

CITY OF MARSHALLTOWN, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2004

**Prepared by:
City Finance Department**

CITY OF MARSHALLTOWN, IOWA

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INTRODUCTORY SECTION



City of Marshalltown
Floyd Harthun, Mayor
Richard Hierstein, City Administrator
Cindy R Kendall, Finance Director
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November 2, 2004

Mayor Harthun,
Members of the City Council and
Citizens of Marshalltown, Iowa:

In accordance with Chapter 11 of the Code of Iowa, I hereby submit the Comprehensive Annual Financial Report (CAFR) of the City of Marshalltown, Iowa, (City) for the fiscal year ended June 30, 2004. The accuracy of data, and the completeness and fairness of the presentation, including all disclosures, rests with management of the City. To the best of our knowledge and belief, the enclosed data accurately, and in all material respects, are reported in a manner that presents fairly the financial position and results of operations for the City and its component units. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. Also included is information required to fulfill SEC disclosure regulations and bond covenants as it pertains to bonds held by the City of Marshalltown.

The CAFR is organized into the following sections: Introductory, Financial, Statistical and Compliance. The introductory section, which is unaudited, includes the table of contents, this letter, an organizational chart and a listing of principal elected and appointed officials. The financial section includes the management's discussion and analysis (MD&A) of the City's financial activities, independent auditor's report, the basic financial statements, the combining and individual fund financial statements and schedules, and other financial information. The statistical section of the report, which is also unaudited, includes statistical information pertaining to the City's financial condition and operations, generally presented on a multi-year basis. The final section of the report provides the information needed to comply with the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to the single audit, including the schedule of expenditures of federal and other awards, findings and questioned costs, and the auditor's reports on the internal control and compliance with applicable laws, regulations, contracts, and grants are included in the compliance section.

In 1999, the Governmental Accounting Standards Board (GASB) adopted Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments*. The final effective date for the implementation of GASB No. 34 for the City of Marshalltown was June 30, 2003. This report continues compliance with those standards.

The City of Marshalltown's financial statements have been audited by Eide Bailly, L.L.P. of Dubuque, IA, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended, June 30, 2004 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principals used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor, concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Marshalltown's financial statements for the fiscal year ended, June 30, 2004 are fairly presented in conformity with GAAP.

CITY COUNCIL: John Cahill, Darrell Eaton, Eric Fruin, Jeff Linton, Laurel Phipps, Susan Malloy, Robert Schubert

Profile of the Government

The City was incorporated July 27, 1863 under the laws of the State of Iowa, later amended on June 16, 1975 under the City Home Rule Act. The City operates under a mayor-council form of government. Policy making and legislative authority are vested in the seven member council. The City Council is responsible for passing ordinances, resolutions, adopting and amending the budget, appointing committees and hiring the City Administrator as provided by ordinance. Beginning November, 1997 the Mayor and Council are elected on a non-partisan basis to a four year staggered term, allowing continuity within the membership. Four of the council members are elected from within their respective districts. The mayor and the three remaining council members are elected at large. The City Administrator is responsible for carrying out the policies and ordinances of the council, overseeing the day-to-day operations of the government, and for hiring the department managers.

The City provides the following services as authorized by its charter: police, fire, traffic safety, culture, recreation, community development, public works, sewage collection and disposal, compost facilities, a transit system, municipal parking lots, various housing programs, a library which is overseen by a board of directors, a water distribution system which is administered by an independent utility board of trustees, and a Convention and Visitors Bureau which is administered by a board of directors. The Marshalltown School District and East Marshall School District are administered by independent and autonomous boards created under the authority of the Code of Iowa, are legally separate and are fiscally independent of the state and other local governments. Therefore, the school districts' financial statements are not included. However, the school districts' overlapping debt is displayed in the statistical schedules.

The annual budget serves as the foundation for the City of Marshalltown's financial planning and control. All departments of the City are required to submit requests for appropriation to the finance department during the fall of each year. The city administrator then uses these requests for developing a proposed budget. The proposed budget is presented to the council for review prior to January 31. The council is required to hold at least one public hearing on the proposed budget and to adopt a final budget before March 15. The appropriated budget is prepared by function (e.g., Public Safety), fund, and department (e.g. police). Department managers may make transfers of appropriations within the department. Transfers of appropriations between functions, however, requires a public hearing and approval by the city council prior to exceeding the function budget. Budgetary control is monitored at the function level. All funds budgeted in accordance with state statute are included in the budget-to-actual comparisons, presented on page 50 as part of the footnotes to the financial statements.

ECONOMIC CONDITION AND OUTLOOK

The general downturn in the state and national economy, construction and sales has influenced the prices of lumber and steel, curtailing construction in Marshalltown. The housing market bucking projections, still remains active with 22 housing unit starts since January 2004. The continuation of low interest rates and the residential tax abatement program still influences the housing starts. During this fiscal year, the Mayor appointed a task force to examine the residential tax abatement program. The Committee returned with the recommendation to extend the program with a five year sliding scale of abatement. After great debate and input from many resources the City Council decided to extend the current program for another three years. In the southern area of the community, Glenwood Addition, which began in 1993 now has 8 homes and 6 townhouses built. During the fiscal year, there were a total of 55 building permits issued for new construction (residential and commercial) adding \$13,441,000. 120 remodeling permits were issued with a value of \$7,489,900 showed continued strength in the construction industry in Marshalltown. Since January, 365 single family home sales have an average sale price of \$95,995, again demonstrating changes within the housing market.

The Main Street Program awarded in April of 2002 continues to add activities in the downtown area. Many more of the store fronts are undergoing historical restoration and some upper level areas are being converted to living spaces. The Main Street District profile is changing with construction of a facility which will have a blend of commercial and residential units. Housing approximately 30 low and moderate income units, this project encompasses components of lot "infill" and historic architecture with new construction. The dramatic price increases of steel threatened this project, however additional collaboration with the County and personal commitments of the developer and construction company have kept the project moving forward. A number of new developers have shown an interest in working in Marshalltown, encouraging a Land Use Plan to be developed for the downtown area. Various meetings sponsored by the Main Street Program have demonstrated the value in such a project. Collaboration between the city and business leaders will reduce the financial burden on the City to go forward with this plan.

Citywide the growth in retail sales continues to support the regional atmosphere. Despite revenue shortfalls at the state level, the Local Option Sales Tax revenues are still stable for Marshalltown. The Local Option Sales Tax (LOST) began April 1, 2000 with first distributions received in June, 2000. 20% of the LOST was designated for the storm sewer study and related storm sewer repairs, 5% was for cash flow reserves and 75% was designated for property tax relief. The LOST generates over \$2.5 million per year. George Butler and Associates has been hired to do a condition assessment of the storm sewer system, create a status and location database, and prepare estimates for repair and reconstruction. The dredging of Linn Creek and the storm water portion of the Westwood Drive street construction project were completed through the Local Option Sales Tax revenues. The property tax relief portion of the LOST was applied during preparation of the budget for fiscal year 2003-2004, reducing the tax levy by \$2.50/ \$1,000 of taxable valuation. An estimated \$100,000 will be reserved for cash flows each year. The 2000 referendum also included a 5 year sunset provision. During this fiscal year, the Local Option Sales Tax was extended for another five years. The only language change on the ballot was that the 5% originally designated for Cash Flow reserves will now be designated by the City Council for any legal purpose.

The School Infrastructure Local Option Sales Tax was also passed by the local voters, creating the seventh cent on sales tax items. The school has designated these funds to be used to buy down the \$25,000,000 infrastructure bonds approved earlier in the year. Many of the schools are undergoing restructuring in terms of construction as well as reorganization to better serve our education programs.

MAJOR INITIATIVES

The beginning of this fiscal year was impacted by action of the state legislature eliminating the majority of state shared revenues going to cities and counties. In Marshalltown, the amount exceeded over one half of a million dollars or 5% of the general fund operating budget. Later in the year, the Governor enacted an additional 2.5% across the board cut in reaction to slower revenue receipts. After the end of the fiscal year, however, some of the revenue cuts by the Governor were restored and receipted by various state, county and local governments effected.

One of the biggest challenges for the financial stability of the City is the erosion of the tax base. Although construction and major "spruce ups" during this year continue to look encouraging, the residential rollback continues to increase to an extent that little if any growth is added to the tax base. The city continues to struggle to deliver services without financial support to sustain them. During the 1980's, the state legislature limited the value growth by class to 4% statewide. Legislature also linked or coupled agricultural and residential values so that neither class could increase at a greater percentage than the other. Even though the residential values have increased steadily, agricultural values have not. This rollback factor along with the removal of the machinery and equipment valuations for industrial and commercial valued properties, continues to shift the burden for the payment of services.

Assessment Year Residential Rollback

2003	48.4558%
2002	51.3874%
2001	51.6676%
2000	56.2651%
1999	54.8525%
1998	56.4789%
1997	54.9090%
1996	58.8284%
1995	59.3180%
1994	67.5074%

The Utility Replacement Tax (URT) is another factor shifting the property tax payment for services. The Iowa legislation replaced the centrally assessed property tax on utilities with an excise tax based on the generation, transmission and distribution of electricity and natural gas. The shift from property tax to the URT was intended to be "revenue neutral" based on assessment years 1993 to 1997. The legislation included a three year-period that has been called the "True-up phase." For the first three years of the legislation's implementation, there was a process designed to ensure that the taxing entities would receive 100 percent of the difference between what they would have received from property taxes as compared to the URT. At the end of the true-up phase, fiscal year 2002, the ability to impose this special property tax was eliminated. While it is certain that a city's net revenues will be prevented from declining, they cannot grow proportional to the growth and utility expansion actually occurring within the community. An assessed value of utility property is still used to calculate bonding capacity. This fiscal year also bore the burden of reduced \$200,000 in revenues from the Utility Replacement Tax, the result of a lawsuit over the valuations of the Alliant properties within Iowa.

A third factor shifting the property tax liability was enacted by the state legislature this year, known as Iowa Code Section 42. This provision changed the calculation of privately held rental residential units which qualify for federal tax credits. These units had been classified as commercial and can be classified as residential (enjoying the rollback factor) in part influenced by the profitability of the units.

A property tax revenue for the repair and replacement of capital items was approved on the November 2, 1999 ballot. This Capital Improvement levy generates up to \$380,000 per year. The approval of this levy allows a number of things: 1) capital equipment and building maintenance on a routine, planned basis, 2) avoids or eliminates the use of debt capacity for capital equipment and building maintenance, 3) avoids or eliminates interest expense for capital equipment and building maintenance 4) allows more flexibility for operations within the general fund. By resolution, the City Council voted to set aside 15% of the annual Capital Improvement levy for large capital items such as fire engines. This reserve normally displayed in the Capital Project fund type in these reports will be used in 2004-2005 to purchase the next fire engine. To better manage the resources generated by the levy, all departments must now prepare at least a five year capital needs plan.

Recruitment for a new City Administrator was conducted with the commencement date of October 30, 2003. All positions vacated during this year were examined for need within the organization. Two department managers and five employees retired this fiscal year. The City is working to position qualified replacements or restructuring, where possible, to maximize manpower yet minimize transitional problems. Although the impact of military duty is lower than last year, three vacancies still remain in the area of public safety.

To further streamline the departments, the city administrator has reorganized all inspections, nuisance abatement, housing and zoning into one department. Each inspector has been empowered to write municipal infraction violations acknowledging that the inspectors are exposed to many different kinds of code violations while doing rental or building inspections. Developers, landlords and tenants now have one department accountable to their enforcement needs.

The Library continues its mission towards a new facility and changing services to meet the needs of those it serves. The Library Board added two new members, one to be a representative from outside the City as a result of the November 2003 election. This change reflects current user demographics, over 10% of the library services are provided to citizens residing outside the City of Marshalltown. The library board has also been working with the community college to identify possible benefits of sharing the downtown location donated by Fisher Controls, a major industry in the community. Based upon those discussions, the architect will begin the process of designing the proposed facility in preparation for a referendum during next fiscal year.

INTER-GOVERNMENTAL COOPERATION

Monthly meetings between each of the governmental bodies continues for its tenth year. Cooperation is in the areas of taxation, GIS mapping, data processing, zoning, safety and transportation. In addition, the County Board of Supervisors continues to meet with the City Council on a quarterly basis to demonstrate management's involvement in intergovernmental cooperation and efficiencies. This year the direct benefits resulting from these meetings were: 1) A two year moratorium was implemented by both governments for development along an undeveloped road, adjacent to city limits; and 2) An agreement between the governments for cost sharing of the development of that road. State and federal funding will also be sought for this construction. Much attention of this group also focused on the impact of devaluation of the statewide agricultural values, the increasing rollback on residential values and impact on tax increment financing due to these reductions. Educational forums have brought government and business leaders together to better understand the effects on government services and economic development.

The City was awarded a three year HUD Lead Abatement Grant in 2003. This \$1,999,368 grant will reduce the city's high incidents of lead poisoning amongst early elementary aged children. The purchase of a "safe" house will facilitate a wholesome environment for families while their homes are abated of lead hazards. This project was funded in part due to the coordination of agencies: the City's Housing and Inspection divisions, Marshalltown Medical and Surgical Center, the Martha Ellen Tye Foundation, Wells Fargo Bank, the Iowa Department of Human Services and the Iowa Department of Health. To date 25 units have been abated of lead.

City wide cooperation and coordination of services with the school district for youth programs continue maximizing grant funding for the fourth year. The City continues to work jointly to augment the City library, and recreational programs, receiving 21st Century Grant Program funding. This was the final of three years for some aspects of the program. Some of the programs are continuing with additional funding from the community school and various user fees

The consolidated Public Works Facility project began with the sale of property for the Lennox plant expansion in 1993. One of the City facilities was sold creating overcrowding in the May Street facility. The new Public Works Facility location was an abandoned county fair grounds with grandstands adjacent to one of the City's steel industries. The new facility was completed and inhabited in November, 2003. The Regional Planning Commission is also housed in this facility contributing to the construction and operating costs. Proximity to the Public Works Facility will also facilitate sharing of resources for transit, para-transit, accounting, internet and mechanics. A central maintenance pool is located in this facility adding safety and efficiencies for the mechanics. Financing was through general obligation bonds, a federal transit grant, the sale of a TIF note and a contribution from the Regional Planning Commission

FINANCIAL INFORMATION

The management of the City is responsible for establishing and maintaining a system of internal controls designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits require estimates and judgments by management. Internal controls have been established within the finance department and are evaluated to provide adequate control based on resources available

throughout the City. Management continues to modify internal controls to meet ever changing needs and recommendations by the external auditors.

The City maintains its daily financial records and budget on a cash basis of accounting. The accounting records for governmental operations and agency funds are converted to a modified accrual basis at the end of the fiscal year. Similarly, the enterprise, internal service, and pension trust fund are converted to the accrual basis of accounting. The fund balances on an accrual basis of accounting vary from the balances based on cash receipts and disbursements in that the latter reflect only moneys "on hand" that are available for spending.

Compliance Audit. As a recipient of federal and state financial assistance, the City also is responsible for ensuring that adequate internal controls are in place for compliance with applicable laws, regulations, contracts and grants related to those programs. Internal controls are subject to periodic evaluation by management and the external audit staff of the City.

As a part of the City's compliance audit, described earlier, tests are made to determine the adequacy of the internal controls, including that portion related to federal financial assistance programs, and the state programs determined under the same criteria, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's independent auditor's results for the fiscal year ended June 30, 2004, disclosed no reportable conditions in internal control over the major programs and only one instance of noncompliance with the Office of Management and Budget Circular A-133, Section .510(a). All findings and comments can be found in the Schedule of Findings and Questioned Costs in the Compliance Section of this report.

Cash Management. Cash temporarily idle during the year was invested in demand deposits, certificates of deposits, commercial paper rated AAA or above, obligations of the U.S. Treasury or an investment pool. The investment pool utilized by the City was the IPAIT (Iowa Public Agency Investment Trust) which invests primarily in U.S. Treasury securities, repurchase agreements, and agency securities backed by the full faith and credit of the U.S. Government. Investment of City funds are restricted by state statute and local policy. All investments are directly held and managed by the City Finance Director with co-authority of the City Administrator, except for funds held by the Water Works and Convention and Visitors Bureau, which are invested by their respective managers. An Investment Advisory Committee of financial specialists from the community continue to review all investment activity on not less than a quarterly basis, again insuring the investment vehicles are diversified, staggered to meet cash flow needs, and with minimal risk exposure. The maturities of investments generally range from 30 days to 3 years. Due to the low rates offered through competitive bidding, however, deposits in money market accounts has produced better returns than the traditional certificates of deposits. The City's earned interest revenue on investments for the year ended June 30, 2004, continued downward from 2003.

Risk Management. The city is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, errors and omissions; worker's compensation; and health care of its employees. During 2004, the City continued its comprehensive plan for employee safety and OSHA compliance using the City's third party insurance carrier to conduct safety and building inspections and training. Through the bidding process, the city continued its participation in the Iowa Municipal Utilities Association Insurance program. This is an intergovernmental organization created to secure affordable insurance to municipalities with similar risk exposures. Strategic planning of worker's compensation cases including medical case management, supervisory/employee relations, transitional work and litigation management has been incorporated into the City's risk management program in addition to property and casualty, and general liability risks management. The cost vs. benefit analysis done in conjunction with the insurance bidding process demonstrated that the City should change the medical only coverage for work related injuries for the police and fire personnel to a self insured program effective April 2004. Other cost containment measures included increased deductibles and updating property valuations.

The City's self funded health insurance also promotes safety and wellness through preventative incentives, publications and various activities. Third party coverage insures a stop loss limit of \$65,000 minimizing catastrophic exposure to losses. Cost containment measures and claim review continue to improve control over excessive claims. There is, however, concern over the growth in prescription drug expenses. The Group Health Advisory Committee made up of City employees and support staff, was formed to examine the City's self-administered insurance program. The committee continues to implement and monitor changes to the coverage of the group. Participation in the IRS Section 125 Cafeteria Plan, disability insurance, voluntary life insurance, drug discounts and wellness programs have substantially increased. Beginning in January, 1998 a self funded Preferred Provider Organization (PPO) plan was offered as an alternative to increased premiums. Provider discounts and favorable experience with claims positively impacts the city through available cash balances in the internal service fund and managed tax asking which supports the City's portion of the premium. In January of 2004, premiums for the program increased 23% reflecting the City's inability to fight off national trends. Cash balances in this area declined this year due to claim coverage and reductions in interest earnings. The City is always mindful of available competition in the health care insurance industry to insure that its employees are afforded the best coverage at a reasonable price. Proposals for 2005 coverage indicate that higher premiums are likely for the next 3-5 years.

Postemployment benefits. The City of Marshalltown provides postretirement health care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 59 employees receiving these benefits, which are financed on a pay-as-you-go basis. As of the date of this report, GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

OTHER INFORMATION

Independent Audit. State statutes require an annual audit by independent certified public accountants. Eide Bailly, L.L.P. of Dubuque, IA was selected by the City's Policy & Administrative Committee for a five year engagement. In addition to meeting the requirements of state statutes, the audit is designed to meet the requirements of U.S. Office of Management and Budget's Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Generally accepted auditing standards and the standards set forth in the General Accounting Office's *Government Auditing Standards* were used by the auditors in conducting the audit. The auditor's report on the basic financial statements is included in the financial section of this report. The auditor's reports on internal controls and compliance with applicable laws, regulations, contracts, and grants are included in the Compliance Section.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the years ending June 30, 1990, and 1993 through 2003. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

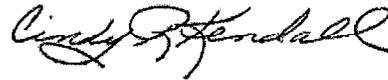
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments. Improving the financial and economic outlook and stability for Marshalltown is a cooperative effort from individuals in the private and public sector. That outlook and the fiscal management of the City is directly contributing towards the financial health of the City government. The City's progress in this past year continues to position the city for positive future growth. Ongoing collaboration between the taxing agencies in the area also strengthens the economy, delivery of services, availability of arts, culture and recreation, regional medical services and a reasonable cost of living.

November 2, 2004

Particular acknowledgment must be given to city employees in their efforts to improve delivery of services to the citizens of Marshalltown. Steadfast, persistent and loyal in their pursuit, the employees strive to make Marshalltown a strong and safe regional center for education, health, businesses and recreation. The preparation of the comprehensive annual financial report was made possible by the dedicated service of the finance department with assistance from many other agencies and organizations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Cindy R. Kendall".

