F-04 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-04 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-H-04 Certified Budget - Disbursements during the year ended June 30, 2004, exceeded the amounts budgeted in the general government functions. Chapter 384.20 of the Code of Iowa states in part that monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

- II-I-04 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-J-04 Financial Condition - Traffic Safety Grant, Drug Task Force, and Housing Rehabilitation grants, all within the Special Revenue Funds, had deficit balances of \$500, \$5,876 and \$20,823, respectively at June 30, 2004.

Recommendation - The City should investigate alternatives to eliminate this deficit in order to return these accounts to a sound financial position.

Response - The deficits were due to project costs or program costs incurred prior to receipt of revenues or transfers. These deficits will be eliminated.

Conclusion - Response accepted.

## **FINANCIAL STATEMENTS**

**SUPPLEMENTARY INFORMATION**