Cindy R. Kendall, CGFM
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Marshalltown,
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



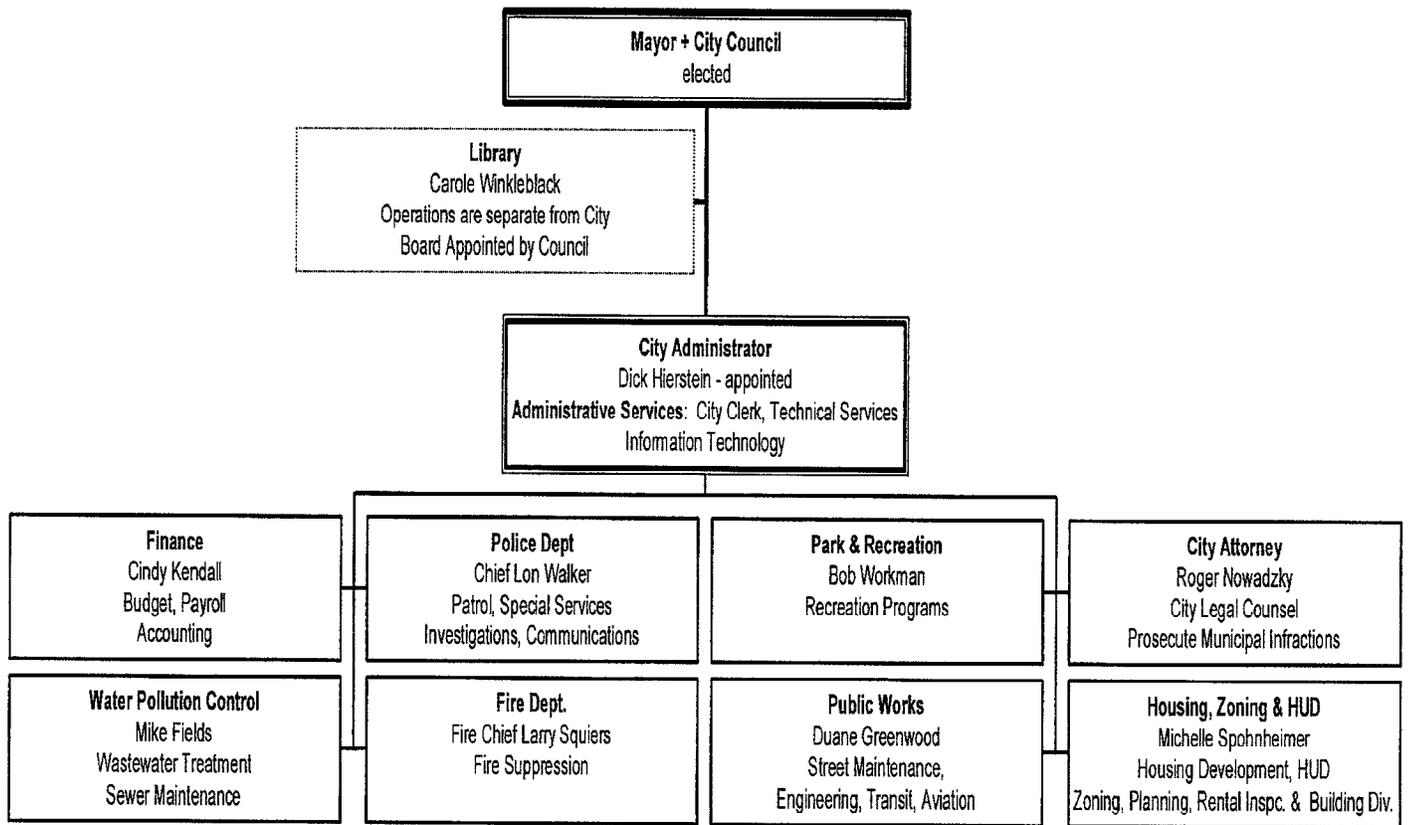
Nancy L. Zjelle

President

Jeffrey R. Enow

Executive Director

City of Marshalltown, Iowa Organizational Chart As of November 2, 2004



CITY OF MARSHALLTOWN, IOWA
OFFICIALS
JUNE 30, 2004

Name	Title	Term Expires
Elected officials:		
Floyd Harthun	Mayor	December 31, 2005
Susan Malloy	Mayor Pro-Tem	December 31, 2005
John Cahill	Council Member	December 31, 2007
Robert Schubert	Council Member	December 31, 2005
Jeff Linton	Council Member	December 31, 2007
Eric Fruin	Council Member	December 31, 2005
Darrell Eaton	Council Member	December 31, 2005
Laurel Phipps	Council Member	December 31, 2007
Council-appointed officials:		
Dick Hierstein	City Administrator	October 30, 2005
City Administrator Appointment with Council Approval:		
Cindy R. Kendall	Finance Director	Indefinite
Shari Coughenhour	City Clerk	Indefinite
Duane Greenwood	Public Works Director	Indefinite
Roger Nowadzky	City Attorney	Indefinite
Mike Fields	Water Pollution Control Director	Indefinite
Robert Workman	Parks and Recreation Director	Indefinite
Larry Squiers	Fire Chief	Indefinite
Lon Walker	Police Chief	Indefinite
Mary Rund	Technical Services Coordinator	Indefinite
Mary Schrader	Housing Director	Indefinite
John Phillips	Public Facilities Superintendent	Indefinite

FINANCIAL SECTION



Consultants • Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Marshalltown, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshalltown, Iowa, 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 management of the City of Marshalltown. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Marshalltown Water Works and the Marshalltown Convention and Visitors Bureau. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Marshalltown Water Works and the Marshalltown Convention and Visitors Bureau, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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. The financial statements of the Marshalltown Convention and Visitors Bureau were not audited in accordance with *Government Auditing Standards*. 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 and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshalltown, Iowa, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2004, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, pages 14 through 27, Marshalltown Water Works Supplemental Retirement Pension System Schedule, page 66, and budgetary comparison information on pages 67 through 72 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Marshalltown, Iowa. The introductory section, combining nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Marshalltown. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Eide Bailly LLP

Dubuque, Iowa
November 2, 2004

Management's Discussion & Analysis (MD&A)

As management of the City of Marshalltown, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Marshalltown for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-8 of this report. In most areas, this year, we have added more comparison tables to the MD&A showing major variances in dollars and percent.

Financial Highlights

- Assets of the City of Marshalltown (Primary Government) exceeded its liabilities at the close of the most recent fiscal year by \$48,464,739 (*net assets*) as compared to \$47,215,837 in the prior year.
- The City's total net assets increased by \$1,248,902. This increase is attributable to the completion of the public works facility and the biosolids project at the water pollution control plant. Other factors included the creation of the storm sewer user fee, additional federal grants for transit and the aquatic center experiencing a full year of receipts.
- As of the close of the current fiscal year, the City of Marshalltown's governmental funds reported combined ending fund balances of \$9,515,814, a decrease of \$1,148,672 in comparison with the prior year. This draw down can be contributed primarily to the Linn Creek dredging project, payment of the Center Street widening project and Westtown Apartments. (See transmittal letter for more details on these projects.)
- \$5,169,645, a decrease of \$18,614 over last year's ending balance is available for spending at the City's discretion (*unreserved undesignated fund balance*).
- At the end of the current fiscal year, the unreserved undesignated fund balance for the general fund was \$362,192, a decrease of \$70,465.
- The City's total debt increased by \$3,402,083 during the current fiscal year. This change results from the retirement and refinancing of bonds due to good market conditions and the purchase of \$2,000,000 in General Obligation bonds for the Westwood Drive project and the Public Works facility note for \$925,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Marshalltown's basic financial statements. The City of Marshalltown's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Beginning with the year ended June 30, 2003, the City of Marshalltown adopted the provisions of Governmental Accounting Standards Board Statements No. 34, Basic Financial Statements – Managements' 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 Interpretation No. 6 Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements. Comparative data for the year is now available for a comprehensive discussion of the City of Marshalltown's change in net assets.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Marshalltown's finances, in a manner similar to a private-sector business.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Marshalltown that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Marshalltown include general government, public safety, public works (roads, utilities and traffic controls), health and social services, parks and recreation, library and employee insurance. The business-type activities of the City of Marshalltown include, compost, concessions, storm sewer, water pollution control and transportation activities.

The government-wide financial statements include not only the City of Marshalltown itself (known as the *primary government*), but also a legally separate Water Works and Convention and Visitors Bureau for which the City of Marshalltown is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government.

The government-wide financial statements can be found on pages 28-30 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Marshalltown, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Marshalltown can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the city's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Marshalltown maintains 15 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Road Use Tax Fund, HUD Programs Fund, Local Option Sales Tax Fund, Property Tax Fund, Debt Service Fund and Public Works and Other Projects Fund, all of which are considered to be major funds. Data from the other seven non-major governmental funds are combined into a single, aggregated presentation in the governmental funds financial statements. Individual fund data on each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Marshalltown adopts an annual appropriated budget for all funds as required by state statute. In Iowa, budgetary compliance is at the function level, transcending fund level accounting as demonstrated in this report. Budgetary comparison statements have been provided for the general fund and each major special revenue fund for the reader to demonstrate compliance with the adopted budget at this abbreviated level.

The basic governmental fund financial statements can be found on pages 31-34 of this report.

Proprietary funds. The City of Marshalltown maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Marshalltown uses enterprise funds to account for its Storm Sewer, Wastewater, Compost, Transit and Concession activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Marshalltown's various functions. The City of Marshalltown uses internal service funds to account for its insurance operations. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. Individual fund data for the internal service funds are provided in the form of combining statements elsewhere in this report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Storm Sewer, Wastewater and Other Proprietary funds, namely, Compost, Transit and Concession activities, all of which are not considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 35-39 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* available to support the City of Marshalltown's own programs. The most significant fiduciary fund maintained by the City of Marshalltown is the Payroll Fund which records the accounting for payroll and associated liability payments. The accounting used for fiduciary funds is much like that used for governmental funds. The basic fiduciary fund financial statements can be found on pages 40 and 41 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 42-65 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental and proprietary funds is presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 73-82 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Marshalltown, assets exceeded liabilities by \$1,248,902 at the close of the most recent fiscal year.

By far, the largest portion of the City of Marshalltown's net assets \$35,165,843 (73 percent) reflect its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less depreciation and any related debt used to acquire those assets that is still outstanding. The City of Marshalltown used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Marshalltown's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF MARSHALLTOWN NET ASSETS

June 30, 2004

Governmental Activities

	<u>2004</u>	<u>2003</u>	Increase/(Decrease) <u>2004/2003</u>
Current and other assets	\$18,560,480	\$20,332,029	\$ (1,771,549)
Capital assets	<u>31,844,725</u>	<u>36,858,577</u>	<u>(5,013,852)</u>
Total Assets	50,405,205	57,190,606	(6,785,401)
Long-term liabilities			
Outstanding	25,386,806	24,102,812	1,283,994
Current and other liabilities	<u>8,420,133</u>	<u>9,178,500</u>	<u>(758,367)</u>
Total Liabilities	33,806,939	33,281,312	525,627
Net assets:			
Invested in capital assets,			
Net of related debt	7,585,973	14,182,084	(6,596,111)
Restricted	976,110	2,408,818	(1,432,708)
Unrestricted	<u>8,036,183</u>	<u>7,318,392</u>	<u>717,791</u>
Total Net assets	16,598,266	23,909,294	(7,311,028)
	=====	=====	=====

Business-type Activities

	<u>2004</u>	<u>2003</u>	Increase/(Decrease) <u>2004/2003</u>
Current and other assets	\$ 5,080,199	\$5,819,556	(739,357)
Capital assets	<u>35,722,508</u>	<u>24,926,938</u>	<u>10,795,570</u>
Total Assets	40,802,707	30,746,494	10,056,213
Long-term liabilities			
Outstanding	8,306,528	6,198,412	2,108,116
Current and other liabilities	<u>629,706</u>	<u>1,241,539</u>	<u>(611,833)</u>
Total Liabilities	8,936,234	7,439,951	1,496,283
Net assets:			
Invested in capital assets,			
Net of related debt	27,579,870	18,870,233	8,709,637
Restricted	1,424,373	1,625,224	(200,851)
Unrestricted	<u>2,862,230</u>	<u>2,811,086</u>	<u>51,144</u>
Total Net assets	31,866,473	23,306,543	8,559,930
	=====	=====	=====

Total Net Activities

	<u>2004</u>	<u>2003</u>	Increases/(Decrease) <u>2004/2003</u>
Current and other assets	\$23,640,679	26,151,585	(2,510,906)
Capital assets	<u>67,567,233</u>	<u>61,785,515</u>	<u>5,781,718</u>
Total Assets	91,207,912	87,937,100	3,270,812
Long-term liabilities			
Outstanding	33,693,334	30,301,224	3,392,110
Current and other liabilities	<u>9,049,839</u>	<u>10,420,039</u>	<u>(1,370,200)</u>
Total Liabilities	42,743,173	40,721,263	2,021,910
Net assets:			
Invested in capital assets,			
Net of related debt	35,165,843	33,052,317	2,113,526
Restricted	2,400,483	4,034,042	(1,633,559)
Unrestricted	<u>10,898,413</u>	<u>10,129,478</u>	<u>768,935</u>
Total Net assets	48,464,739	47,215,837	1,248,902
	=====	=====	=====

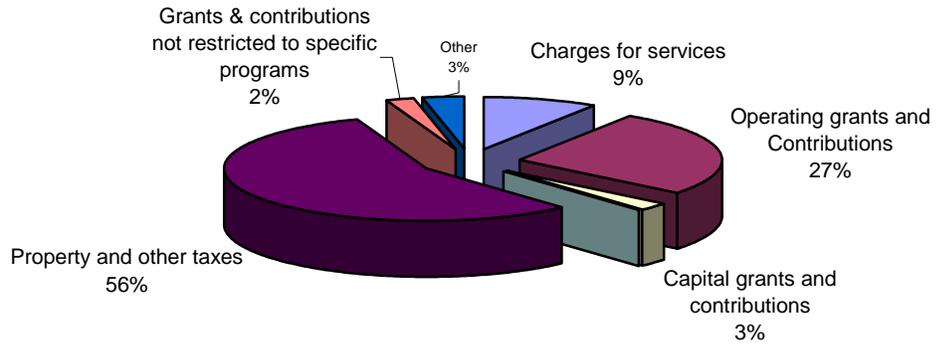
A portion of the City of Marshalltown's activities net assets (\$2,400,483) represents resources that are subject to external restrictions on how they may be used. Prior year comparison shows \$4,034,042, a reduction of \$1,633,559. The remaining balance of unrestricted net assets (\$10,898,413) may be used to meet the government's ongoing obligations to citizens and creditors. This is a slight increase in available net assets over 2002-2003. At the end of the current fiscal year, the City of Marshalltown is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The loss in governmental net assets is attributable to the transfer of assets for the creation of the Storm Water Utility (a business type activity).

The following is a more detailed review of the years' operation.

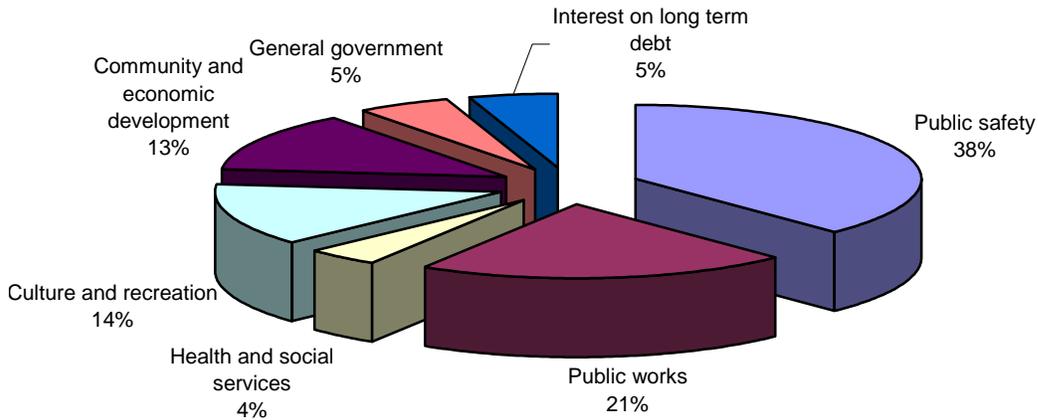
City of Marshalltown's Changes in Net Assets

	Governmental Activities		Increase/(Decrease)
	<u>2004</u>	<u>2003</u>	<u>2004/2003</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 1,851,805	\$ 1,402,801	\$ 449,004
Operating grants and contributions	5,510,052	4,887,463	622,589
Capital grants and contributions	517,296	697,162	(179,866)
General Revenues:			
Property and other taxes	11,480,381	11,515,111	(34,730)
Grants and contributions not restricted to specific programs	415,760	925,838	(510,078)
Other	<u>708,107</u>	<u>842,622</u>	<u>(134,515)</u>
Total revenues	20,483,401	20,270,997	212,404
Expenses:			
Public Safety	7,334,477	6,704,841	629,636
Public Works	4,132,829	4,067,481	65,348
Health and Social Services	783,075	455,506	327,569
Culture and Recreation	2,669,207	2,462,897	206,310
Community and Economic Development	2,495,685	1,744,724	750,961
General Government	1,038,353	1,083,663	(45,310)
Interest on long term debt	<u>984,214</u>	<u>1,137,323</u>	<u>(153,109)</u>
Total expenses	19,437,840	17,656,435	1,781,405
Increase (decrease) in net assets before transfers	1,045,561	2,614,562	(1,569,001)
Transfers	<u>(8,356,589)</u>	<u>(101,045)</u>	<u>(8,255,544)</u>
Increase (decrease) in net assets	<u>(7,311,028)</u>	<u>2,513,517</u>	<u>(9,824,545)</u>
Net assets – beginning of year	<u>23,909,294</u>	<u>21,395,777</u>	<u>2,513,517</u>
Net assets – end of year	<u>16,598,266</u>	<u>23,909,294</u>	<u>(7,311,028)</u>
	=====	=====	=====

Governmental Activities 2004 Revenues



Governmental Activities 2004 Expenses



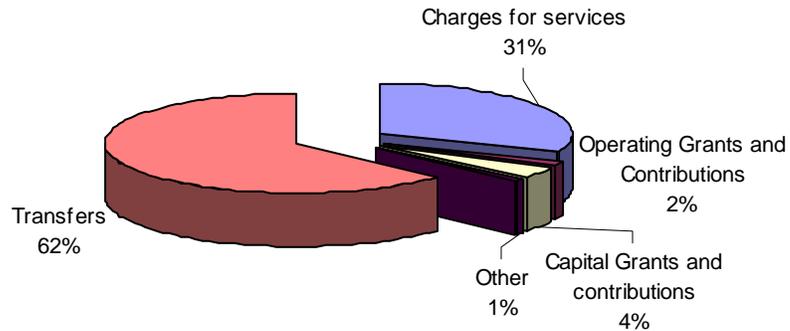
City of Marshalltown's Changes in Net Assets

Business Type Activities

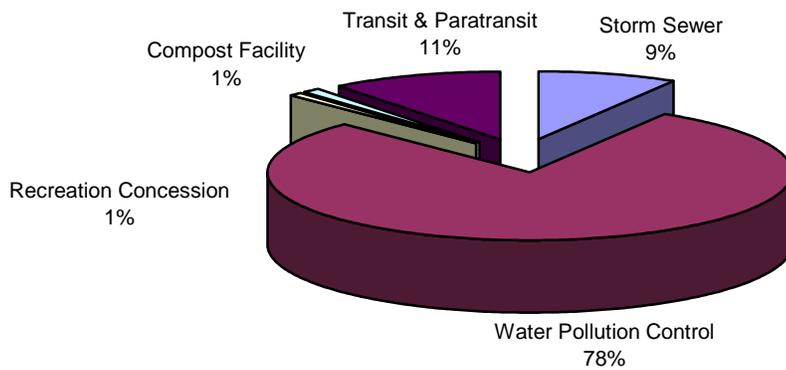
Increase/(Decrease)	<u>2004</u>	<u>2003</u>	<u>2004/2003</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 4,116,953	\$ 3,785,503	\$ 331,450
Operating grants and contributions	198,530	185,399	13,131
Capital grants and contributions	472,261	473,479	(1,218)
General Revenues:			
Other	<u>88,296</u>	<u>142,525</u>	<u>(54,229)</u>
Total revenues	4,876,040	4,586,906	289,134

Expenses:			
Business type	<u>4,672,699</u>	<u>4,151,005</u>	<u>521,694</u>
Total expenses	4,672,699	4,151,005	521,694
Increase (decrease) in net assets before transfers	203,341	435,901	(232,560)
Transfers	<u>8,356,589</u>	<u>101,045</u>	<u>8,255,544</u>
Increase (decrease) in net assets	<u>8,559,930</u>	<u>536,946</u>	<u>8,022,984</u>
Net assets – beginning of year	<u>23,306,543</u>	<u>22,769,597</u>	<u>536,946</u>
Net assets – end of year	<u>31,866,473</u>	<u>23,306,543</u>	<u>8,559,930</u>
	=====	=====	=====

Business-type Activities Revenue



Business Type Activity Expenses 2004



City of Marshalltown's Changes in Net Assets

Total Governmental & Business-type Activities

	Total Activities <u>2004</u>	Total Activities <u>2003</u>	<u>Increase/(Decrease) 2004/2003</u>
Revenues:			
Program Revenues:			
Charges for services	\$5,968,758	\$ 5,188,304	\$ 780,454
Operating grants and contributions	5,708,582	5,072,862	635,720
Capital grants and contributions	989,557	1,170,641	(181,084)
General Revenues:			
Property and other taxes	11,480,381	11,515,111	(34,730)
Grants and contributions not restricted to specific programs	415,760	925,838	(510,078)
Other	<u>796,403</u>	<u>985,147</u>	<u>(188,744)</u>
Total revenues	25,359,441	24,857,903	501,538
Expenses:			
Public Safety	7,334,477	6,704,841	629,636
Public Works	4,132,829	4,067,481	65,348
Health and Social Services	783,075	455,506	327,569
Culture and Recreation	2,669,207	2,462,897	206,310
Community and Economic Development	2,495,685	1,744,724	750,961
General Government	1,038,353	1,083,663	(45,310)
Interest on long term debt	984,214	1,137,323	(153,109)
Business type	<u>4,672,699</u>	<u>4,151,005</u>	<u>521,694</u>
Total expenses	24,110,539	21,807,440	2,303,099
Increase (decrease) in net assets before transfers	<u>1,248,902</u>	<u>3,050,463</u>	<u>(1,801,561)</u>
Net assets – beginning of year	<u>47,215,837</u>	<u>44,165,374</u>	<u>3,050,463</u>
Net assets – end of year	48,464,739	47,215,837	1,248,902
	=====	=====	=====

Financial Analysis of the Government's Funds

As noted earlier, the City of Marshalltown uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The financial reporting focus of the City of Marshalltown's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information may be useful in assessing the City of Marshalltown's financing requirements. In particular, *unreserved fund balance* may serve as useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Marshalltown's governmental funds reported a combined ending fund balance of \$9,515,814, a decrease of \$1,148,672 in comparison with the prior year. Of this total amount \$8,143,188 constitutes unreserved fund balance, which is available to meet the future financial needs of the City. \$1,945,290 is designated for future equipment and capital maintenance, future cash flow and landfill fees. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$396,516), 2) to fund various debt service payments (\$729,864), and 3) for a variety of other restricted purposes (\$246,246).

The general fund is the chief operating fund of the City of Marshalltown. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,307,482. \$432,128 has been designated by management for subsequent year's expenditures. The general fund's total fund balance was \$2,625,062, an increase of \$68,677 primarily as a result of the cash flow reserve fund deposits from the local option sales tax referendum. Another key factor in this slight increase includes the management's desire to stabilize budgeted expenditures (only a change of \$3,455, less than one percent over 2003) to levels consistent with limited resource growth.

As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 22 percent of total general fund expenditures (\$10,720,019), while total fund balance represents 25 percent of that same amount. This is approximately a 1% improvement over 2002-2003.

Proprietary funds. The City of Marshalltown's proprietary funds provides the same type of information found in the government-wide financial statements, but in more detail.

The ending net assets for the proprietary funds was \$31,866,473, a net asset increase of \$8,559,930. This increase reflects the administrations reclassification of assets belonging to the newly created storm sewer utility. The unrestricted net assets of the five enterprise funds totaled \$2,862,230, 67 percent of the total enterprise funds (\$4,286,603) net assets, other than invested in capital assets net of related debt.

Budgetary Highlights

General Fund

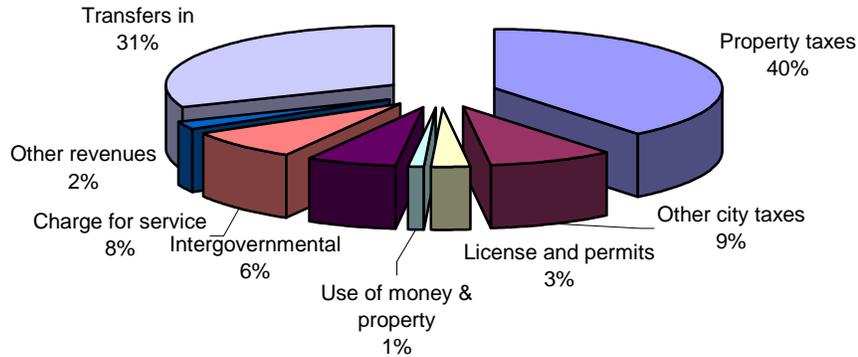
As demonstrated by the following schedule, the City continues to meet its responsibility for sound financial management. The City management acknowledged the City would have to hold the line on expenditures despite the impact of call ups to military duty and the continued cut back of state services.

Revenues for the general fund operations, lagged budgeted revenues estimates by \$224,633, and departmental expenditures on the budgetary basis were less than appropriated amounts by \$943,693.

The following schedule presents a summary of General Fund revenues and transfers in on the GAAP basis for the fiscal year ended June 30, 2004, and the amount and percentage of increases and decreases in relation to prior year revenues:

Revenues	2004 Amount	Percentage of Total	Increase/ (Decrease) from 2003	Percentage of Increase/ (Decrease)
Property taxes	\$ 4,246,695	39.1%	140,975	3.3%
Other city taxes	972,975	8.9%	(161,627)	-14.2%
Licenses and permits	321,265	3.0%	(31,098)	-8.8%
Uses of money and property	118,611	1.1%	7,772	7.0%
Intergovernmental	674,277	6.2%	(543,388)	-44.6%
Charges for services	913,361	8.4%	219,464	31.6%
Other revenues	235,713	2.2%	(32,503)	-12.1%
Transfers In	<u>3,390,110</u>	31.2%	<u>469,064</u>	<u>16.1%</u>
Total	10,873,007		68,659	.6%

General Fund Revenues 2004



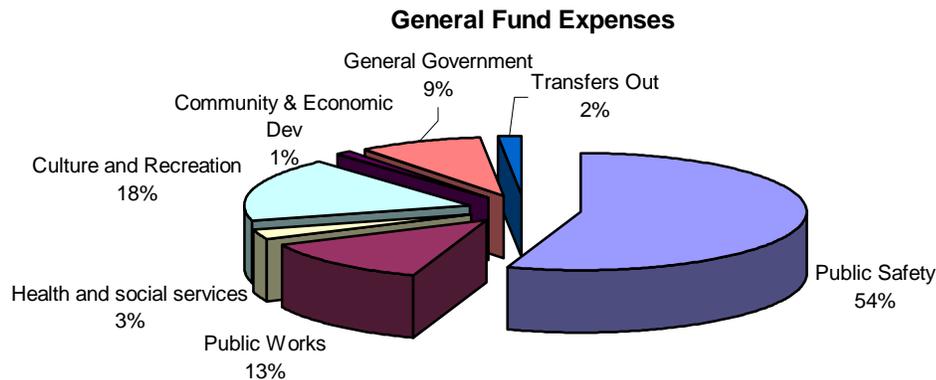
Revenue and transfers in for general fund functions totaled \$10,873,007 dollars (see Statement of Revenues, Expenditures and Change in Fund balances on page 33 of this report) in fiscal year ended June 30, 2004.

Current and prior year's property taxes continue to represent the largest revenue source, with \$4.2 million or 39.1% of all general fund revenues. The increase in property tax revenues from 2003 of \$140,975 is due to a modest increase in the taxable value of real estate. There was no increase in tax rate for this fiscal year within the general fund. Anticipated service revenues at the new Aquatic Center carried the major increase in charges for services for the general fund. Additional revenue increases were realized in the area of building permits and tax abatement applications and police and fire service fees.

In General Fund, a 45% percent decrease in state revenue sharing resulted in a \$543,388 decrease in intergovernmental revenues. The revenue generated through the investment of idle funds also decreased.

The following schedule represents a summary of General Fund expenditures and transfers out on the GAAP basis of accounting for the fiscal year ended June 30, 2004, and the percentage of increases and decreases in relation to prior year amounts:

Expenditures	2004 Amount	Percentage of Total	Increase/ (Decrease) from 2003	Percentage of Increase/ (Decrease)
Public Safety	\$ 6,027,068	55.7%	76,861	1.3%
Public Works	1,394,156	12.9%	(106,615)	-7.1%
Health and Social Services	290,874	2.7%	(10,569)	-3.5%
Culture and Recreation	1,908,585	17.6%	46,029	2.5%
Community & Economic Dev	115,079	1.1%	26,568	30.0%
General Government	984,257	9.0%	(35,135)	-3.4%
Transfers Out	<u>107,361</u>	1.0%	<u>6,316</u>	<u>6.3%</u>
Total	10,827,380		3,455	.03%



Negotiated wage increases of 3% were deferred for one year due to cut backs from the state. Benefit and utility expenses are responsible for some expenditure increases across all functions. Current cash flow projections and the management's stability of the City's general fund balance provide continued assurance that the City's need to enter the short-term debt market to pay for current expenditures remains remote.

Enterprise Operations

The City's enterprise operations consists of five separately accounted for operations which are administered by three different departments. Transit and the Compost facility are operated by the Public Works Department, Concessions is administered by Parks & Recreation and Storm Water and Water Pollution Control are administered by the WPC department.

Last year, the City negotiated a note with the Department of Natural Resources for \$4.36 million to rehabilitate the Bio-Solids Digesters at the Water Pollution Control Plant. Additionally, \$1.8 was used from the WPCP capital maintenance fund for the City's share of the \$6.1 million project. Due to favorable market conditions, the City also redeemed revenue bonds using funds on hand. The Council has committed to continue the redeemed bonds' retirement schedule to reimburse the capital improvement fund for the funds advanced as well as a reasonable interest earnings.

Operating revenues for the City's combined enterprise operations increased by \$322,396 Transit revenues, however, were down due to cut backs in state and federal operating grants. Total operating expenses for the combined enterprise operations increased \$470,600. The 13% increase was due primarily to group health benefits and utilities in all areas.

Capital Asset and Debt Administration

Capital assets. The City of Marshalltown's investment in capital assets for its governmental and business type activities as of June 30, 2004 amounts to \$100,562,039. This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park facilities, roads, highways and sewers. The total increase in the City of Marshalltown's investment in capital assets for the current fiscal year was \$8,280,319 (governmental activities showed a net loss of \$5,187,827 and an increase of \$13,468,146 in the business-type activities. This includes the transfer of assets for the newly created storm sewer utility from the governmental activities.)

**City of Marshalltown's 2004 Capital Assets
Governmental Activities**

	<u>2004</u>	<u>2003</u>	<u>Increase/Decrease</u>
Land and Improvements	3,415,798	3,420,835	(5,037)
Buildings and Structures	7,512,989	5,465,029	2,047,960
Machinery and Equipment	11,427,097	11,410,272	16,825
Infrastructure	22,131,892	31,475,212	(9,343,320)
Construction in Progress	<u>4,536,710</u>	<u>2,440,965</u>	<u>2,095,745</u>
Total	<u>49,024,486</u>	<u>54,212,313</u>	<u>(5,187,827)</u>
	=====	=====	=====

**City of Marshalltown's 2004 Capital Assets
Business type Activities**

	<u>2004</u>	<u>2003</u>	<u>Increase/Decrease</u>
Land and Improvements	2,302,852	2,192,618	110,234
Buildings and Structures	6,819,293	6,186,788	632,505
Machinery and Equipment	11,420,856	11,569,151	(148,295)
Infrastructure	24,582,771	14,592,443	9,990,328
Construction in Progress	<u>6,411,781</u>	<u>3,528,407</u>	<u>2,883,374</u>
Total	<u>51,537,553</u>	<u>38,069,407</u>	<u>13,468,146</u>
	=====	=====	=====

**City of Marshalltown's 2004 Capital Assets
Governmental and Business type Activities**

	<u>2004</u>	<u>2003</u>	<u>Increase/Decrease</u>
Land and Improvements	5,718,650	5,613,453	105,197
Buildings and Structures	14,332,282	11,651,817	2,680,465
Machinery and Equipment	22,847,953	22,979,423	(131,470)
Infrastructure	46,714,663	46,067,655	647,008
Construction in Progress	<u>10,948,491</u>	<u>5,969,372</u>	<u>4,979,119</u>
Total	<u>100,562,039</u>	<u>92,281,720</u>	<u>8,280,319</u>
	=====	=====	=====

Major capital asset events during the current fiscal year included the following:

- The City is in the midst of a multi-year street improvement on Westwood Drive.
- Completion of the Public Works facility.
- A variety of capital improvement projects were completed at the Marshalltown Airport.
- The Bio-Solids improvement project at the Water Pollution Control plant.

Additional information on the City of Marshalltown's capital assets can be found in Note 5 on pages 53-55 of this report.

Long-term debt. At the end of the current fiscal year, the City of Marshalltown had total bonded debt outstanding of \$32,585,826. Of this amount, \$18,995,000 comprises debt backed by the full faith and credit of the city. The remainder of the City of Marshalltown's debt represents bonds secured solely by revenues generated from the sanitary sewer rental fees or revenues generated by tax increment.

City of Marshalltown's Outstanding Debt

General Obligation and Revenue Bonds

(Stated in 1,000's)

Governmental Activities

	<u>2004</u>	<u>2003</u>	<u>Increase/Decrease</u> <u>2004/2003</u>
General obligation bonds and notes payable	\$ 18,995	\$ 18,435	\$ 560
Revenue bonds	<u>5,448</u>	<u>4,692</u>	<u>756</u>
Total	<u>24,443</u>	<u>23,127</u>	<u>1,316</u>
	=====	=====	=====

Business type Activities

	<u>2004</u>	<u>2003</u>	<u>Increase/Decrease</u> <u>2004/2003</u>
General obligation bonds And notes payable	\$		
Revenue bonds	<u>8,143</u>	<u>6,056</u>	<u>2,087</u>
Total	<u>8,143</u>	<u>6,056</u>	<u>2,087</u>
	=====	=====	=====

Total Governmental and Business type Activities

	<u>2004</u>	<u>2003</u>	<u>Increase/Decrease</u> <u>2004/2003</u>
General obligation bonds	\$ 18,995	\$ 18,435	\$ 560
Revenue bonds	<u>13,591</u>	<u>10,748</u>	<u>2,843</u>
Total	<u>32,586</u>	<u>29,183</u>	<u>3,403</u>
	=====	=====	=====

The City of Marshalltown's total bonded debt increased by 11.7% percent during the current fiscal year. The government refinanced some of its existing debt to take advantage of favorable interest rates.

- The City of Marshalltown issued a \$2 million general obligation note for the Westwood Drive Street project
- The City of Marshalltown issued a tax increment note with \$925,000 still outstanding at year end
- The state revolving loan for the Water Pollution Control plant project has drawn down a total of \$4,122,638

The City of Marshalltown's bond rating of A2 was retained by Moody's for its general obligation and revenue bonds in March of 2004.

State statues limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total assessed valuation. The current debt limitation for the City of Marshalltown is \$47,500,790 which is significantly in excess of the City of Marshalltown's outstanding general obligation debt.

Additional information on the City of Marshalltown's long-term debt can be found in note 6 on pages 55-59 of this report.

Economic Factors and Next Year's Budgets and Rates

Marshalltown continues to be a viable economic center for central Iowa. The local economy of the City remains strong. We continue to experience consistent growth from housing starts and the Main Street business district. Refer to the transmittal letter for more information on the economic factors, initiatives and general activity of the fiscal year.

In adopting the budget for the ensuing fiscal year 2005, the City officials considered many factors in making decisions and estimates about the finances of the upcoming year. Interest earnings and sales taxes collected by the state indicated reduced levels of resource certainty. The statewide police and fire retirement system increased the city's contribution by more than three percent to offset reduced interest earnings and contributions from the State. Only a few capital projects are scheduled due to the anticipation of completing a number of large multi year projects currently under construction. A primary objective of the Council was to continue to provide basic city services to the citizens while attempting to keep the property tax rate substantially the same.

Other concerns in the forefront of revenue and expenditures projections include:

- the State's looming budget deficits, state economists continue to predict budget deficits
- uncertain projections for utility tax replacement now that the three year "hold harmless" has expired and the utility company has won their assessment appeal
- the high cost of lumber and steel curbing enthusiasm for construction
- a continued decline in rates of return on investments
- another increase in City contribution rate for Police and Fire retirement system, with rumors of an increase for the IPERS covered employees as well
- cash balances were used to minimize the increase in taxes, additional expenses for retirement programs may require additional tax askings
- the cost of health care continues to rise. Cost containment and changes in the City's plan have held 2005 increases to less than 5% increase

Requests for Information

This financial report is designed to provide a general overview of the City of Marshalltown's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Office of the Finance Director, 24 N. Center Street, Marshalltown, IA 50158-4911.

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2004

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Marshalltown Water Works	Marshalltown Convention and Visitors Bureau
ASSETS					
Cash and cash equivalents	\$ 9,793,691	\$ 3,142,479	\$ 12,936,170	\$ 1,720,967	\$ 44,263
Receivables					
Property taxes					
Delinquent	91,725	-	91,725	-	-
Succeeding year	7,013,159	-	7,013,159	-	-
Accounts and unbilled usage	161,578	631,601	793,179	245,646	-
Interest	520	201	721	3,824	-
Internal balances	9,129	(9,129)	-	-	-
Due from component unit	13,377	241,226	254,603	-	-
Due from other governments	989,053	15,485	1,004,538	-	-
Inventories	-	24,897	24,897	443	-
Prepaid items	400,169	79,388	479,557	69,568	1,304
Deferred charges					
Bond issuance costs	83,131	28,238	111,369	5,978	-
Deferred amount on refunding	-	17,525	17,525	-	-
Bond discount	4,948	20,035	24,983	-	-
Restricted assets					
Cash and cash equivalents	-	888,253	888,253	118,113	-
Capital assets					
Land	2,748,629	487,856	3,236,485	1,113,171	-
Land improvements	667,169	1,814,996	2,482,165	-	-
Buildings and structures	7,512,989	6,819,293	14,332,282	8,550,565	-
Equipment and vehicles	11,427,097	11,420,856	22,847,953	2,088,224	69,153
Sanitary sewers and lift stations	-	14,728,755	14,728,755	8,240,947	-
Infrastructure	22,131,892	9,854,016	31,985,908	-	-
Construction in progress	4,536,710	6,411,781	10,948,491	-	-
Accumulated depreciation	(17,179,761)	(15,815,045)	(32,994,806)	(8,230,148)	(65,579)
Total assets	50,405,205	40,802,707	91,207,912	13,927,298	49,141

(continued)

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF NET ASSETS (continued)
AS OF JUNE 30, 2004

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Marshalltown Water Works	Marshalltown Convention and Visitors Bureau
LIABILITIES					
Accounts payable	\$ 613,249	\$ 253,444	\$ 866,693	\$ 38,785	\$ 980
Accrued payroll and payroll benefits	393,971	67,756	461,727	47,227	2,202
Retainage payable	166,511	270,200	436,711	-	-
Deferred revenue					
Succeeding year property tax	7,013,159	-	7,013,159	-	-
Other	30,187	-	30,187	-	-
Premium on bonds sold	11,986	-	11,986	-	-
Due to other governments	88,316	14,414	102,730	-	-
Accrued interest payable	102,754	23,892	126,646	88	-
Due to primary government	-	-	-	254,603	-
Liabilities payable from restricted assets					
Customer deposits	-	-	-	118,025	-
Noncurrent liabilities					
Due within one year					
Bonds and notes payable	1,290,000	712,000	2,002,000	315,000	-
Urban renewal tax increment revenue bonds and notes payable	110,900	-	110,900	-	-
Compensated absences payable	530,054	56,095	586,149	71,326	-
Due in more than one year					
Bonds and notes payable	17,705,000	7,430,638	25,135,638	1,040,000	-
Urban renewal tax increment revenue bonds and notes payable	5,337,288	-	5,337,288	-	-
Compensated absences payable	413,564	107,795	521,359	-	-
Total liabilities	<u>33,806,939</u>	<u>8,936,234</u>	<u>42,743,173</u>	<u>1,885,054</u>	<u>3,182</u>
NET ASSETS					
Invested in capital assets, net of related debt	7,585,973	27,579,870	35,165,843	10,402,324	3,574
Restricted for					
Capital projects	8,505	536,120	544,625	-	-
Improvements	-	250,000	250,000	-	-
Community and economic development	235,418	-	235,418	-	-
Debt service	729,864	638,253	1,368,117	380,685	-
Parks, nonexpendable	2,323	-	2,323	-	-
Unrestricted	<u>8,036,183</u>	<u>2,862,230</u>	<u>10,898,413</u>	<u>1,259,235</u>	<u>42,385</u>
Total net assets	<u>\$ 16,598,266</u>	<u>\$ 31,866,473</u>	<u>\$ 48,464,739</u>	<u>\$ 12,042,244</u>	<u>\$ 45,959</u>

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
Public safety	\$ 7,334,477	\$ 172,460	\$ 598,905	\$ 24,185
Public works	4,132,829	643,004	2,238,561	493,111
Health and social services	783,075	12,593	501,130	-
Culture and recreation	2,669,207	651,286	528,904	-
Community and economic development	2,495,685	272,422	1,642,552	-
General government	1,038,353	100,040	-	-
Interest on long-term debt	984,214	-	-	-
Total governmental activities	<u>19,437,840</u>	<u>1,851,805</u>	<u>5,510,052</u>	<u>517,296</u>
Business-type activities				
Storm sewer	408,532	274,397	-	104,559
Water pollution control	3,677,871	3,593,272	13,660	33,926
Compost	35,357	41,526	-	-
Concessions	58,824	71,121	-	-
Transit	492,115	136,637	184,870	333,776
Total business-type activities	<u>4,672,699</u>	<u>4,116,953</u>	<u>198,530</u>	<u>472,261</u>
Total primary government	<u>\$ 24,110,539</u>	<u>\$ 5,968,758</u>	<u>\$ 5,708,582</u>	<u>\$ 989,557</u>
Component units				
Water works	\$ 2,733,399	\$ 3,264,121	\$ -	\$ -
Convention and tourism	160,746	142,028	-	-
Total component units	<u>\$ 2,894,145</u>	<u>\$ 3,406,149</u>	<u>\$ -</u>	<u>\$ -</u>
General Revenues				
Taxes				
Property				
Other				
State generated revenues				
Unrestricted investment earnings				
Miscellaneous revenues				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See notes to financial statements.

Net (Expense) Revenue and
Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Marshalltown Water Works	Marshalltown Convention and Visitors Bureau
\$ (6,538,927)	\$ -	\$ (6,538,927)	\$ -	\$ -
(758,153)	-	(758,153)	-	-
(269,352)	-	(269,352)	-	-
(1,489,017)	-	(1,489,017)	-	-
(580,711)	-	(580,711)	-	-
(938,313)	-	(938,313)	-	-
(984,214)	-	(984,214)	-	-
<u>(11,558,687)</u>	<u>-</u>	<u>(11,558,687)</u>	<u>-</u>	<u>-</u>
-	(29,576)	(29,576)	-	-
-	(37,013)	(37,013)	-	-
-	6,169	6,169	-	-
-	12,297	12,297	-	-
-	163,168	163,168	-	-
<u>-</u>	<u>115,045</u>	<u>115,045</u>	<u>-</u>	<u>-</u>
<u>\$ (11,558,687)</u>	<u>\$ 115,045</u>	<u>\$ (11,443,642)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 530,722	\$ -
-	-	-	-	(18,718)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 530,722</u>	<u>\$ (18,718)</u>
\$ 6,413,043	\$ -	\$ 6,413,043	\$ -	\$ -
5,067,338	-	5,067,338	-	-
415,760	-	415,760	-	-
167,696	88,296	255,992	23,229	1,284
540,411	-	540,411	-	-
(8,356,589)	8,356,589	-	-	-
<u>4,247,659</u>	<u>8,444,885</u>	<u>12,692,544</u>	<u>23,229</u>	<u>1,284</u>
(7,311,028)	8,559,930	1,248,902	553,951	(17,434)
<u>23,909,294</u>	<u>23,306,543</u>	<u>47,215,837</u>	<u>11,488,293</u>	<u>63,393</u>
<u>\$ 16,598,266</u>	<u>\$ 31,866,473</u>	<u>\$ 48,464,739</u>	<u>\$ 12,042,244</u>	<u>\$ 45,959</u>

CITY OF MARSHALLTOWN, IOWA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	Special Revenue Funds			
	General	Road Use Tax	HUD Programs	Local Option Sales Tax
ASSETS				
Cash and cash equivalents	\$ 2,391,041	\$ 1,489,774	\$ 279,050	\$ 1,108,015
Receivables				
Property taxes				
Delinquent	51,811	-	-	-
Succeeding year	4,496,144	-	-	-
Accounts and unbilled usage	143,767	-	12,955	-
Interest	59	-	84	76
Due from other funds	185,430	-	-	-
Due from component unit	13,377	-	-	-
Due from other governments	158,419	174,617	89,462	341,009
Prepaid items	317,580	2,416	8,104	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 7,757,628</u>	<u>\$ 1,666,807</u>	<u>\$ 389,655</u>	<u>\$ 1,449,100</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 165,987	\$ 52,949	\$ 33,002	\$ 17,401
Accrued payroll and payroll benefits	372,238	-	12,344	-
Retainage payable	1,785	-	-	-
Deferred revenue				
Succeeding year property tax	4,496,144	-	-	-
Other	96,412	2,267	12,471	-
Due to other governments	-	-	88,316	-
Due to other funds	-	-	-	1,423,194
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>5,132,566</u>	<u>55,216</u>	<u>146,133</u>	<u>1,440,595</u>
Fund balances				
Reserved for				
Prepaid items	317,580	2,416	8,104	-
Debt service	-	-	-	-
Endowments	-	-	-	-
Community and economic development	-	-	235,418	-
Capital projects	-	-	-	8,505
Unreserved, designated for				
Future equipment and capital maintenance	316,290	-	-	-
Future cash flow	1,513,162	-	-	-
Future landfill fees	115,838	-	-	-
Unreserved, undesignated	362,192	1,609,175	-	-
Unreserved, reported in nonmajor				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>2,625,062</u>	<u>1,611,591</u>	<u>243,522</u>	<u>8,505</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 7,757,628</u>	<u>\$ 1,666,807</u>	<u>\$ 389,655</u>	<u>\$ 1,449,100</u>

See notes to financial statements.

<u>Property Tax</u>	<u>Debt Service</u>	<u>Capital Projects Funds</u>		<u>Total</u>
		<u>Public Works and Other Projects</u>	<u>Other Governmental Funds</u>	
\$ 1,038,075	\$ 550,651	\$ 977,060	\$ 1,180,384	\$ 9,014,050
5,003	16,925	3,944	14,042	91,725
769,837	1,402,361	344,817	-	7,013,159
-	-	-	4,856	161,578
3	10	155	110	497
1,378,398	-	86,509	196	1,650,533
-	-	-	-	13,377
861	2,086	7,376	215,223	989,053
-	-	436	67,980	396,516
<u>\$ 3,192,177</u>	<u>\$ 1,972,033</u>	<u>\$ 1,420,297</u>	<u>\$ 1,482,791</u>	<u>\$ 19,330,488</u>
\$ -	\$ 26,927	\$ 41,057	\$ 32,020	\$ 369,343
-	-	-	9,389	393,971
-	-	127,196	37,530	166,511
769,837	1,402,361	344,817	-	7,013,159
25	212	6,050	31,456	148,893
-	-	-	-	88,316
123,407	-	1,371	86,509	1,634,481
<u>893,269</u>	<u>1,429,500</u>	<u>520,491</u>	<u>196,904</u>	<u>9,814,674</u>
-	-	436	67,980	396,516
-	542,533	-	187,331	729,864
-	-	-	2,323	2,323
-	-	-	-	235,418
-	-	-	-	8,505
-	-	-	-	316,290
-	-	-	-	1,513,162
-	-	-	-	115,838
2,298,908	-	899,370	-	5,169,645
-	-	-	672,074	672,074
-	-	-	356,179	356,179
<u>2,298,908</u>	<u>542,533</u>	<u>899,806</u>	<u>1,285,887</u>	<u>9,515,814</u>
<u>\$ 3,192,177</u>	<u>\$ 1,972,033</u>	<u>\$ 1,420,297</u>	<u>\$ 1,482,791</u>	<u>\$ 19,330,488</u>

CITY OF MARSHALLTOWN, IOWA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004

Total governmental fund balances \$ 9,515,814

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	\$ 49,024,486	
Accumulated depreciation is	<u>(17,179,761)</u>	31,844,725

Some of the City's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. Those revenues consist of:

Property tax revenue	128	
Mobile home taxes	806	
Intergovernmental revenue	38,006	
Charges for services	<u>79,766</u>	118,706

Internal service funds are used by the City's management to charge the costs of self-insurance programs to the individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 532,488

Some liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Those liabilities consist of:

Long-term debt, net of deferrals	(24,367,095)	
Accrued interest on the bonds	(102,754)	
Compensated absences	<u>(943,618)</u>	<u>(25,413,467)</u>

Net assets of governmental activities \$ 16,598,266

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	General	Special Revenue Funds		
		Road Use Tax	HUD Programs	Local Option Sales Tax
Revenues				
Property taxes	\$ 4,246,695	\$ -	\$ -	\$ -
TIF revenues	-	-	-	-
Other city taxes	972,975	-	-	2,392,555
Use of money and property	118,611	-	3,524	15,063
Licenses and permits	321,265	-	-	-
Intergovernmental	674,277	2,179,324	2,092,425	-
Charges for services	913,361	-	-	-
Special assessments	-	-	-	-
Miscellaneous	235,713	-	33,388	1,021
Total revenues	<u>7,482,897</u>	<u>2,179,324</u>	<u>2,129,337</u>	<u>2,408,639</u>
Expenditures				
Current				
Public safety	6,027,068	-	-	950,220
Public works	1,394,156	1,152,016	-	115,727
Health and social services	290,874	-	485,282	-
Culture and recreation	1,908,585	-	-	-
Community and economic development	115,079	-	1,644,287	-
General government	984,257	-	-	7,571
Debt service				
Principal	-	-	-	-
Interest and other fiscal charges	-	-	-	-
Total expenditures	<u>10,720,019</u>	<u>1,152,016</u>	<u>2,129,569</u>	<u>1,073,518</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,237,122)</u>	<u>1,027,308</u>	<u>(232)</u>	<u>1,335,121</u>
Other financing sources (uses)				
Sale of governmental assets	23,050	-	-	-
General obligation bonds issued	-	-	-	-
Capital loan notes issued	-	-	-	-
Premium on bonds sold	-	-	-	-
Accrued interest on bond sale	-	-	-	-
Discount on bonds issued	-	-	-	-
Transfers in	3,390,110	-	1,043	-
Transfers out	(107,361)	(570,000)	-	(2,214,320)
Total other financing sources (uses)	<u>3,305,799</u>	<u>(570,000)</u>	<u>1,043</u>	<u>(2,214,320)</u>
Net change in fund balances	<u>68,677</u>	<u>457,308</u>	<u>811</u>	<u>(879,199)</u>
Fund balances - beginning	<u>2,556,385</u>	<u>1,154,283</u>	<u>242,711</u>	<u>887,704</u>
Fund balances - ending	<u>\$ 2,625,062</u>	<u>\$ 1,611,591</u>	<u>\$ 243,522</u>	<u>\$ 8,505</u>

See notes to financial statements.

Property Tax	Debt Service	Capital Projects Funds		Total
		Public Works and Other Projects	Other Governmental Funds	
\$ 409,568	\$ 1,436,088	\$ 322,807	\$ -	\$ 6,415,158
-	-	-	1,597,111	1,597,111
59,472	187,289	46,876	204,609	3,863,776
12,880	11,408	32,374	34,750	228,610
-	-	-	-	321,265
23,108	74,797	43,865	988,681	6,076,477
-	-	9,770	126,904	1,050,035
-	-	-	317	317
-	-	176,942	289,885	736,949
<u>505,028</u>	<u>1,709,582</u>	<u>632,634</u>	<u>3,242,257</u>	<u>20,289,698</u>
9,534	-	-	494,539	7,481,361
-	-	2,977,458	426,546	6,065,903
-	-	-	8,468	784,624
-	-	21,163	558,954	2,488,702
-	-	195,394	532,961	2,487,721
-	-	1,463,285	14,684	2,469,797
-	1,440,000	-	543,850	1,983,850
-	792,979	-	216,103	1,009,082
<u>9,534</u>	<u>2,232,979</u>	<u>4,657,300</u>	<u>2,796,105</u>	<u>24,771,040</u>
<u>495,494</u>	<u>(523,397)</u>	<u>(4,024,666)</u>	<u>446,152</u>	<u>(4,481,342)</u>
-	-	82,000	-	105,050
-	-	2,000,000	-	2,000,000
-	-	1,300,000	-	1,300,000
-	-	12,058	-	12,058
-	7,015	-	-	7,015
-	-	-	-	-
1,797,947	490,740	898,579	1,003	6,579,422
<u>(2,328,022)</u>	<u>-</u>	<u>(370,900)</u>	<u>(1,080,272)</u>	<u>(6,670,875)</u>
<u>(530,075)</u>	<u>497,755</u>	<u>3,921,737</u>	<u>(1,079,269)</u>	<u>3,332,670</u>
<u>(34,581)</u>	<u>(25,642)</u>	<u>(102,929)</u>	<u>(633,117)</u>	<u>(1,148,672)</u>
<u>2,333,489</u>	<u>568,175</u>	<u>1,002,735</u>	<u>1,919,004</u>	<u>10,664,486</u>
<u>\$ 2,298,908</u>	<u>\$ 542,533</u>	<u>\$ 899,806</u>	<u>\$ 1,285,887</u>	<u>\$ 9,515,814</u>

CITY OF MARSHALLTOWN, IOWA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF
ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Net change in fund balances – total governmental funds		\$ (1,148,672)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	\$ 5,007,353	
Depreciation expense	<u>(1,756,070)</u>	
Excess of capital outlay over depreciation expense		3,251,283
Transfer of capital assets to the Storm Water Fund		(8,265,135)
Because some revenues will not be collected for several months after the City’s fiscal year end, they are not considered “available” revenues and are deferred in the governmental funds. Deferred revenues increased (decreased) by these amounts this year:		
Property taxes	(2,115)	
Mobile home taxes	346	
Intergovernmental	18,743	
Charges for services	<u>(21,886)</u>	
		(4,912)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. In the current period, these amounts are:		
Bond repayments	1,983,850	
Bond proceeds, net discount, and issuance costs	<u>(3,263,777)</u>	
Net effect		(1,279,927)
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:		
Increase in accrued interest and bond issuance costs amortized	(12,502)	
Increase in compensated absences	<u>32,156</u>	
Total additional expenses		19,654
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expense of the internal service funds is reported with governmental activities.		<u>116,681</u>
Change in net assets of governmental activities		<u>\$ (7,311,028)</u>

See notes to financial statements.

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2004

	Business-type Activities - Enterprise Funds				Governmental
	Water Pollution Control	Storm Sewer	Enterprise - Nonmajor	Total	Activities - Internal Service Funds
ASSETS					
Current assets					
Cash and cash equivalents	\$ 2,999,690	\$ 44,988	\$ 97,801	\$ 3,142,479	\$ 779,641
Receivables					
Accounts and unbilled usage	600,556	21,649	9,396	631,601	-
Interest	186	10	5	201	23
Due from component unit	213,839	27,387	-	241,226	-
Due from other governments	13,564	-	1,921	15,485	-
Inventories	21,007	-	3,890	24,897	-
Prepaid items	49,111	5,614	24,663	79,388	3,653
Deferred charges					
Bond issuance costs	28,238	-	-	28,238	-
Deferred amount on refunding	17,525	-	-	17,525	-
Bond discount	20,035	-	-	20,035	-
Total current assets	<u>3,963,751</u>	<u>99,648</u>	<u>137,676</u>	<u>4,201,075</u>	<u>783,317</u>
Noncurrent assets					
Restricted assets, cash and cash equivalents	888,253	-	-	888,253	-
Capital assets					
Land	374,920	102,499	10,437	487,856	-
Land improvements	1,571,900	-	243,096	1,814,996	-
Buildings and structures	6,109,245	6,000	704,048	6,819,293	-
Equipment and vehicles	10,644,658	83,771	692,427	11,420,856	-
Sanitary sewers and lift stations	14,706,920	21,835	-	14,728,755	-
Infrastructure	-	9,854,016	-	9,854,016	-
Construction in progress	6,411,781	-	-	6,411,781	-
Accumulated depreciation	<u>(13,350,252)</u>	<u>(1,879,948)</u>	<u>(584,845)</u>	<u>(15,815,045)</u>	-
Total noncurrent assets	<u>27,357,425</u>	<u>8,188,173</u>	<u>1,065,163</u>	<u>36,610,761</u>	-
Total assets	<u>31,321,176</u>	<u>8,287,821</u>	<u>1,202,839</u>	<u>40,811,836</u>	<u>783,317</u>

(continued)

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF NET ASSETS (continued)
PROPRIETARY FUNDS
JUNE 30, 2004

	Business-type Activities - Enterprise Funds				Governmental
	Water Pollution Control	Storm Sewer	Enterprise - Nonmajor	Total	Activities - Internal Service Funds
LIABILITIES					
Current liabilities					
Accounts payable	\$ 215,326	\$ 27,253	\$ 10,865	\$ 253,444	\$ 243,906
Accrued payroll and payroll benefits	45,956	6,942	14,858	67,756	-
Retainage payable	270,200	-	-	270,200	-
Due to other governments	14,414	-	-	14,414	-
Due to other funds	9,129	-	-	9,129	6,923
Accrued interest payable	23,892	-	-	23,892	-
Compensated absences	52,801	-	3,294	56,095	-
Sewer revenue capital loan note	1,000	-	-	1,000	-
Revenue bonds	711,000	-	-	711,000	-
Total current liabilities	<u>1,343,718</u>	<u>34,195</u>	<u>29,017</u>	<u>1,406,930</u>	<u>250,829</u>
Noncurrent liabilities					
Compensated absences	82,752	17,997	7,046	107,795	-
Sewer revenue capital loan note	4,121,638	-	-	4,121,638	-
Revenue bonds	3,309,000	-	-	3,309,000	-
Total noncurrent liabilities	<u>7,513,390</u>	<u>17,997</u>	<u>7,046</u>	<u>7,538,433</u>	<u>-</u>
Total liabilities	<u>8,857,108</u>	<u>52,192</u>	<u>36,063</u>	<u>8,945,363</u>	<u>250,829</u>
NET ASSETS					
Invested in capital assets, net of related debt	18,326,534	8,188,173	1,065,163	27,579,870	-
Restricted net assets					
Restricted for bond and interest payments	638,253	-	-	638,253	-
Restricted for improvements	250,000	-	-	250,000	-
Restricted for capital projects	536,120	-	-	536,120	-
Unrestricted	2,713,161	47,456	101,613	2,862,230	532,488
Total net assets	<u>\$ 22,464,068</u>	<u>\$ 8,235,629</u>	<u>\$ 1,166,776</u>	<u>\$ 31,866,473</u>	<u>\$ 532,488</u>

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Business-type Activities - Enterprise Funds				Governmental
	Water Pollution Control	Storm Sewer	Enterprise - Nonmajor	Total	Activities - Internal Service Funds
Operating revenues					
Charges for services	\$ 3,445,984	\$ 274,397	\$ 230,553	\$ 3,950,934	\$ 1,674,518
Miscellaneous	114,994	-	-	114,994	54,735
Total operating revenues	<u>3,560,978</u>	<u>274,397</u>	<u>230,553</u>	<u>4,065,928</u>	<u>1,729,253</u>
Operating expenses					
Salaries and benefits	1,033,068	149,486	303,764	1,486,318	2,325
Services and supplies	1,288,847	55,692	189,206	1,533,745	12,475
Miscellaneous	1,750	-	-	1,750	105,678
Claims paid	-	-	-	-	1,237,106
Health insurance premiums	-	-	-	-	262,364
Depreciation	979,579	203,354	93,326	1,276,259	-
Total operating expenses	<u>3,303,244</u>	<u>408,532</u>	<u>586,296</u>	<u>4,298,072</u>	<u>1,619,948</u>
Operating income (loss)	<u>257,734</u>	<u>(134,135)</u>	<u>(355,743)</u>	<u>(232,144)</u>	<u>109,305</u>
Nonoperating revenues (expenses)					
Federal and state grants	13,660	-	184,870	198,530	-
Interest income	86,945	69	1,282	88,296	7,376
Miscellaneous income	32,294	-	-	32,294	-
Interest and other debt expense	(333,572)	-	-	(333,572)	-
Gain (losses) on disposal of fixed assets	(17,613)	-	18,731	1,118	-
Bond issuance cost	(23,442)	-	-	(23,442)	-
Total nonoperating revenues (expenses)	<u>(241,728)</u>	<u>69</u>	<u>204,883</u>	<u>(36,776)</u>	<u>7,376</u>
Income (loss) before capital contributions and transfers	16,006	(134,066)	(150,860)	(268,920)	116,681
Capital contributions	33,926	8,369,695	333,776	8,737,397	-
Transfers in	-	-	143,953	143,953	-
Transfers out	-	-	(52,500)	(52,500)	-
Change in net assets	49,932	8,235,629	274,369	8,559,930	116,681
Total net assets - beginning	<u>22,414,136</u>	<u>-</u>	<u>892,407</u>	<u>23,306,543</u>	<u>415,807</u>
Total net assets - ending	<u>\$ 22,464,068</u>	<u>\$ 8,235,629</u>	<u>\$ 1,166,776</u>	<u>\$ 31,866,473</u>	<u>\$ 532,488</u>

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2004

	Business-type Activities - Enterprise Funds				Governmental
	Water Pollution Control	Storm Sewer	Enterprise - Nonmajor	Total	Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 3,372,366	\$ 225,361	\$ 227,495	\$ 3,825,222	\$ 1,693,127
Cash payments to suppliers for goods and services	(1,209,619)	(34,053)	(188,665)	(1,432,337)	(1,614,844)
Cash payments to employees for services	(1,023,876)	(124,547)	(300,094)	(1,448,517)	(2,325)
Other operating revenue	114,994	-	-	114,994	54,735
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,253,865</u>	<u>66,761</u>	<u>(261,264)</u>	<u>1,059,362</u>	<u>130,693</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	-	143,953	143,953	-
Transfers to other funds	-	-	(52,500)	(52,500)	-
Grants received	13,660	-	184,870	198,530	-
Other noncapital financing received	32,294	-	-	32,294	-
Increase (decrease) in due to other funds	9,129	-	(43,228)	(34,099)	739
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>55,083</u>	<u>-</u>	<u>233,095</u>	<u>288,178</u>	<u>739</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of property and equipment	2,000	-	-	2,000	-
Acquisition and construction of property and equipment	(4,145,665)	(8,391,527)	(276,756)	(12,813,948)	-
Proceeds from issuance of debt	3,500,933	-	-	3,500,933	-
Payment of debt	(1,415,000)	-	-	(1,415,000)	-
Interest paid	(253,469)	-	-	(253,469)	-
Contributions	33,926	8,369,695	333,776	8,737,397	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,277,275)</u>	<u>(21,832)</u>	<u>57,020</u>	<u>(2,242,087)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received on investment securities	96,677	59	1,323	98,059	8,931
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(871,650)</u>	<u>44,988</u>	<u>30,174</u>	<u>(796,488)</u>	<u>140,363</u>
CASH AND CASH EQUIVALENTS, BEGINNING	<u>4,759,593</u>	<u>-</u>	<u>67,627</u>	<u>4,827,220</u>	<u>639,278</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 3,887,943</u>	<u>\$ 44,988</u>	<u>\$ 97,801</u>	<u>\$ 4,030,732</u>	<u>\$ 779,641</u>

(continued)

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF CASH FLOWS (continued)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2004

	Business-type Activities - Enterprise Funds				Governmental
	Water Pollution Control	Storm Sewers	Enterprise - Nonmajor	Total	Activities - Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 257,734	\$ (134,135)	\$ (355,743)	\$ (232,144)	\$ 109,305
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	979,579	203,354	93,326	1,276,259	-
Changes in assets and liabilities					
Decrease (increase) in receivables	(87,182)	(49,036)	(3,818)	(140,036)	18,609
Decrease (increase) in inventories and prepaid items	8,473	(5,614)	6,465	9,324	919
Increase (decrease) in accounts payable	127,888	27,253	(5,164)	149,977	1,860
Increase in accrued liabilities	9,192	24,939	3,670	37,801	-
Increase in due to other governments	(41,819)	-	-	(41,819)	-
Total adjustments	996,131	200,896	94,479	1,291,506	21,388
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,253,865	\$ 66,761	\$ (261,264)	\$ 1,059,362	\$ 130,693

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	<u>Police Pension</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 10,354	\$ 125,195
Interest receivable	1	-
Due from other governments	<u>-</u>	<u>121</u>
Total assets	<u>10,355</u>	<u>125,316</u>
LIABILITIES		
Accrued payroll and payroll benefits	-	124,047
Due to other governments	<u>-</u>	<u>1,269</u>
Total liabilities	<u>-</u>	<u>\$ 125,316</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 10,355</u>	

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Police Pension</u>
Additions	
Contributions, employer	\$ 9,535
Investment income, interest	<u>116</u>
Total additions	9,651
Deductions, benefits	<u>10,098</u>
Change in net assets	(447)
Net assets - beginning	<u>10,802</u>
Net assets - ending	<u><u>\$ 10,355</u></u>

NOTES TO FINANCIAL STATEMENTS

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Marshalltown, Iowa (City) was incorporated in 1863 under the laws of the state of Iowa, later amended in July 1975, under the City Home Rule Act. The City operates by ordinance under the Mayor-Council form of government and provides such services as are authorized by its charter to advance the welfare, health, comfort, safety, and convenience of the City and its inhabitants.

The accounting and reporting policies of the City relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following represents the more significant accounting and reporting policies and practices used in the preparation of these financial statements:

Reporting Entity

For financial reporting purposes, the City of Marshalltown, Iowa, 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.

These financial statements present the City of Marshalltown, Iowa (the primary government) and its component units. The following component units are entities which are legally separate from the City, but are financially accountable to the City or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the City.

Discretely Presented Component Units: The Marshalltown Water Works (Water Works) was established to operate the City's water works facilities. The Water Works is governed by a three-member board of trustees appointed by the Mayor. A financial benefit/burden relationship exists between the City and the Water Works in that the City is authorized by statute to issue general obligation debt for a City utility and may certify taxes for the payment of the debt. The Water Works is presented as a proprietary fund type and has a June 30 year-end.

The Marshalltown Convention and Visitors Bureau (Bureau) was established to promote and develop the visitor and convention business and for economic development within the community. The Bureau is governed by a nine-member board of directors comprised of two members appointed solely by the City Council, two members appointed solely by the Executive Board of the Chamber of Commerce and five members appointed jointly by the City Council and Executive Board of the Chamber of Commerce, from the general public (one member) and the hospitality industry (four members). The Bureau may not borrow money or issue bonds without written permission of the City. The Bureau is presented as a proprietary fund type and has a May 31 year-end.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Complete financial statements for each of the individual component units may be obtained at the respective entity's administrative office as follows:

Marshalltown Water Works
205 East State Street
Marshalltown, Iowa 50158

Marshalltown Convention and Visitors Bureau
709 South Center Street
Marshalltown, Iowa 50158

Jointly Governed Organizations: The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. The City Council is a member of or appoints representatives to the following boards and commissions: Mid Iowa Drug Task Force, Marshall County Emergency Management Commission, Marshall County Communication Commission, Marshall County Assessor's Conference Board and the Marshall County Solid Waste Management Commission. Financial transactions relating to these organizations are included in the City's financial statements only to the extent of the City's contributions, if any, to these organizations.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

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

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

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The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment including special assessments. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Property taxes are recognized as revenue in the year for which they have been levied, provided they are collected within 60 days after year-end. Sales taxes are considered measurable and available at the time the underlying transaction occurs provided they are collected within 60 days after year-end. Other taxes are considered measurable and available when they have been collected by the state or other levying authority. Special assessments receivable are recognized at the time of their levy. The related revenue is recognized at the time the assessment is due or collected. Licenses and permits, fines and forfeitures, and miscellaneous revenues are generally recognized as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recognized as earned.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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The *Road Use Tax Fund* is used to account for the operations of street related expenses. Financing is provided by the City's share of state gasoline taxes, which are received on a per capita basis. State law requires these revenues to be received and disbursed in a special fund.

The *HUD Programs Fund* is used to account for the operations of a Federal Section 8 rental voucher assistance program, a grant from HUD to assist with security deposits and first month's rent program, and lead abatement program.

The *Local Option Sales Tax Fund* is used to account for the sale and service taxes collected to be applied to general property tax relief, accumulation of cash reserves and for storm sewer maintenance and improvements and related street repairs.

The *Property Tax Fund* is used to account for property tax collections for the emergency fund levy and employee benefits, which are then transferred to the general fund.

The *Debt Service Fund* is used to account for the servicing of general obligation debt.

The *Public Works and Other Projects Fund* is used to account for resources used in the acquisition and construction of capital facilities and other fixed assets with the exception of those that are financed through the Recreation Projects Fund, Airport Fund, or through proprietary funds.

The City reports the following major proprietary funds:

The *Water Pollution Control Fund* is used to account for the operation and maintenance of the City's wastewater treatment facility and sanitary sewer. Services are supported primarily by user charges.

The *Storm Sewer Fund* is used to account for the operation of the City's storm sewers. Services are supported primarily by user charges.

Additionally, the City reports the following fund types:

Internal service funds account for group insurance benefits, occupational insurance benefits, flexible benefits, and workmen's compensation benefits provided to other departments on a cost reimbursement basis.

The Police Pension Trust Fund is used to account for pensions of disabled and retired policemen as provided by Chapter 410 of the Code of Iowa.

Agency funds function primarily as a clearing mechanism for cash resources which are collected by the City, held as such for a brief period and then disbursed to the authorized recipient.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF MARSHALLTOWN, IOWA
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As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water pollution control function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash, Cash Equivalents, and Investments. The City maintains a cash and investment pool. These pooled deposits are invested in interest-bearing cash accounts or certificates of deposit. Interest on the pooled cash and investments is recognized as revenue when earned and allocated to the funds on a systematic basis. Cash and investments are separately held by the discretely presented component units for which interest is also recognized as revenue when earned.

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The City invests in the Iowa Public Agency Investment Trust which is a 2a7-like pool. The Iowa Public Agency Investment Trust is a common law trust established under Iowa law and is administrated by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

Property Tax Receivable. Property tax, including tax increment financing in governmental funds is accounted for using the modified accrual basis of accounting. Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the City to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

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The County Treasurer bills and collects taxes for the City. Taxes for the year ended June 30, 2004, were certified with the County during the preceding fiscal year and were due in two equal installments by September 30, 2003 and March 31, 2004. Any County collections on the 2003-04 tax levy remitted to the City within sixty days subsequent to June 30, 2004, are recorded as property tax revenues. Taxes not collected and remitted to the City within sixty days subsequent to June 30, 2004, are delinquent and have been recorded as receivables. This amount is recorded as deferred revenue in the governmental funds but is recognized as revenue in the government-wide financial statements.

Accounts Receivable and Unbilled Usage. Accounts receivable are recorded at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Due From Other Governments. Due from other governments represents various shared revenues, grants, and reimbursements from other governments. Shared revenues are recognized during the period when received by the collecting authority, the State of Iowa. Federal grant revenue is recognized when expenditures for the purpose of the grant have been incurred in the government-wide financial statements and as long as it meets the measurable and available criteria in the governmental fund statements.

Inventories and Prepaid Items. Inventories of materials and supplies in the proprietary fund types are stated at cost (first-in, first-out).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Reported prepaid items in governmental funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation.

Restricted Assets. Funds set aside for the payment of City enterprise and component unit revenue bonds are classified as restricted assets since their use is restricted by applicable bond indentures. Other restricted assets include funds for customer deposits restricted for application to unpaid customer accounts or for refund to customers.

CITY OF MARSHALLTOWN, IOWA
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Deferred Revenue in Governmental Funds. Although certain revenues are measurable, they may not be available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivable, special assessments receivable, succeeding year property tax receivable, and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

Compensated Absences. City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave hours for subsequent use or for payment upon termination, death, or retirement. Accumulated sick leave is generally paid at 25%, not to exceed 1,440 hours for municipal fire employees and 1,040 hours for all others, upon retirement if the employee has at least 15 years of service. All vacation and sick leave is accrued when incurred in the government-wide and proprietary financial statements. Governmental funds record the earned vacation and vested sick leave hours as an expenditure of the current year to the extent it is paid during the year. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The compensated absences liability has been computed based on rates of pay in effect as of June 30, 2004.

Water Works employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. The liability is recorded on the statement of net assets based on rates of pay in effect as of June 30, 2004.

Long-Term Obligations. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity. In the governmental fund financial statements, reservations of fund balance represent amounts that are not appropriable or are legally restricted for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. In the government-wide financial statements and the proprietary fund financial statements, restrictions of net assets are limited to outside third-party restrictions.

CITY OF MARSHALLTOWN, IOWA
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Capital Assets. Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (\$50,000 for infrastructure) and an estimated useful life in excess of two years. All land is recorded regardless of cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	10-30
Buildings and structures	30-50
Equipment and vehicles	5-30
Sanitary sewers and lift stations	30-50
Infrastructure	20-50

Property, plant and equipment of the Water Works is depreciated using the straight line method over the following estimated useful lives.

	<u>Years</u>
Plants, wells, and storage	10-40
Distribution property	50-99
Meters	10-20
Vehicles	5
Equipment	7-10

Statement of Cash Flows – Cash Equivalents. For purposes of the statement of cash flows for the proprietary funds and the component units, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase they have a maturity date no longer than three months.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following the required public notice and hearing for all funds except component units, permanent funds, fiduciary funds, and internal service funds and appropriates the amount deemed necessary for each of the different City activities. The budget may be amended during the year utilizing similar statutorily prescribed procedures and time limitations. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year-end.

Formal and legal budgetary control is based upon nine major classes of expenditures known as functions, not by fund or fund type. These nine functions are: Public Safety, Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development, General Government, Debt Service, Capital Projects, and Business-type Activities. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects funds, permanent fund, and enterprise funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, a budget amendment increased budgeted disbursements by \$5,973,966. This budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the Water Works by the Water Works Board of Directors, for the Convention and Visitors Bureau by its Board of Directors.

During the year ended June 30, 2004, disbursements in the health and social services function exceeded the budget prior to amendment and the debt service function exceeded the amounts budgeted at year end.

The following table, which includes all funds with function budgets, has been prepared to demonstrate legal compliance with budget control:

<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Public Safety	\$ 8,094,800	\$ 7,416,632	\$ 678,168
Public Works	3,730,181	2,656,968	1,073,213
Health and Social Services	1,037,179	755,070	282,109
Culture and Recreation	2,782,059	2,401,786	380,273
Community and Economic Development	2,332,653	2,293,787	38,866
General Government	1,115,050	984,920	130,130
Debt Service	2,606,667	2,996,070	(389,403)
Capital Projects	7,774,529	6,373,100	1,401,429
Business-type Activities	<u>9,214,853</u>	<u>8,615,951</u>	<u>598,902</u>
Expenditures/expenses – budgetary basis	<u>\$ 38,687,971</u>	\$ 34,494,284	<u>\$ 4,193,687</u>
Accrual adjustments		<u>(5,068,158)</u>	
Expenditures/expenses – GAAP basis		<u>\$ 29,426,126</u>	

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits. On June 30, 2004, the carrying amount of the City’s deposits was \$13,959,974 and the bank balances were \$15,500,727. 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.

As of June 30, 2004, the City’s carrying amount of deposits, related bank balances, and other cash, including fiduciary funds, were as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Demand deposits	\$ 1,620,363	\$ 3,163,833
Savings and money market accounts	12,336,894	12,336,894
Petty cash	<u>2,717</u>	<u>-</u>
Total	<u>\$ 13,959,974</u>	<u>\$ 15,500,727</u>

The Marshalltown Water Works’ carrying amount of deposits was \$1,839,080 all of which was covered by federal depository insurance or insured by the state through pooled collateral, State Sinking Funds and by the state’s ability to assess for lost funds.

The Convention and Visitors Bureau’s deposits carrying amount and bank balance amount was \$44,263 all of which was covered by federal depository insurance.

Investments. The City and the Water Works are 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 or Board of Trustees 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 classifies its investments into categories which present an indication of the level of credit risk in relation to the nature of the investment and the custodial provisions. Category 1 records securities that are insured or registered, held by the City or its agent in the City’s name. Category 2 denotes uninsured and unregistered securities that are held by a counterparty’s trust department or agent in the City’s name. Category 3 specifies uninsured and unregistered securities that are held by a counterparty’s trust department or agent in other than the City’s name. As of June 30, 2004, the City did not have any assets that qualify as investments. The City’s investments during the year did not vary substantially from those at year-end in level or risk.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 4 – INTERFUND BALANCES AND TRANSFERS

Interfund balances as of June 30, 2004, consisted of the following:

	Due from						Total
	Local Option Sales Tax	Property Tax	Public Works and Other Projects	Nonmajor Govern- mental	Water Pollution Control	Internal Service	
Due to:							
General	\$ 44,796	\$ 123,407	\$ 1,175	\$ -	\$ 9,129	\$ 6,923	\$ 185,430
Property tax	1,378,398	-	-	-	-	-	1,378,398
Public works and other projects	-	-	-	86,509	-	-	86,509
Nonmajor governmental	-	-	196	-	-	-	196
	<u>\$ 1,423,194</u>	<u>\$ 123,407</u>	<u>\$ 1,371</u>	<u>\$ 86,509</u>	<u>\$ 9,129</u>	<u>\$ 6,923</u>	<u>\$ 1,650,533</u>

The balance of \$1,378,398 due to the Property Tax Fund from the Local Option Sales Tax Fund is a result of future collections of local option sales tax for sales incurred June 30 and prior and additional collections of sales tax than what was given in property tax relief. The remaining balances result from time lag between the time expenditures were incurred and when the actual transfer is made.

Due to/from primary government and component unit:

Receivable Entity	Payable Entity	Amount
Primary Government:	Component Unit:	
General	Water Works	\$ 13,377
Enterprise Fund, Water Pollution Control	Water Works	213,839
Enterprise Fund, Storm Sewer	Water Works	27,387
		<u>\$ 254,603</u>

Interfund transfers for the year ended June 30, 2004, consisted of the following:

Transfers to general fund from	
Road use tax	\$ 570,000
Local option sales tax	119,743
Property tax	2,326,980
Public works and other capital projects	370,704
Nonmajor governmental funds	<u>2,683</u>
Total transfers to general fund	<u>\$ 3,390,110</u>
Transfers to HUD programs fund from	
Property tax	<u>\$ 1,043</u>
Transfers to property tax fund from	
Local option sales tax	<u>\$ 1,797,947</u>

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CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Transfers to debt service fund from		
Nonmajor governmental funds	\$	<u>490,740</u>
Transfers to public works and other capital projects fund from		
Local option sales tax	\$	260,000
Nonmajor governmental funds		586,079
Nonmajor enterprise funds		<u>52,500</u>
Total transfers to public works and other capital projects fund	\$	<u>898,579</u>
Transfers to nonmajor governmental funds from		
General fund	\$	37
Public works and other capital projects		196
Nonmajor governmental funds		<u>770</u>
Total transfers to nonmajor governmental funds	\$	<u>1,003</u>
Transfers to nonmajor enterprise funds from		
General fund	\$	107,323
Local option sales tax		<u>36,630</u>
Total transfers to nonmajor enterprise fund	\$	<u>143,953</u>

Transfers are used to (1) move property tax revenues from the fund that state statute requires to collect them to the fund that expends the associated expenditure, (2) offset public works salaries within the general fund with road use tax dollars collected, and (3) move a portion of local option sales tax to the fund that is receiving the property tax relief.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004, was as follows:

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 2,807,050	\$ 44,078	\$ (102,499)	\$ 2,748,629
Construction in progress	<u>2,440,965</u>	<u>3,836,160</u>	<u>(1,740,415)</u>	<u>4,536,710</u>
Total capital assets, not being depreciated	<u>5,248,015</u>	<u>3,880,238</u>	<u>(1,842,914)</u>	<u>7,285,339</u>

CITY OF MARSHALLTOWN, IOWA
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JUNE 30, 2004

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
Capital assets, being depreciated:				
Buildings	\$ 5,465,029	\$ 2,077,851	\$ (29,891)	\$ 7,512,989
Land improvements	613,785	54,484	(1,100)	667,169
Machinery and equipment	11,410,272	369,465	(352,640)	11,427,097
Infrastructure	<u>31,475,211</u>	<u>406,140</u>	<u>(9,749,459)</u>	<u>22,131,892</u>
Total capital assets being depreciated	48,964,297	2,907,940	(10,133,090)	41,739,147
Less accumulated depreciation				
Buildings	(2,530,574)	(159,258)	26,697	(2,663,135)
Land improvements	(93,225)	(33,426)	-	(126,651)
Machinery and equipment	(4,382,906)	(754,906)	283,528	(4,854,284)
Infrastructure	<u>(10,347,031)</u>	<u>(808,480)</u>	<u>1,619,820</u>	<u>(9,535,691)</u>
Total accumulated depreciation	<u>(17,353,736)</u>	<u>(1,756,070)</u>	<u>1,930,045</u>	<u>(17,179,761)</u>
Total capital assets, being depreciated, net	<u>31,610,561</u>	<u>1,151,870</u>	<u>(8,203,045)</u>	<u>24,559,386</u>
Governmental activities capital assets, net	<u>\$ 36,858,576</u>	<u>\$ 5,032,108</u>	<u>\$(10,045,959)</u>	<u>\$ 31,844,725</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 385,357	\$ 102,499	\$ -	\$ 487,856
Construction in progress	<u>3,528,407</u>	<u>3,315,533</u>	<u>(432,159)</u>	<u>6,411,781</u>
Total capital assets, not being depreciated	<u>3,913,764</u>	<u>3,418,032</u>	<u>(432,159)</u>	<u>6,899,637</u>
Capital assets, being depreciated				
Buildings	6,186,788	693,109	(60,604)	6,819,293
Land improvements	1,807,261	7,735	-	1,814,996
Machinery and equipment	11,569,151	128,760	(277,055)	11,420,856
Sanitary sewers and lift stations	14,592,443	136,312	-	14,728,755
Infrastructure	<u>-</u>	<u>9,854,016</u>	<u>-</u>	<u>9,854,016</u>
Total capital assets being depreciated	34,155,643	10,819,932	(337,659)	44,637,916
Less accumulated depreciation				
Buildings	(2,721,444)	(185,152)	35,737	(2,870,859)
Land improvements	(893,142)	(71,900)	-	(965,042)
Machinery and equipment	(7,054,700)	(567,204)	244,540	(7,377,364)
Sanitary sewers and lift stations	(2,473,183)	(312,299)	-	(2,785,482)
Infrastructure	<u>-</u>	<u>(1,816,298)</u>	<u>-</u>	<u>(1,816,298)</u>
Total accumulated depreciation	<u>(13,142,469)</u>	<u>(2,952,853)</u>	<u>280,277</u>	<u>(15,815,045)</u>
Total capital assets, being depreciated, net	<u>21,013,174</u>	<u>7,867,079</u>	<u>(57,382)</u>	<u>28,822,871</u>
Business-type activities capital assets, net	<u>\$ 24,926,938</u>	<u>\$ 11,285,111</u>	<u>\$(489,541)</u>	<u>\$ 35,722,508</u>

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CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
Public safety	\$ 272,854
Culture and recreation	381,575
Community and economic development	9,906
Public works	1,058,758
General government	<u>32,977</u>
Total depreciation expense – governmental activities	<u>\$ 1,756,070</u>
Business-type activities	
Water pollution control	\$ 979,579
Storm sewer	203,354
Compost	14,015
Transit	<u>79,311</u>
Total depreciation expense – business-type activities	<u>\$ 1,276,259</u>

NOTE 6 – LONG-TERM DEBT

The following is a summary of changes in the City’s long-term debt for the year ended June 30, 2004:

	Balance June 30, 2003	Additions	Retirements	Balance June 30, 2004	Due Within One Year
Governmental activities					
Compensated absences payable	\$ 975,774	\$ 534,288	\$ 566,444	\$ 943,618	\$ 530,054
General obligation bonds payable	18,435,000	2,000,000	1,440,000	18,995,000	1,290,000
Urban renewal tax increment revenue bonds and notes	<u>4,692,038</u>	<u>1,300,000</u>	<u>543,850</u>	<u>5,448,188</u>	<u>110,900</u>
	<u>24,102,812</u>	<u>3,834,288</u>	<u>2,550,294</u>	<u>25,386,806</u>	<u>1,930,954</u>
Business-type activities					
Enterprise funds, revenue bonds payable	5,435,000	-	1,415,000	4,020,000	711,000
Sewer revenue capital loan note payable	<u>621,705</u>	<u>3,500,933</u>	<u>-</u>	<u>4,122,638</u>	<u>1,000</u>
	<u>6,056,705</u>	<u>3,500,933</u>	<u>1,415,000</u>	<u>8,142,638</u>	<u>712,000</u>
Total	<u>\$ 30,159,517</u>	<u>\$ 7,335,221</u>	<u>\$ 3,965,294</u>	<u>\$ 33,529,444</u>	<u>\$ 2,642,954</u>

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

For the governmental activities compensated absences are generally liquidated by the general fund.

The following is a summary of changes in long-term debt for the discretely presented component unit – Water Works for the year ended June 30, 2004:

	Balance June 30, 2003	Additions	Retirements	Balance June 30, 2004	Due Within One Year
Revenue bonds payable	\$ 1,660,000	\$ -	\$ 305,000	\$ 1,355,000	\$ 315,000

Bonded Debt. Details of the City’s bonds and notes payable as of June 30, 2004 are as follows:

	Interest Rates	Govern- mental Activities	Business- type Activities	Total
General obligation bonds				
1998B Essential corporate purpose,	4.25-4.50	\$ 2,400,000	\$ -	\$ 2,400,000
1999A Essential corporate purpose, issued June 1, 1999	4.30-4.65	2,630,000	-	2,630,000
2002A Essential corporate purpose, issued April 1, 2002	4.25-4.85	6,775,000	-	6,775,000
2002B Essential corporate purpose refunding bonds, issued April 1, 2002	3.125-4.05	2,170,000	-	2,170,000
2003A Essential corporate purpose refunding bonds, issued April 1, 2003	2.00-3.75	3,020,000	-	3,020,000
2004 Essential corporate purpose, issued June 1, 2004	1.20-4.30	2,000,000	-	2,000,000
Total general obligation bonds		<u>18,995,000</u>	<u>-</u>	<u>18,995,000</u>
Revenue bonds and notes				
Water Pollution Control, issued June 1, 1998	4.30-5.00	\$ -	\$ 2,075,000	\$ 2,075,000
Water Pollution Control Refunding bonds, Series 2002C, issued April 1, 2002	3.10-3.75	-	1,945,000	1,945,000
Urban renewal tax increment, issued June 1, 1999	4.50-4.90	4,045,000	-	4,045,000
Urban renewal tax increment, issued June 30, 2003	5.00	478,188	-	478,188

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

	<u>Interest Rates</u>	<u>Govern- mental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Water Pollution Control capital loan notes, Series 2003, issued May 15, 2003	3.00	\$ -	\$ 4,122,638	\$ 4,122,638
Urban renewal tax increment, issued December 29, 2003	3.14	<u>925,000</u>	<u>-</u>	<u>925,000</u>
Total revenue bonds and notes		<u>5,448,188</u>	<u>8,142,638</u>	<u>13,590,826</u>
Total long-term debt		<u>\$ 24,443,188</u>	<u>\$ 8,142,638</u>	<u>\$ 32,585,826</u>

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

- (1) 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 fund.
- (2) Sufficient monthly transfers shall be made to a separate sewer revenue bond and interest sinking fund for the purpose of making the bond principal and interest payments when due.
- (3) Additional monthly transfers shall be made to a separate sewer revenue debt service reserve fund until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying bond principal and interest payments due when insufficient money is available in the sinking fund.
- (4) Additional monthly transfers to a sewer improvement fund shall be made until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying for any additional improvements, extensions or repairs to the system. This account may be used to pay principal or interest on the bonds when there shall be insufficient money in the sinking fund and the reserve fund and the cost of extraordinary maintenance expenses or repairs, renewals, and replacements not included in the annual budget for capital improvements.

The urban renewal tax increment revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out urban renewal projects of the City. The bonds are not a general obligation of the City. The bonds are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund, which has been established as a special revenue fund of the City, 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 revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Future Requirements to Maturity. Principal and interest requirements to maturity for the City's bonds and notes outstanding as of June 30, 2004, are as follows:

Years Ending June 30	General Obligation Bonds		Urban Renewal Tax Increment Revenue Bonds and Notes	
	Principal	Interest	Principal	Interest
2005	\$ 1,290,000	\$ 776,331	\$ 110,900	\$ 258,257
2006	1,440,000	730,929	116,500	234,118
2007	1,525,000	680,027	1,297,350	213,539
2008	1,600,000	624,568	388,438	181,330
2009	1,625,000	563,739	270,000	164,793
2010-2014	7,885,000	1,806,023	1,500,000	632,105
2015-2019	3,630,000	355,945	1,765,000	261,278
Total	\$ 18,995,000	\$ 5,537,562	\$ 5,448,188	\$ 1,945,420

Years Ending June 30	Total Governmental Activities		Water Pollution Control Revenue Bonds	
	Principal	Interest	Principal	Interest
2005	\$ 1,400,900	\$ 1,034,588	\$ 710,000	\$ 163,026
2006	1,556,500	965,047	730,000	140,056
2007	2,822,350	893,566	760,000	114,106
2008	1,988,438	805,898	260,000	85,020
2009	1,895,000	728,532	260,000	73,580
2010-2014	9,385,000	2,438,128	1,300,000	189,020
2015-2019	5,395,000	617,222	-	-
Total	\$ 24,443,188	\$ 7,482,981	\$ 4,020,000	\$ 764,808

Years Ending June 30	Water Pollution Control Capital Loan Note		Total Business-type Activities	
	Principal	Interest	Principal	Interest
2005	\$ 1,000	\$ 123,680	\$ 711,000	\$ 286,706
2006	1,000	123,650	731,000	263,706
2007	1,000	123,620	761,000	237,726
2008	306,000	123,590	566,000	208,610
2009	315,000	237,262	575,000	310,842
2010-2014	1,726,000	424,300	3,026,000	613,320
2015-2019	1,772,638	149,470	1,772,638	149,470
Total	\$ 4,122,638	\$ 1,305,572	\$ 8,142,638	\$ 2,070,380

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Years Ending June 30	Water Works Revenue Bonds	
	Principal	Interest
2005	\$ 315,000	\$ 53,226
2006	330,000	41,098
2007	345,000	28,228
2008	365,000	14,600
Total	<u>\$ 1,355,000</u>	<u>\$ 137,152</u>

Legal Debt Margin. The City's legal debt margin as of June 30, 2004, is as follows:

Regular realty valuations	\$ 804,677,548
Utility valuations	86,485,422
Incremental valuations	<u>55,196,316</u>
Total actual valuations applicable to debt	<u>\$ 946,359,286</u>
 Debt limit - 5% of total actual valuations applicable to debt	 <u>\$ 47,317,964</u>
 Amount of debt applicable to limitation	
General obligation bonds and notes	\$ 18,995,000
Urban renewal tax increment revenue bonds	<u>5,448,188</u>
	24,443,188
Less funds available from	
Debt Service Fund	542,533
Special Revenue, other	<u>187,331</u>
Total debt applicable to debt margin	<u>23,713,324</u>
 Legal debt margin	 <u>\$ 23,604,640</u>

NOTE 7 – PENSION AND RETIREMENT SYSTEMS

The City has three pension and retirement systems that cover substantially all of its employees. These systems are the Municipal Fire and Police Retirement System of Iowa, Chapter 410 Police Pension System, and the Iowa Public Employees Retirement System. The Water Works, a component unit, maintains the Marshalltown Water Works Supplemental Retirement Pension System.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Municipal Fire and Police Retirement System of Iowa. 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 was required to contribute 20.48% for the year ended June 30, 2004, and 17% for 2003 and 2002, of earnable compensation. Contribution requirements are established by state statute. The City's contributions to the Plan for the years ended June 30, 2004, 2003, and 2002, were \$629,726, \$537,447, and \$538,289, respectively, which met the required minimum contribution for each year.

Chapter 410 Police Pension System. Chapter 410 of the Code of Iowa creates a retirement system for police officers of any City qualified to participate under this Chapter. Any duly appointed member of the police department whose appointment occurred before March 2, 1934, or police who had been making payments of membership fees and assessments prior to July 1, 1971, may be a member of the system. The pension plan is accounted for by the City in the Pension Trust Fund.

The plan, a single-employer defined benefit pension plan, is administered by the Police Pension Board of Trustees and provides retirement, disability, and death benefits. The benefits are established under state statute and provide for full retirement benefits at age 50 with 22 years or more of service. Full benefits are equal to fifty percent of the monthly salary at retirement or disability and twenty-five percent of the monthly salary at death.

There is one active beneficiary in the plan. Currently, the plan is funded through a property tax levy, and the City expects to continue to levy the tax as long as the benefit is required to be paid equal to the required contributions for the year. The City's contributions to the retirement system for the years ended June 30, 2004, 2003, and 2002, were \$9,535, \$16,729, and \$16,328, respectively.

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

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002, were \$250,767, \$252,235, and \$240,470, respectively, equal to the required contributions for each year.

Marshalltown Water Works Supplemental Retirement Pension System. The Marshalltown Water Works Supplemental Retirement Pension System (Plan) is a single-employer defined benefit pension plan that covers all full-time Water Works employees. The plan provides retirement, death, and disability benefits to plan members. The plan is administered by American Trust and Savings Bank.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

The plan was established by the Marshalltown Water Works Board of Trustees on September 30, 1953. The plan was restated and amended on January 1, 1986. The contribution requirements of plan members and the Water Works are established by the Board of Trustees and may be amended by the Board of Trustees at any time. Contribution percentages are actuarially determined rates. Plan members are required to contribute 2.25% of their annual covered salary. The Water Works is required to contribute 5.25% of annual covered payroll.

The Water Works annual pension cost and net pension obligation to the plan for the current year were as follows:

Annual required contribution	\$ 24,977
Annual pension cost	24,977
Contributions made	24,977
Increase in net pension obligation	-
Net pension obligations, beginning of year	-
Net pension obligations, end of year	-

The annual required contribution for the current year was determined as part of the April 1, 2004, actuarial valuation using the frozen entry age actuarial cost method. The actuarial assumptions included (a) 8.0% investment rate of return and (b) projected salary increases of 5%. Both (a) and (b) include an inflation component and postretirement benefit increases of 0%. The unfunded actuarial accrued liability is being amortized as an open period, level dollar. The information disclosing the remaining years to amortize is not available to the City.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2004	\$ 24,977	100.0%	\$ -
June 30, 2003	24,083	100.0%	-
June 30, 2002	22,275	100.0%	-

For employees who choose not to participate in the Marshalltown Water Works Supplemental Retirement Pension System (Plan), the Water Works 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.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Plan members are required to contribute 3.70% of their annual covered salary and the Water Works is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Water Works' contributions to IPERS for the years ended June 30, 2004, 2003, and 2002, were \$23,121, \$22,763, and \$13,155, respectively, equal to the required contributions for each year.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS

The City provides postretirement life and healthcare benefits, as allowed by Chapter 509A of the Code of Iowa, to all City employees (bargaining unit and nonbargaining unit employees) who retire from the City. Upon retirement, all employees may elect to continue coverage under the City's group health and accident insurance. However, the City will pay one-half of the insurance premiums for those employees who generally have at least 15 years of continuous service as of the date of normal retirement. Employees under the firefighters union agreement must meet service retirement or disability retirement as defined under Chapter 411 of the Code of Iowa for the City to pay one-half of the monthly premiums. Currently, 50 retirees, 7 surviving spouses, and 2 former employees have maintained the City's group health and accident insurance coverage, of which 43 meet the eligibility requirements for the City to pay one-half or a portion of the cost of such insurance. Expenditures for postretirement healthcare benefits are recognized on a monthly basis when the premiums are paid. During the year ended June 30, 2004, the City paid \$258,931 in premiums for postretirement healthcare coverage, of which \$148,386 was reimbursed to the City by the insured individuals and \$110,545 represents the City's cost of the coverage.

NOTE 9 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters for which the government carries commercial insurance. Settled claims have not exceeded commercial coverages in any area in any of the last three years.

The City has established a Group Insurance Benefits Fund for insuring health benefits provided to City employees and covered dependents which is included as an internal service fund. Health benefits were self-insured up to a specific stop loss amount of \$65,000 and an aggregate stop loss of approximately \$1,635,000 for 2004. Coverage from a private insurance company is maintained for losses in excess of the aggregate stop loss amount. All claims handling procedures are performed by a third-party claims administrator. Reported claims as of June 30, 2004, as well as incurred but not reported claims, have been accrued as a liability based upon the claims administrator's estimate and are included in accounts payable. The liability does not include any allocated or unallocated claim adjustment expenses.

All operating funds of the City participate in the program and make payments to the Group Insurance Benefits Fund based on actuarial estimates of the amounts needed to pay prior and current year claims.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

The City has established an Occupational Insurance Benefits Fund to self insure for workers' compensation benefits for all currently employed police officers and firefighters and police officers and firefighters who have retired due to an accidental disability prior to December 1992, in accordance with Chapter 411.15 of the Code of Iowa. The General Fund is charged for benefits paid to police officers and firefighters by the Occupational Insurance Benefits Fund, which is also accounted for as an internal service fund. Reported claims as of June 30, 2004, as well as incurred but not reported claims, have been accrued as a liability based upon the City's best estimate and are included in accounts payable. The liability does not include any allocated or unallocated claim adjustment expenses. There is no stop loss insurance for this coverage. Prior to the year ended June 30, 2004, the City purchased commercial coverage for currently employed police officers and firefighters.

The claims liabilities of \$242,954 in the Group Insurance Benefits Fund and \$6,808 in the Occupational Insurance Benefits Fund are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in reported liabilities for the fiscal years ended June 30, 2004 and 2003, are summarized as follows:

	Group Insurance Benefits Fund	Occupational Insurance Benefits Fund
Liabilities as of June 30, 2002	\$ 262,483	\$ 473
Claims and changes in estimates during fiscal year 2003	1,039,223	154,765
Claim payments	<u>(1,063,242)</u>	<u>(152,331)</u>
Liabilities as of June 30, 2003	238,464	2,907
Claims and changes in estimates during fiscal year 2004	1,166,625	6,808
Claim payments	<u>(1,162,135)</u>	<u>(9,281)</u>
	<u>\$ 242,954</u>	<u>\$ 434</u>

NOTE 10 – INDUSTRIAL DEVELOPMENT REVENUE BONDS

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the City, the state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2004, there were two issues of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$7,650,000.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 11 – CONDUIT DEBT

In October 1998, the City participated in the issuance of two notes payable as part of the Community Economic Betterment Act (CEBA) Program of the state of Iowa. The notes were issued to two businesses in the City. The repayment of the loans is made directly from the businesses back to the State. The notes are payable solely from the businesses participating in the CEBA program. The outstanding balances on the notes at June 30, 2004, total \$76,356.

NOTE 12 – DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all regular City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees, until termination, retirement, death, or unforeseeable emergency. The plan complies with IRC Section 457(g), which allows for the plan to hold its assets in trust. Under these requirements, the City does not own the amount deferred by employees and, therefore, the liability and corresponding investment are not reflected in the financial statements.

NOTE 13 – COMMITMENTS

The City has recognized as a liability only that portion of construction contracts representing construction completed through June 30, 2004. The City has additional commitments for signed construction contracts of approximately \$1,338,365 as of June 30, 2004.

NOTE 14 – MAJOR CUSTOMER

The financial statements of the Water Pollution Control Enterprise Fund include sales and receivables from Swift and Company, a major customer, of \$932,799 and \$137,920, respectively.

NOTE 15 – LITIGATION

The City is a defendant in several claims and lawsuits. In the opinion of the City Attorney and management, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE 16 – NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS

The Governmental Accounting Standards Board (GASB) has issued five statements not yet implemented by the City of Marshalltown. The statements which might impact the City of Marshalltown are as follows:

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Statement No. 40, *Deposit and Investment Risk Disclosures* issued March 2003, will be effective for the City for the fiscal year ending June 30, 2005. This statement addresses common deposit and investment risks related to credit risk, interest rate risk, and foreign currency risk.

Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* issued November 2003, will be effective for the City for the fiscal year ending June 30, 2006. This statement establishes accounting and financial reporting standards for impairment of capital assets and also clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* issued April 2004, will be effective for the City for the fiscal year ending June 30, 2008. This statement establishes uniform financial reporting standards for other post employment benefit (OPEB) plans and supersedes the interim guidance included in Statement No. 26. This statement affects reporting by administrators or trustees of OPEB plan assets or by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports.

Statement No. 44, *Economic Condition Reporting: The Statistical Section* issued May 2004, will be effective for the City for the fiscal year ending June 30, 2006. This statement amends previous guidance regarding preparation of the statistical section for governments that issue a comprehensive annual financial report.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* issued June 2004, will be effective for the City for the fiscal year ending June 30, 2009. This statement establishes standards for the measurement, recognition, and display of (OPEB) expense/expenditures and related liabilities (assets), note disclosures and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

The City's management has not yet determined the effect these statements will have on the City's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF MARSHALLTOWN, IOWA
 REQUIRED SUPPLEMENTARY INFORMATION
 MARSHALLTOWN WATER WORKS SUPPLEMENTAL RETIREMENT PENSION SYSTEM**

Schedule of Funding Progress						
Actuarial Valuation Date *	Fair Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	AAL/UAAL as a Percentage of Covered Payroll [(b-a)/c]
April 1, 2004	\$ 1,457,419	\$ 1,836,270	\$ 378,851	79.37%	\$ 434,376	87.2%
April 1, 2003	\$ 1,394,711	\$ 1,766,196	\$ 371,485	78.97%	\$ 418,921	88.7%
April 1, 2002	1,632,920	1,692,663	59,743	96.47%	405,556	14.7%

The information presented in the required supplementary schedule was determined as part of the actuarial valuation at the dates indicated. Additional information follows:

1. The cost method used to determine the ARC is the frozen entry age method.
2. The assets are shown at fair value.
3. Economic assumptions are as follows: investment return rate of 8%, salary increase of 5%, inflation rate 0%.
4. The amortization method is open period, assumed level dollar.

* The last actuarial valuation was performed on April 1, 2004. Estimated values have been calculated as of April 1, 2003 and 2002.

CITY OF MARSHALLTOWN, IOWA
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS) - GENERAL FUND
YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Property taxes	\$ 4,483,652	\$ 4,261,512	\$ 4,276,881	\$ 15,369
Other city taxes	1,145,316	974,986	969,560	(5,426)
Licenses and permits	263,200	282,175	324,087	41,912
Intergovernmental	1,325,021	797,162	682,070	(115,092)
Charges for services	808,701	860,681	868,481	7,800
Fines and forfeitures	65,500	120,430	144,218	23,788
Use of money and property	127,999	114,499	126,253	11,754
Miscellaneous	107,575	148,628	128,365	(20,263)
Total revenues	8,326,964	7,560,073	7,519,915	(40,158)
Expenditures				
Public safety	6,362,962	6,515,187	5,959,283	555,904
Public works	1,762,450	1,574,144	1,389,389	184,755
Health and social services	333,647	326,483	281,770	44,713
Culture and recreation	2,022,072	2,126,883	1,920,546	206,337
Community and economic development	90,034	117,638	114,341	3,297
General government	1,094,300	1,113,450	962,666	150,784
Total expenditures	11,665,465	11,773,785	10,627,995	1,145,790
Deficiency of revenues under expenditures	(3,338,501)	(4,213,712)	(3,108,080)	1,105,632
Other financing sources (uses)				
Transfers in	3,617,747	3,700,745	3,325,491	(375,254)
Transfers out	(103,490)	(105,290)	(107,361)	(2,071)
Total other financing sources (uses)	3,514,257	3,595,455	3,218,130	(377,325)
Net change in fund balance	175,756	(618,257)	110,050	728,307
Fund balance, beginning	2,287,910	2,287,910	2,287,910	-
Fund balance, ending	\$ 2,463,666	\$ 1,669,653	\$ 2,397,960	\$ 728,307
Fund balance, ending - budgetary basis			\$ 2,397,960	
Accrual adjustments				
Revenues			(37,018)	
Expenditures			92,024	
Net			(129,042)	
Other financing sources (uses)			87,669	
Beginning fund balance			268,475	
Fund balance, ending - GAAP basis			\$ 2,625,062	

CITY OF MARSHALLTOWN, IOWA
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
ROAD USE TAX FUND
YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 2,093,725	\$ 2,145,742	\$ 2,166,225	\$ 20,483
Expenditures				
Public works	1,789,359	1,715,237	1,164,271	550,966
Total expenditures	1,789,359	1,715,237	1,164,271	550,966
Excess of revenues over expenditures	304,366	430,505	1,001,954	571,449
Other financing uses				
Transfers out	(570,000)	(570,000)	(570,000)	-
Net change in fund balance	(265,634)	(139,495)	431,954	571,449
Fund balance - beginning	1,057,821	1,057,821	1,057,821	-
Fund balance - ending	\$ 792,187	\$ 918,326	\$ 1,489,775	\$ 571,449
Fund balance, ending - budgetary basis			\$ 1,489,775	
Accrual adjustments				
Revenues			13,099	
Expenditures			(12,255)	
Net			25,354	
Other financing sources (uses)			-	
Beginning fund balance			96,462	
Fund balance, ending - GAAP basis			\$ 1,611,591	

CITY OF MARSHALLTOWN, IOWA
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
HUD PROGRAMS FUND
YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 2,022,251	\$ 2,373,107	\$ 2,112,758	\$ (260,349)
Charges for services	-	-	14	14
Use of money and property	-	-	3,548	3,548
Miscellaneous	-	7,000	33,145	26,145
Total revenues	<u>2,022,251</u>	<u>2,380,107</u>	<u>2,149,465</u>	<u>(230,642)</u>
Expenditures				
Health and social services	87,145	698,696	465,259	233,437
Community and economic development	<u>1,506,386</u>	<u>1,663,688</u>	<u>1,645,402</u>	<u>18,286</u>
Total expenditures	<u>1,593,531</u>	<u>2,362,384</u>	<u>2,110,661</u>	<u>251,723</u>
Excess of revenues over expenditures	428,720	17,723	38,804	21,081
Other financing sources				
Transfers in	-	-	1,043	1,043
Net change in fund balance	428,720	17,723	39,847	22,124
Fund balance - beginning	<u>239,204</u>	<u>239,204</u>	<u>239,204</u>	<u>-</u>
Fund balance - ending	<u>\$ 667,924</u>	<u>\$ 256,927</u>	<u>\$ 279,051</u>	<u>\$ 22,124</u>
Fund balance, ending - budgetary basis			<u>\$ 279,051</u>	
Accrual adjustments				
Revenues			(20,128)	
Expenditures			<u>18,908</u>	
Net			(39,036)	
Other financing sources (uses)			-	
Beginning fund balance			<u>3,507</u>	
Fund balance, ending - GAAP basis			<u>\$ 243,522</u>	

CITY OF MARSHALLTOWN, IOWA
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
LOCAL OPTION SALES TAX FUND
YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Other city taxes	\$ 2,000,000	\$ 2,500,000	\$ 2,553,630	\$ 53,630
Use of money and property	-	20,000	17,114	(2,886)
Total revenues	<u>2,000,000</u>	<u>2,520,000</u>	<u>2,570,744</u>	<u>50,744</u>
Expenditures				
Public safety	1,021,500	985,677	956,400	29,277
Public works	-	390,000	100,326	289,674
General government	-	-	7,571	(7,571)
Total expenditures	<u>1,021,500</u>	<u>1,375,677</u>	<u>1,064,297</u>	<u>311,380</u>
Excess of revenues over expenditures	978,500	1,144,323	1,506,447	362,124
Other financing uses				
Transfers out	<u>(1,600,000)</u>	<u>(1,938,967)</u>	<u>(1,860,000)</u>	<u>78,967</u>
Net change in fund balance	(621,500)	(794,644)	(353,553)	441,091
Fund balance - beginning	<u>1,498,198</u>	<u>1,498,198</u>	<u>1,498,198</u>	<u>-</u>
Fund balance - ending	<u>\$ 876,698</u>	<u>\$ 703,554</u>	<u>\$ 1,144,645</u>	<u>\$ 441,091</u>
Fund balance, ending - budgetary basis			<u>\$ 1,144,645</u>	
Accrual adjustments				
Revenues			(162,105)	
Expenditures			<u>9,221</u>	
Net			(171,326)	
Other financing sources (uses)			(354,320)	
Beginning fund balance			<u>(610,494)</u>	
Fund balance, ending - GAAP basis			<u>\$ 8,505</u>	

CITY OF MARSHALLTOWN, IOWA
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
PROPERTY TAX FUND
YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 432,364	\$ 432,364	\$ 411,410	\$ (20,954)
Other city taxes	74,062	63,253	59,453	(3,800)
Intergovernmental	-	-	22,811	22,811
Use of money and property	<u>25,000</u>	<u>25,000</u>	<u>15,091</u>	<u>(9,909)</u>
 Total revenues	 531,426	 520,617	 508,765	 (11,852)
Expenditures				
Public safety	<u>17,680</u>	<u>17,680</u>	<u>9,534</u>	<u>8,146</u>
 Excess of revenues over expenditures	 <u>513,746</u>	 <u>502,937</u>	 <u>499,231</u>	 <u>(3,706)</u>
Other financing sources (uses)				
Transfers in	1,500,000	1,500,000	1,500,000	-
Transfers out	<u>(2,559,047)</u>	<u>(2,598,195)</u>	<u>(2,270,666)</u>	<u>327,529</u>
 Total other financing sources (uses)	 <u>(1,059,047)</u>	 <u>(1,098,195)</u>	 <u>(770,666)</u>	 <u>327,529</u>
 Net change in fund balance	 (545,301)	 (595,258)	 (271,435)	 323,823
Fund balance - beginning	<u>1,309,510</u>	<u>1,309,510</u>	<u>1,309,510</u>	<u>-</u>
 Fund balance - ending	 <u>\$ 764,209</u>	 <u>\$ 714,252</u>	 <u>\$ 1,038,075</u>	 <u>\$ 323,823</u>
 Fund balance, ending - budgetary basis			<u>\$ 1,038,075</u>	
Accrual adjustments				
Revenues			(3,737)	
Expenditures			<u>-</u>	
Net			(3,737)	
Other financing sources (uses)			240,591	
Beginning fund balance			<u>1,023,979</u>	
 Fund balance, ending - GAAP basis			 <u>\$ 2,298,908</u>	

CITY OF MARSHALLTOWN, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2004

In accordance with the Code of Iowa, the City annually adopts a budget on the cash basis following required public notice and hearing. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. Legal budgetary compliance for the City as a whole is demonstrated in Note 2 to the financial statements.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Tax Increment Financing – To account for revenue taxes levied for specific uses within the designated district. Specific uses may include the construction of infrastructure and payments associated with debt and other development agreements.

E-911 Surcharge – To account for activity associated with the 911 Communication Commission.

Grant Fund – To account for various state and federal grant activities.

Special Contributions – To reflect activities associated with donations and special contributions to various City departments.

Other – To account for other various revenues, seized assets, City tort liability, special assessments and economic development gift funding.

CAPITAL PROJECTS FUND

Airport Projects – To account for ongoing projects at the municipal airport.

Recreation Projects – To account for resources used in the acquisition and construction of capital facilities and other fixed assets associated with the City's culture and recreation function.

PERMANENT FUND

Campground Foundation – A permanent fund for the improvement of Riverview Park Campground.

CITY OF MARSHALLTOWN, IOWA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004

	<u>Special</u>		
	<u>Tax</u>	<u>E-911</u>	<u>Grant Fund</u>
	<u>Increment</u>	<u>Surcharge</u>	
	<u>Financing</u>		
ASSETS			
Cash and cash equivalents	\$ 172,259	\$ 125,343	\$ 39,234
Receivables			
Property taxes, delinquent	14,042	-	-
Accounts and unbilled usage	-	-	-
Interest	17	38	10
Due from other funds	-	-	-
Due from other governments	1,431	50,081	44,186
Prepaid items	<u>22,917</u>	<u>45,063</u>	<u>-</u>
Total assets	<u>\$ 210,666</u>	<u>\$ 220,525</u>	<u>\$ 83,430</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ 5,603	\$ 5,261
Accrued payroll and payroll benefits	-	-	9,389
Retainage payable	-	-	-
Deferred revenue	-	-	30,187
Due to other funds	<u>418</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>418</u>	<u>5,603</u>	<u>44,837</u>
Fund balances			
Reserved for			
Prepaid items	22,917	45,063	-
Debt service	187,331	-	-
Endowments	-	-	-
Unreserved	<u>-</u>	<u>169,859</u>	<u>38,593</u>
Total fund balances	<u>210,248</u>	<u>214,922</u>	<u>38,593</u>
Total liabilities and fund balances	<u>\$ 210,666</u>	<u>\$ 220,525</u>	<u>\$ 83,430</u>

Revenue Funds			Capital Projects Funds		Permanent Fund	Total Nonmajor Governmental Funds
Special Contributions	Other Special Revenue	Total	Airport Projects	Recreation Projects	Campground Foundation	
\$ 226,085	\$ 239,664	\$ 802,585	\$ -	\$ 375,477	\$ 2,322	\$ 1,180,384
-	-	14,042	-	-	-	14,042
369	4,487	4,856	-	-	-	4,856
6	1	72	-	37	1	110
-	-	-	196	-	-	196
-	-	95,698	94,541	24,984	-	215,223
-	-	67,980	-	-	-	67,980
<u>\$ 226,460</u>	<u>\$ 244,152</u>	<u>\$ 985,233</u>	<u>\$ 94,737</u>	<u>\$ 400,498</u>	<u>\$ 2,323</u>	<u>\$ 1,482,791</u>
\$ 5,721	\$ -	\$ 16,585	\$ 450	\$ 14,985	\$ -	\$ 32,020
-	-	9,389	-	-	-	9,389
-	-	-	37,530	-	-	37,530
-	1,269	31,456	-	-	-	31,456
-	-	418	86,091	-	-	86,509
<u>5,721</u>	<u>1,269</u>	<u>57,848</u>	<u>124,071</u>	<u>14,985</u>	<u>-</u>	<u>196,904</u>
-	-	67,980	-	-	-	67,980
-	-	187,331	-	-	-	187,331
-	-	-	-	-	2,323	2,323
<u>220,739</u>	<u>242,883</u>	<u>672,074</u>	<u>(29,334)</u>	<u>385,513</u>	<u>-</u>	<u>1,028,253</u>
<u>220,739</u>	<u>242,883</u>	<u>927,385</u>	<u>(29,334)</u>	<u>385,513</u>	<u>2,323</u>	<u>1,285,887</u>
<u>\$ 226,460</u>	<u>\$ 244,152</u>	<u>\$ 985,233</u>	<u>\$ 94,737</u>	<u>\$ 400,498</u>	<u>\$ 2,323</u>	<u>\$ 1,482,791</u>

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Special		
	Tax Increment Financing	E-911 Surcharge	Grant Fund
Revenues			
TIF revenues	\$ 1,597,111	\$ -	\$ -
Other city taxes	-	204,609	-
Use of money and property	15,551	2,547	427
Intergovernmental	33,721	-	526,177
Charges for services	-	-	66,192
Special assessments	-	-	-
Miscellaneous	-	788	22,262
Total revenues	<u>1,646,383</u>	<u>207,944</u>	<u>615,058</u>
Expenditures			
Current			
Public safety	-	225,042	226,399
Public works	-	-	-
Health and social services	-	-	8,468
Culture and recreation	-	-	350,604
Community and economic development	531,231	-	1,730
General government	-	-	14,684
Debt service			
Principal	543,850	-	-
Interest and other fiscal charges	216,103	-	-
Total expenditures	<u>1,291,184</u>	<u>225,042</u>	<u>601,885</u>
Excess (deficiency) of revenues over (under) expenditures	355,199	(17,098)	13,173
Other financing uses			
Transfers in	-	-	37
Transfers out	<u>(881,819)</u>	<u>-</u>	<u>(2,683)</u>
Total other financing sources (uses)	(881,819)	-	(2,646)
Net change in fund balances	(526,620)	(17,098)	10,527
Fund balances - beginning	<u>736,868</u>	<u>232,020</u>	<u>28,066</u>
Fund balances - ending	<u>\$ 210,248</u>	<u>\$ 214,922</u>	<u>\$ 38,593</u>

Revenue Funds			Capital Projects Fund		Permanent Fund	Total Nonmajor Governmental Funds
Special Contributions	Other Special Revenue	Total	Airport Projects	Recreation Projects	Campground Foundation	
\$ -	\$ -	\$ 1,597,111	\$ -	\$ -	\$ -	\$ 1,597,111
-	-	204,609	-	-	-	204,609
3,804	10,329	32,658	-	2,079	13	34,750
-	-	559,898	377,480	51,303	-	988,681
60,712	-	126,904	-	-	-	126,904
-	317	317	-	-	-	317
44,075	40,317	107,442	-	182,443	-	289,885
<u>108,591</u>	<u>50,963</u>	<u>2,628,939</u>	<u>377,480</u>	<u>235,825</u>	<u>13</u>	<u>3,242,257</u>
14,146	28,952	494,539	-	-	-	494,539
-	2,981	2,981	423,565	-	-	426,546
-	-	8,468	-	-	-	8,468
87,134	-	437,738	-	121,216	-	558,954
-	-	532,961	-	-	-	532,961
-	-	14,684	-	-	-	14,684
-	-	543,850	-	-	-	543,850
-	-	216,103	-	-	-	216,103
<u>101,280</u>	<u>31,933</u>	<u>2,251,324</u>	<u>423,565</u>	<u>121,216</u>	<u>-</u>	<u>2,796,105</u>
7,311	19,030	377,615	(46,085)	114,609	13	446,152
770	-	807	196	-	-	1,003
-	(195,000)	(1,079,502)	-	(770)	-	(1,080,272)
<u>770</u>	<u>(195,000)</u>	<u>(1,078,695)</u>	<u>196</u>	<u>(770)</u>	<u>-</u>	<u>(1,079,269)</u>
8,081	(175,970)	(701,080)	(45,889)	113,839	13	(633,117)
<u>212,658</u>	<u>418,853</u>	<u>1,628,465</u>	<u>16,555</u>	<u>271,674</u>	<u>2,310</u>	<u>1,919,004</u>
<u>\$ 220,739</u>	<u>\$ 242,883</u>	<u>\$ 927,385</u>	<u>\$ (29,334)</u>	<u>\$ 385,513</u>	<u>\$ 2,323</u>	<u>\$ 1,285,887</u>

NONMAJOR ENTERPRISE FUNDS

Compost Facility – To account for the operation and maintenance of the City’s facility for yard wastes. Services are supported primarily by user charges.

Bus Transit – To account for the City’s mass transit operations. Services are supported primarily from transit property taxes accounted for and transferred from the General Fund, intergovernmental revenues, and user charges.

Recreation Concessions – To account for the concessions activity of the municipal swimming pool and coliseum. Services are supported by user fees.

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2004

	<u>Compost Facility</u>	<u>Bus Transit</u>	<u>Recreation Concessions</u>	<u>Total Nonmajor Enterprise Funds</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 59,373	\$ -	\$ 38,428	\$ 97,801
Receivables				
Accounts and unbilled usage	1,041	8,355	-	9,396
Interest	4	-	1	5
Due from other governments	-	1,921	-	1,921
Inventories	3,890	-	-	3,890
Prepaid items	248	24,299	116	24,663
Total current assets	<u>64,556</u>	<u>34,575</u>	<u>38,545</u>	<u>137,676</u>
Noncurrent assets				
Capital assets				
Land	10,437	-	-	10,437
Land improvements	235,361	7,735	-	243,096
Buildings and structures	26,919	677,129	-	704,048
Equipment and vehicles	66,851	625,576	-	692,427
Accumulated depreciation	<u>(167,224)</u>	<u>(417,621)</u>	<u>-</u>	<u>(584,845)</u>
Total noncurrent assets	<u>172,344</u>	<u>892,819</u>	<u>-</u>	<u>1,065,163</u>
Total assets	<u>236,900</u>	<u>927,394</u>	<u>38,545</u>	<u>1,202,839</u>
LIABILITIES				
Current liabilities				
Accounts payable	77	9,931	857	10,865
Accrued payroll and payroll benefits	1,502	9,905	3,451	14,858
Compensated absences	<u>-</u>	<u>3,294</u>	<u>-</u>	<u>3,294</u>
Total current liabilities	1,579	23,130	4,308	29,017
Noncurrent liabilities				
Compensated absences	<u>-</u>	<u>7,046</u>	<u>-</u>	<u>7,046</u>
Total liabilities	<u>1,579</u>	<u>30,176</u>	<u>4,308</u>	<u>36,063</u>
NET ASSETS				
Invested in capital assets	172,344	892,819	-	1,065,163
Unrestricted	<u>62,977</u>	<u>4,399</u>	<u>34,237</u>	<u>101,613</u>
Total net assets	<u>\$ 235,321</u>	<u>\$ 897,218</u>	<u>\$ 34,237</u>	<u>\$ 1,166,776</u>

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Compost Facility	Bus Transit	Recreation Concessions	Total Nonmajor Enterprise Funds
Operating revenues				
Charges for services	\$ 41,526	\$ 117,906	\$ 71,121	\$ 230,553
Operating expenses				
Salaries and benefits	13,008	266,401	24,355	303,764
Services and supplies	8,334	146,403	34,469	189,206
Depreciation	14,015	79,311	-	93,326
Total operating expenses	35,357	492,115	58,824	586,296
Operating income (loss)	6,169	(374,209)	12,297	(355,743)
Nonoperating revenues				
Federal and state grants	-	184,870	-	184,870
Gain (loss) on disposal of fixed assets	-	18,731	-	18,731
Interest income	698	-	584	1,282
Total nonoperating revenues	698	203,601	584	204,883
Income (loss) before capital contributions and transfers	6,867	(170,608)	12,881	(150,860)
Capital contributions	-	333,776	-	333,776
Transfers in	-	143,953	-	143,953
Transfers out	-	(52,500)	-	(52,500)
Change in net assets	6,867	254,621	12,881	274,369
Total net assets - beginning	228,454	642,597	21,356	892,407
Total net assets - ending	\$ 235,321	\$ 897,218	\$ 34,237	\$ 1,166,776

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2004

	<u>Compost Facility</u>	<u>Bus Transit</u>	<u>Recreation Concessions</u>	<u>Total Nonmajor Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 41,813	\$ 114,515	\$ 71,167	\$ 227,495
Cash payments to suppliers for goods and services	(10,373)	(139,213)	(39,079)	(188,665)
Cash payments to employees for services	<u>(12,418)</u>	<u>(265,417)</u>	<u>(22,259)</u>	<u>(300,094)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>19,022</u>	<u>(290,115)</u>	<u>9,829</u>	<u>(261,264)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	143,953	-	143,953
Transfers to other funds	-	(52,500)	-	(52,500)
Grants received	-	184,870	-	184,870
Increase in due to other funds	<u>-</u>	<u>(43,228)</u>	<u>-</u>	<u>(43,228)</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>233,095</u>	<u>-</u>	<u>233,095</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of property and equipment	-	(276,756)	-	(276,756)
Contributions	<u>-</u>	<u>333,776</u>	<u>-</u>	<u>333,776</u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>57,020</u>	<u>-</u>	<u>57,020</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investment securities	<u>721</u>	<u>-</u>	<u>602</u>	<u>1,323</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	19,743	-	10,431	30,174
CASH AND CASH EQUIVALENTS, BEGINNING	<u>39,630</u>	<u>-</u>	<u>27,997</u>	<u>67,627</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 59,373</u>	<u>\$ -</u>	<u>\$ 38,428</u>	<u>\$ 97,801</u>

(continued)

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF CASH FLOWS (continued)
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2004

	<u>Compost Facility</u>	<u>Bus Transit</u>	<u>Recreation Concessions</u>	<u>Total Nonmajor Enterprise Funds</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 6,169	\$ (374,209)	\$ 12,297	\$ (355,743)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	14,015	79,311	-	93,326
Changes in assets and liabilities				
Decrease (increase) in receivables	287	(4,151)	46	(3,818)
Decrease (increase) in inventories and prepaid items	(2,000)	8,490	(25)	6,465
Increase in accounts payable	(39)	(540)	(4,585)	(5,164)
Increase in accrued liabilities	590	984	2,096	3,670
Total adjustments	<u>12,853</u>	<u>84,094</u>	<u>(2,468)</u>	<u>94,479</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 19,022</u>	<u>\$ (290,115)</u>	<u>\$ 9,829</u>	<u>\$ (261,264)</u>

INTERNAL SERVICE FUNDS

Group Insurance Benefits – To account for employee health insurance premium and claim payments.

Occupational Insurance Benefits – To account for medical claims associated with work related injuries and disabled policemen and firemen.

Flexible Benefits – To account for the employee flexible benefit plan resources and claims.

Workmen's Compensation Deductible – To account for workmen's compensation deductible insurance claims.

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2004

	Group Insurance Benefits	Occupational Insurance Benefits	Flexible Benefits	Workmen's Compensation Deductible	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ 500,064	\$ 225,328	\$ -	\$ 54,249	\$ 779,641
Receivables					
Interest	1	11	-	11	23
Prepaid items	3,653	-	-	-	3,653
	<u>503,718</u>	<u>225,339</u>	<u>-</u>	<u>54,260</u>	<u>783,317</u>
Total current assets					
LIABILITIES					
Current liabilities					
Accounts payable	242,954	434	-	518	243,906
Due to other funds	-	-	6,923	-	6,923
	<u>242,954</u>	<u>434</u>	<u>6,923</u>	<u>518</u>	<u>250,829</u>
Total current liabilities					
Total net assets (deficit) - unrestricted	<u>\$ 260,764</u>	<u>\$ 224,905</u>	<u>\$ (6,923)</u>	<u>\$ 53,742</u>	<u>\$ 532,488</u>

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Group Insurance Benefits	Occupational Insurance Benefits	Flexible Benefits	Workmen's Compensation Deductible	Total
Operating revenues					
Charges for services	\$ 1,538,451	\$ 28,706	\$ 60,582	\$ 46,779	\$ 1,674,518
Miscellaneous	<u>54,735</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,735</u>
Total operating revenues	<u>1,593,186</u>	<u>28,706</u>	<u>60,582</u>	<u>46,779</u>	<u>1,729,253</u>
Operating expenses					
Salaries and benefits	2,325	-	-	-	2,325
Services and supplies	12,475	-	-	-	12,475
Claims paid	1,162,135	9,281	61,321	4,369	1,237,106
Health insurance premiums	262,364	-	-	-	262,364
Miscellaneous	<u>101,778</u>	<u>3,900</u>	<u>-</u>	<u>-</u>	<u>105,678</u>
Total operating expenses	<u>1,541,077</u>	<u>13,181</u>	<u>61,321</u>	<u>4,369</u>	<u>1,619,948</u>
Operating income (loss)	52,109	15,525	(739)	42,410	109,305
Nonoperating revenues					
Interest income	<u>3,697</u>	<u>3,553</u>	<u>-</u>	<u>126</u>	<u>7,376</u>
Net income (loss)	55,806	19,078	(739)	42,536	116,681
Total net assets (deficit) - beginning	<u>204,958</u>	<u>205,827</u>	<u>(6,184)</u>	<u>11,206</u>	<u>415,807</u>
Total net assets (deficit) - ending	<u>\$ 260,764</u>	<u>\$ 224,905</u>	<u>\$ (6,923)</u>	<u>\$ 53,742</u>	<u>\$ 532,488</u>

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2004

	Group Insurance Benefits	Occupational Insurance Benefits	Flexible Benefits	Workmen's Compensation Deductible	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 1,557,060	\$ 28,706	\$ 60,582	\$ 46,779	\$ 1,693,127
Cash payments to suppliers for goods and services	(1,533,343)	(15,654)	(61,321)	(4,526)	(1,614,844)
Cash payments to employees for services	(2,325)	-	-	-	(2,325)
Other operating revenue	54,735	-	-	-	54,735
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>76,127</u>	<u>13,052</u>	<u>(739)</u>	<u>42,253</u>	<u>130,693</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Increase in due to other funds	-	-	739	-	739
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received on investment securities	4,696	4,112	-	123	8,931
NET INCREASE IN CASH AND CASH EQUIVALENTS	80,823	17,164	-	42,376	140,363
CASH AND CASH EQUIVALENTS, BEGINNING	<u>419,241</u>	<u>208,164</u>	<u>-</u>	<u>11,873</u>	<u>639,278</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 500,064</u>	<u>\$ 225,328</u>	<u>\$ -</u>	<u>\$ 54,249</u>	<u>\$ 779,641</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES					
Operating loss	\$ 52,109	\$ 15,525	\$ (739)	\$ 42,410	\$ 109,305
Adjustments to reconcile operating loss to net cash used by operating activities					
Changes in assets and liabilities					
Increase in receivables	18,609	-	-	-	18,609
Decrease in prepaid items	919	-	-	-	919
Increase (decrease) in accounts payable	4,490	(2,473)	-	(157)	1,860
Total adjustments	<u>24,018</u>	<u>(2,473)</u>	<u>-</u>	<u>(157)</u>	<u>21,388</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 76,127</u>	<u>\$ 13,052</u>	<u>\$ (739)</u>	<u>\$ 42,253</u>	<u>\$ 130,693</u>

FIDUCIARY FUNDS

Agency funds are used to account for funds where the City acts as custodian. Agency funds are:

Payroll Fund – For the internal accounting of payroll and associated liability payments.

Other – To account for other miscellaneous activities associated with City agencies.

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
PAYROLL FUND				
ASSETS				
Cash and cash equivalents	\$ 148,289	\$ 5,284,337	\$ 5,308,579	\$ 124,047
LIABILITIES				
Accrued payroll and payroll benefits	\$ 148,289	\$ 5,284,337	\$ 5,308,579	\$ 124,047
OTHER				
ASSETS				
Cash and cash equivalents	\$ 1,587	\$ 16,931	\$ 17,370	\$ 1,148
Due from other governments	-	121	-	121
Total assets	\$ 1,587	\$ 17,052	\$ 17,370	\$ 1,269
LIABILITIES				
Due to other governments	\$ 1,587	\$ 17,052	\$ 17,370	\$ 1,269
ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 149,876	\$ 5,301,268	\$ 5,325,949	\$ 125,195
Due from other governments	-	121	-	121
Total assets	\$ 149,876	\$ 5,301,389	\$ 5,325,949	\$ 125,316
LIABILITIES				
Accrued payroll and payroll benefits	\$ 148,289	\$ 5,284,337	\$ 5,308,579	\$ 124,047
Due to other governments	1,587	17,052	17,370	1,269
Total liabilities	\$ 149,876	\$ 5,301,389	\$ 5,325,949	\$ 125,316

LONG-TERM DEBT

CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF BOND MATURITIES
JUNE 30, 2004

Issue	Year Ending June 30	Interest Rates	Interest	Principal
Governmental Activities				
1998B Essential corporate purpose, issued June 1, 1998	2005	4.25%	\$ 105,000	\$ 300,000
	2006	4.25%	92,250	300,000
	2007	4.30%	79,500	300,000
	2008	4.35%	66,600	300,000
	2009	4.40%	53,550	300,000
	2010	4.45%	40,350	300,000
	2011	4.50%	27,000	300,000
	2012	4.50%	13,500	300,000
			477,750	2,400,000
1999A Essential corporate purpose, issued June 1, 1999	2005	4.30%	116,456	290,000
	2006	4.30%	103,986	290,000
	2007	4.30%	91,516	290,000
	2008	4.35%	79,046	290,000
	2009	4.40%	66,430	290,000
	2010	4.45%	53,670	240,000
	2011	4.50%	42,990	240,000
	2012	4.55%	32,190	240,000
	2013	4.60%	21,270	240,000
	2014	4.65%	10,230	220,000
				617,784
Urban renewal tax increment revenue bonds, issued June 1, 1999	2005	4.50%	187,743	-
	2006	4.50%	187,743	-
	2007	4.50%	187,743	250,000
	2008	4.50%	176,493	260,000
	2009	4.50%	164,793	270,000
	2010	4.50%	152,643	280,000
	2011	4.50%	140,043	290,000
	2012	4.55%	126,993	300,000
	2013	4.60%	113,343	310,000
	2014	4.60%	99,083	320,000
	2015	4.63%	84,363	330,000
	2016	4.70%	69,100	340,000
	2017	4.80%	53,120	350,000
2018	4.85%	36,320	370,000	
2019	4.90%	18,375	375,000	
			1,797,898	4,045,000

(continued)

CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF BOND MATURITIES (continued)
JUNE 30, 2004

Issue	Year Ending June 30	Interest Rates	Interest	Principal
Governmental Activities (continued)				
2002A Essential corporate purpose, issued April 1, 2002	2005	4.25%	\$ 307,062	\$ 100,000
	2006	4.25%	302,812	125,000
	2007	4.25%	297,500	150,000
	2008	4.25%	291,126	200,000
	2009	4.25%	282,626	200,000
	2010	4.25%	274,126	750,000
	2011	4.35%	242,250	750,000
	2012	4.45%	209,626	750,000
	2013	4.55%	176,250	750,000
	2014	4.60%	142,126	750,000
	2015	4.70%	107,626	750,000
	2016	4.80%	72,376	750,000
	2017	4.85%	36,376	750,000
				2,741,882
2002B Essential corporate purpose refunding bonds, issued April 1, 2002	2005	3.13%	79,190	410,000
	2006	3.40%	66,378	420,000
	2007	3.70%	52,098	430,000
	2008	3.90%	36,188	445,000
	2009	4.05%	18,832	465,000
			252,686	2,170,000
2003A Essential corporate purpose refunding bonds, issued April 1, 2003	2005	2.00%	89,298	105,000
	2006	2.00%	87,198	300,000
	2007	2.20%	81,198	350,000
	2008	2.55%	73,498	360,000
	2009	2.95%	64,318	365,000
	2010	3.15%	53,550	380,000
	2011	3.40%	41,580	390,000
	2012	3.60%	28,320	370,000
	2013	3.75%	15,000	400,000
			533,960	3,020,000
Urban renewal tax increment revenue bonds, issued June 30, 2003	2005	5.00%	22,542	110,900
	2006	5.00%	16,927	116,500
	2007	5.00%	11,031	122,350
	2008	5.00%	4,837	128,438
			55,337	478,188

(continued)

CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF BOND MATURITIES (continued)
JUNE 30, 2004

Issue	Year Ending June 30	Interest Rates	Interest	Principal
Governmental Activities (continued)				
Urban renewal tax increment bond anticipation project note, issued December 29, 2003	2005	3.14%	\$ 47,972	\$ -
	2006	3.14%	29,448	-
	2007	3.14%	14,765	925,000
			92,185	925,000
2004A Essential corporate purpose, issued June 1, 2004	2005	8.00%	79,325	85,000
	2006	6.00%	78,305	5,000
	2007	6.00%	78,215	5,000
	2008	6.00%	78,110	5,000
	2009	5.50%	77,983	5,000
	2010	5.75%	77,840	5,000
	2011	5.75%	77,683	5,000
	2012	5.75%	77,512	5,000
	2013	4.75%	77,330	150,000
	2014	4.10%	71,630	350,000
	2015	4.20%	57,805	360,000
	2016	4.30%	43,225	375,000
	2017	4.40%	27,662	395,000
	2018	4.50%	10,875	250,000
				913,500
Total governmental activities	2005		1,034,588	1,400,900
	2006		965,047	1,556,500
	2007		893,565	2,822,350
	2008		805,898	1,988,438
	2009		728,532	1,895,000
	2010		652,179	1,955,000
	2011		571,546	1,975,000
	2012		488,141	1,965,000
	2013		403,193	1,850,000
	2014		323,069	1,640,000
	2015		249,794	1,440,000
	2016		184,701	1,465,000
	2017		117,158	1,495,000
	2018		47,195	620,000
	2019		18,375	375,000
			\$ 7,482,981	\$ 24,443,188
Enterprise Funds				
Water Pollution Control, issued June 1, 1998	2005	4.30%	\$ 96,118	\$ 80,000
	2006	4.35%	92,678	85,000
	2007	4.40%	88,980	90,000
	2008	4.40%	85,020	260,000
	2009	4.50%	73,580	260,000
	2010	4.55%	61,880	260,000
	2011	4.60%	50,050	260,000
	2012	4.65%	38,090	260,000
	2013	5.00%	26,000	260,000
	2014	5.00%	13,000	260,000
			625,396	2,075,000

(continued)

CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF BOND MATURITIES (continued)
JUNE 30, 2004

Issue	Year Ending June 30	Interest Rates	Interest	Principal
Enterprise Funds (continued)				
Water Pollution Control Refunding, issued April 1, 2002	2005	3.10%	\$ 66,908	\$ 630,000
	2006	3.45%	47,378	645,000
	2007	3.75%	25,126	670,000
			139,412	1,945,000
Water Pollution Control, capital loan note, issued May 15, 2003	2005	3.00%	123,680	1,000
	2006	3.00%	123,650	1,000
	2007	3.00%	123,620	1,000
	2008	3.00%	123,590	306,000
	2009	3.00%	237,262	315,000
	2010	3.00%	104,960	325,000
	2011	3.00%	95,210	335,000
	2012	3.00%	85,160	345,000
	2013	3.00%	74,810	355,000
	2014	3.00%	64,160	366,000
	2015	3.00%	53,180	377,000
	2016	3.00%	41,870	388,000
	2017	3.00%	30,230	399,000
	2018	3.00%	18,260	411,000
	2019	3.00%	5,930	197,638
		3.00%	1,305,572	4,122,638
Total enterprise funds	2005		286,706	711,000
	2006		263,706	731,000
	2007		237,726	761,000
	2008		208,610	566,000
	2009		310,842	575,000
	2010		166,840	585,000
	2011		145,260	595,000
	2012		123,250	605,000
	2013		100,810	615,000
	2014		77,160	626,000
	2015		53,180	377,000
	2016		41,870	388,000
	2017		30,230	399,000
	2018		18,260	411,000
	2019		5,930	197,638
			\$ 2,070,380	\$ 8,142,638
Component Unit, Water Works				
Revenue bonds, issued December 1998	2005	3.85%	\$ 53,226	\$ 315,000
	2006	3.90%	41,098	330,000
	2007	3.95%	28,228	345,000
	2008	4.00%	14,600	365,000
			\$ 137,152	\$ 1,355,000

STATISTICAL SECTION

CITY OF MARSHALLTOWN, IOWA
GOVERNMENT-WIDE EXPENSES BY FUNCTION
LAST TWO FISCAL YEARS (UNAUDITED)

Fiscal Year	Public Safety	Public Works	Health and Social Services	Culture and Recreation	Community and Economic Development
2002-03	\$ 6,704,841	\$ 4,067,481	\$ 455,506	\$ 2,462,897	\$ 1,744,724
2003-04	7,334,477	4,132,829	783,075	2,669,207	2,495,685

Fiscal Year	General Government	Interest on Long-Term Debt	Storm Sewer	Water Pollution Control	Compost
2002-03	\$ 1,083,663	\$ 1,137,323	\$ -	\$ 3,563,400	\$ 40,971
2003-04	1,038,353	984,214	408,532	3,677,871	35,357

Fiscal Year	Concessions	Transit	Total
2002-03	\$ 14,900	\$ 531,734	\$ 21,807,440
2003-04	58,824	492,115	24,110,539

Source: City Financial Records

CITY OF MARSHALLTOWN, IOWA
GOVERNMENT-WIDE REVENUES – PRIMARY GOVERNMENT
LAST TWO FISCAL YEARS (UNAUDITED)

Fiscal Year	Program Revenues			General Revenues	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes - Property	Taxes - Other
2002-03	\$ 5,188,304	\$ 5,072,862	\$ 1,170,641	\$ 6,179,720	\$ 5,335,391
2003-04	5,968,758	5,708,582	989,557	6,413,043	5,067,338

Fiscal Year	General Revenues			
	State Generated Revenues	Unrestricted Investments Earnings	Miscellaneous Revenues	Total
2002-03	\$ 925,838	\$ 217,902	\$ 624,720	\$ 24,715,378
2003-04	415,760	255,992	540,411	25,359,441

Source: City Financial Records

CITY OF MARSHALLTOWN, IOWA

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION GENERAL, SPECIAL REVENUE, AND DEBT SERVICE FUNDS LAST TWO FISCAL YEARS (UNAUDITED)

Fiscal Year	Public Safety	Public Works	Health and Social Services	Culture and Recreation	Community and Economic Development
2002-03	\$ 6,495,282	\$ 2,598,595	\$ 441,702	\$ 2,370,261	\$ 1,681,324
2003-04	7,481,361	2,664,880	784,624	2,346,323	2,292,327

Fiscal Year	General Government	Debt Service	Total
2002-03	\$ 1,062,770	\$ 2,716,443	\$ 17,366,377
2003-04	1,006,512	2,992,932	19,568,959

In fiscal year 02-03 the state changed the level of reporting for budget. The City conformed to the change.

GENERAL GOVERNMENTAL EXPENDITURES AND TRANSFERS BY FUNCTION GENERAL, SPECIAL REVENUE, AND DEBT SERVICE FUNDS PRIOR EIGHT FISCAL YEARS (UNAUDITED)

Fiscal Year	Community Protection	Human Development	Home and Community Environment	Policy and Administration	Debt Service
1994-95	\$ 4,629,276	\$ 1,431,721	\$ 2,725,660	\$ 1,154,319	\$ 2,558,753
1995-96	4,991,583	1,562,066	2,881,309	1,028,172	2,557,346
1996-97	5,418,730	1,592,090	3,298,704	884,615	2,870,358
1997-98	5,527,949	1,642,914	3,256,265	876,857	3,036,551
1998-99	5,697,063	1,570,223	3,565,351	842,972	7,146,287
1999-00	5,845,373	1,755,480	3,169,304	920,702	2,644,916
2000-01	6,233,200	1,734,570	3,817,988	993,940	2,710,193
2001-02	6,669,862	2,367,778	5,208,025	1,024,559	12,266,517

Fiscal Year	Capital Outlay	Total Expenditures	Transfers Out	Total
1994-95	\$ -	\$ 12,499,729	\$ 2,719,791	\$ 15,219,520
1995-96	-	13,020,476	2,464,745	15,485,221
1996-97	-	14,064,497	2,489,992	16,554,489
1997-98	452,340	14,792,876	2,208,022	17,000,898
1998-99	833,720	19,655,616	2,917,695	22,573,311
1999-00	1,271,064	15,606,839	4,027,023	19,633,862
2000-01	1,126,152	16,616,043	4,952,762	21,568,805
2001-02	-	27,536,741	5,170,867	32,707,608

As of fiscal year 2002, capital outlay is now being shown against its designated function.

Source: City Financial Records

CITY OF MARSHALLTOWN, IOWA
GENERAL GOVERNMENTAL REVENUE AND TRANSFERS BY SOURCE
GENERAL, SPECIAL REVENUE, AND DEBT SERVICE FUNDS
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Property Taxes	TIF Revenues	Other City Taxes	Intergovernmental Revenue
94-95	\$ 8,093,543	\$ -	\$ 238,073	\$ 3,210,780
95-96	8,512,043	5,502	244,443	3,746,722
96-97	8,779,035	92,028	247,083	3,608,804
97-98	8,214,693	91,772	282,145	4,507,776
98-99	8,299,419	405,406	416,678	4,800,775
99-00	8,058,396	585,695	1,428,482	4,829,315
00-01	5,412,705	738,084	3,529,492	4,911,482
01-02	5,652,406	825,023	3,921,744	5,279,495
02-03	5,881,217	1,510,366	4,180,464	5,621,731
03-04	6,092,351	1,597,111	3,816,900	5,603,829

Fiscal Year	Licenses and Permits	Charges for Services	Use of Money and Property	Special Assessments
94-95	\$ 178,651	\$ 273,785	\$ 342,795	\$ 7,956
95-96	168,459	318,136	398,692	9,375
96-97	196,185	302,446	364,001	2,658
97-98	222,355	500,972	395,515	35,060
98-99	230,645	475,590	377,407	4,550
99-00	272,179	509,159	496,762	124,423
00-01	273,959	535,874	561,913	4,939
01-02	368,173	621,387	318,771	23,007
02-03	352,363	768,130	198,689	33,988
03-04	321,265	1,040,265	194,144	317

Fiscal Year	Miscellaneous Income	Total Revenues	Transfers In	Total
94-95	\$ 242,338	\$ 12,587,921	\$ 2,146,185	\$ 14,734,106
95-96	227,344	13,630,716	1,866,438	15,497,154
96-97	354,984	13,947,224	2,122,145	16,069,369
97-98	476,338	14,726,626	2,981,928	17,708,554
98-99	380,801	15,391,271	3,082,548	18,473,819
99-00	319,039	16,623,450	3,623,176	20,246,626
00-01	427,891	16,396,339	4,614,653	21,010,992
01-02	321,675	17,331,681	5,686,875	23,018,556
02-03	564,932	19,111,880	5,310,745	24,422,625
03-04	377,564	19,043,746	5,680,647	24,724,393

Note: Effective with fiscal 1998, the state-shared revenues passed through the County have been reclassified from property taxes to intergovernmental revenue. Collections in the current year include both property tax collections and state shared property tax credits classified as intergovernmental revenue. Effective with fiscal 2001, utilities are paying an excise tax rather than property taxes. The excise tax is included with other City taxes.

Source: City Financial Records

CITY OF MARSHALLTOWN, IOWA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TWO FISCAL YEARS (UNAUDITED)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Tax Increment Financing Tax</u>	<u>Utility Excise Tax</u>	<u>Utility Franchise Fee</u>	<u>Hotel/Motel Tax</u>
2002-03	\$ 6,194,625	\$ 1,510,366	\$ 1,090,939	\$ 190,260	\$ 189,548
2003-04	6,415,158	1,597,111	890,749	189,286	168,290

<u>Fiscal Year</u>	<u>Local Option Sales Tax</u>	<u>911 Surcharge</u>	<u>Mobile Home Tax</u>	<u>Total</u>
2002-03	\$ 2,525,515	\$ 223,384	\$ 18,563	\$ 11,943,200
2003-04	2,392,555	204,609	18,287	11,876,045

Source: City Financial Records

CITY OF MARSHALLTOWN, IOWA
PROPERTY TAX REVENUE BY FUNCTION
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	General	Insurance	Transit	Emergency	Debt Service
1994-95	\$ 3,996,321	\$ 213,803	\$ 84,709	\$ 130,507	\$ 2,455,986
1995-96	4,150,921	259,619	86,940	135,184	2,490,796
1996-97	4,423,095	237,177	118,071	144,270	2,651,407
1997-98	4,176,509	184,297	118,254	136,397	2,580,310
1998-99	4,198,200	187,655	83,676	136,942	2,455,809
1999-00	4,338,364	188,037	86,542	141,608	1,972,702
2000-01	3,576,397	-	-	118,918	1,570,182
2001-02	3,718,397	175,566	78,588	121,256	1,375,905
2002-03	3,855,191	172,940	77,589	125,364	1,432,889
2003-04	3,973,750	189,271	83,674	129,122	1,436,088

Fiscal Year	Police and Fire Retirement	Other Employee Benefits	Capital Improvement Levy	Total
1994-95	\$ 13,348	\$ 1,198,869	\$ -	\$ 8,093,543
1995-96	63,811	1,324,772	-	8,512,043
1996-97	79,450	1,125,565	-	8,779,035
1997-98	128,669	890,257	-	8,214,693
1998-99	127,192	1,109,945	-	8,299,419
1999-00	183,565	1,147,578	-	8,058,396
2000-01	147,208	-	297,295	5,710,000
2001-02	169,458	13,236	303,144	5,955,550
2002-03	203,466	13,778	313,408	6,194,625
2003-04	266,147	14,299	322,807	6,415,158

Note: Effective with fiscal year 1998, the state-shared revenues passed through the County have been reclassified from property taxes to intergovernmental revenue. Therefore, the collections have decreased compared to prior years.

Effective with fiscal year 2001 and after, property taxes are being reduced by local option sales tax of which a portion is being used for property tax relief.

Effective with fiscal year 2001, utilities are paying an excise tax rather than property taxes.

Source: City Financial Records

CITY OF MARSHALLTOWN, IOWA

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS (UNAUDITED)

Collection Year	Levy Year	Current Levy	Collections and State Credits in the Current Year	Percent of Levy Collected*
1994-95	1993	\$ 8,196,308	\$ 8,093,543	98.75%
1995-96	1994	8,608,435	8,512,043	98.88%
1996-97	1995	8,780,758	8,779,035	99.98%
1997-98	1996	8,766,518	8,913,868	101.68%
1998-99	1997	8,830,340	9,053,067	102.52%
1999-00	1998	8,668,373	8,750,445	100.95%
2000-01	1999	6,151,536	6,310,233	102.58%
2001-02	2000	6,395,110	6,384,507	99.83%
2002-03	2001	6,588,225	6,596,883	100.13%
2003-04	2002	6,767,269	6,802,314	100.52%

Note: Effective with fiscal 1998, the state-shared revenues passed through the County have been reclassified from property taxes to intergovernmental revenue. The current levy column is based upon both levy and state shared property tax credits. Collections in the current year column include both property tax collections and state shared property tax credits classified as intergovernmental revenue.

Effective with fiscal 2001, utilities are paying an excise tax rather than property taxes.

Source: General Purpose Financial Statements

* Collections include delinquent taxes which result in collection rates greater than 100 percent.

ASSESSED ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS (UNAUDITED)

Collection Year	Levy Year	Regular Realty	TIF	Ag Land Realty
1994-95	1993	\$ 607,867,079	\$ 6,371,567	\$ 2,345,740
1995-96	1994	630,258,060	8,475,945	2,346,740
1996-97	1995	719,921,430	9,331,911	2,336,950
1997-98	1996	724,711,878	13,375,774	2,860,413
1998-99	1997	767,129,346	26,124,924	3,090,344
1999-00	1998	774,036,481	35,447,957	3,048,144
2000-01	1999	717,519,561	46,453,635	3,332,535
2001-02	2000	716,783,869	44,573,485	3,310,601
2002-03	2001	793,933,172	61,244,207	3,230,403
2003-04	2002	804,677,546	55,196,316	3,218,650

Assessed valuations are equal to actual valuations.

Effective with the January 1, 1999, valuations, Alliant Energy, the local gas and electric provider, is assessed a utility excise tax instead of taxes based upon property valuation.

Source: Marshall County Auditor's Office

CITY OF MARSHALLTOWN, IOWA
TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS (UNAUDITED) (PER \$1,000 ASSESSED VALUATIONS)

Collection Year	Levy Year	Marshall County	Community Schools	City of Marshalltown	City Assessor
1994-95	1993	7.89478	15.38993	16.65673	0.32980
1995-96	1994	7.14800	16.11453	16.89681	0.33743
1996-97	1995	6.88420	15.12332	16.32439	0.31731
1997-98	1996	6.80708	15.43195	16.11316	0.33748
1998-99	1997	6.80708	15.80058	16.11196	0.33387
1999-00	1998	6.06076	15.16492	15.11361	0.36848
2000-01	1999	5.98332	16.42885	12.60867	0.37346
2001-02	2000	6.15739	16.25058	12.96936	0.36356
2002-03	2001	6.01644	16.21217	12.96979	0.35227
2003-04	2002	6.08852	16.19581	13.08945	0.34538

Collection Year	Levy Year	Community College	County Extension	State of Iowa	Total
1994-95	1993	0.83064	0.09798	0.00500	41.20486
1995-96	1994	1.02731	0.09532	0.00500	41.62440
1996-97	1995	1.01074	0.09050	0.00500	39.75546
1997-98	1996	0.99017	0.09005	0.00500	39.77489
1998-99	1997	1.05028	0.08701	0.00500	40.19578
1999-00	1998	1.01627	0.08416	0.00500	37.81320
2000-01	1999	0.82674	0.08256	0.00500	36.30860
2001-02	2000	0.83104	0.08044	0.00500	36.65737
2002-03	2001	0.85117	0.07832	0.00400	36.48416
2003-04	2002	0.92000	0.07677	0.00400	36.71993

Source: Marshall County Auditor's Office

**CITY OF MARSHALLTOWN, IOWA
PRINCIPAL TAXPAYERS
(UNAUDITED)**

Taxpayer	Type of Business	January 1, 2003, Gross Assessed Value	Percentage of Total Assessed Value
Lennox Industries Inc	Furnace and air conditioning manufacturer	\$ 14,684,500	1.6%
Emerson Process Mgt/Fisher Controls	Valves and regulators manufacturer	10,874,010	1.2%
Marshall Town Center Assoc LLC	Shopping mall	9,895,313	1.1%
Walmart Stores Inc	Discount store	9,293,018	1.0%
Swift & Company	Pork processors	9,118,774	1.0%
MMSC, Ventures Inc	Hospital	8,756,077	0.9%
FHS Marshalltown LP	Lennox manufacturing warehouse	6,602,000	0.7%
Trilogy/Embers of Marshalltown	Senior citizens apartment complex	5,302,920	0.6%
Inns of Iowa LTD	Motel	5,047,197	0.5%
Larry Gottula	Retail development	4,576,360	0.5%
		\$ 84,150,169	

Note: Alliant Energy, the local gas and electric provider, is now assessed a utility excise tax instead of taxes based upon their property valuation. The gas and electric assessed property value for January 1, 2003 was \$90,789,515.

Taxpayer	Type of Business	2003 Net Taxable Value
Lennox Industries Inc	Furnace and air conditioning manufacturer	\$ 14,684,500
Emerson Process Mgt/Fisher Controls	Valves and regulators manufacturer	10,874,010
Marshall Town Center Assoc LLC	Shopping mall	9,821,791
Walmart Stores Inc	Discount store	9,223,971
Swift & Company	Pork processors	9,071,521
FHS Marshalltown LP	Lennox manufacturing warehouse	6,602,000
Inns of Iowa LTD	Motel	5,009,697
MMSC, Ventures Inc	Hospital	4,763,261
Larry Gottula	Retail development	4,542,358
HyVee Food Stores	Grocery store	4,125,117
		\$ 78,718,226

Source: Marshall County Auditor's Office

CITY OF MARSHALLTOWN, IOWA
SPECIAL ASSESSMENTS COLLECTIONS
LAST TEN FISCAL YEARS (UNAUDITED)

<u>Fiscal Year</u>	<u>Current Assessments Due</u>	<u>Current Assessments Collected</u>	<u>Ratio of Collections to Amount Due</u>	<u>Total Outstanding Assessments</u>
1994-95	\$ 9,910	\$ 9,565	96.5%	\$ 32,663
1995-96	8,564	8,325	97.2%	14,938
1996-97	4,380	4,380	100.0%	9,467
1997-98	4,114	4,027	97.9%	22,268
1998-99	3,027	2,844	94.0%	14,326
1999-00	2,805	2,805	100.0%	9,212
2000-01	1,797	1,797	100.0%	25,823
2001-02	10,309	9,999	97.0%	42,716
2002-03	27,699	27,699	100.0%	14,119
2003-04	3,670	3,670	100.0%	6,113

Source: City Financial Records

CITY OF MARSHALLTOWN, IOWA
RATIO OF GENERAL BONDED DEBT TO ASSESSED VALUE AND GENERAL
BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	General Obligation Bonded Debt	TIF Debt	Total Bonded/TIF Debt	(1) Assessed Value of Property *
1994-95	\$ 11,710,000	\$ 515,000	\$ 12,225,000	\$ 614,238,646
1995-96	9,955,000	515,000	10,470,000	638,734,005
1996-97	13,045,000	4,395,000	17,440,000	729,253,341
1997-98	15,315,000	4,365,000	19,680,000	738,087,652
1998-99	17,345,000	4,475,000	21,820,000	793,304,120
1999-00	15,825,000	4,435,000	20,260,000	809,484,438
2000-01	14,235,000	4,330,000	18,565,000	763,973,196
2001-02	19,745,000	4,290,000	24,035,000	761,357,354
2002-03	18,435,000	4,692,038	23,127,038	855,177,379
2003-04	18,995,000	5,448,188	24,443,188	859,873,862

Fiscal Year	Value of Property of Utility Provider**	(2) Population	Ratio of Bonded/TIF Debt to Assessed Value	Bonded/TIF Debt Per Capita
1994-95	\$ -	25,178	1.99%	\$ 485.54
1995-96	-	25,178	1.64%	415.84
1996-97	-	25,178	2.39%	692.67
1997-98	-	25,178	2.67%	781.63
1998-99	-	25,178	2.75%	866.63
1999-00	-	25,178	2.50%	804.67
2000-01	82,272,233	26,009	2.19%	713.79
2001-02	82,653,397	26,009	2.84%	924.10
2002-03	84,141,000	26,009	2.70%	889.19
2003-04	86,485,422	26,009	2.84%	939.80

Sources:

- (1) Marshall County Auditor's Office
- (2) United States Census Bureau

* Assessed value includes the addition of regular realty and TIF.

** Effective with the January 1, 1999, valuations, Alliant Energy, the local gas and electric provider, is assessed a utility excise tax instead of taxes based upon property valuation.

CITY OF MARSHALLTOWN, IOWA

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL DEBT TO TOTAL GENERAL EXPENDITURES – GENERAL, SPECIAL REVENUE, AND DEBT SERVICE FUNDS LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal year	Principal	Interest and Other Fiscal Charges	Total Debt Service *	Total General Expenditures**	Ratio of Debt Service to Total Expenditures
1994-95	\$ 1,759,609	\$ 799,144	\$ 2,558,753	\$ 12,499,729	20.47
1995-96	1,848,173	709,173	2,557,346	13,020,476	19.64
1996-97	2,142,172	728,186	2,870,358	14,064,497	20.41
1997-98	2,047,778	988,773	3,036,551	14,792,876	20.53
1998-99	6,110,000 (a)	1,002,664	7,112,664	19,655,616	36.19
1999-00	1,560,000	1,050,597	2,610,597	15,606,839	16.73
2000-01	1,590,000	764,564	2,354,564	16,616,043	14.17
2001-02	11,215,000 (b)	803,925	12,018,925	27,536,741	43.65
2002-03	4,865,000 (c)	1,201,443	6,066,443	20,716,377	29.28
2003-04	1,983,850	1,009,082	2,992,932	19,568,959	15.29

* General obligation debt paid from property taxes.

** Expenditures do not include transfers out.

- (a) The principal payment includes \$3.9 million principal payment that was used to pay off bond anticipation notes which were replaced with permanent financing. Without the BAN payment, the ratio of debt service to actual expenditures would be 16.44.
- (b) The principal payment includes \$9.77 million principal payment that was used to pay off bond anticipation notes and refunded a prior year G.O. bond. Without these payments the ratio of debt service to actual expenditures would be 12.66%.
- (c) The principal payment includes \$3.35 million principal payment that was used to refund the December 1, 1996, essential corporate purpose bonds. Without these payments the ratio of debt service to actual expenditures would be 13.35%.

Source: City Financial Records

COMPUTATION OF DIRECT AND OVERLAPPING DEBT JUNE 30, 2004 (UNAUDITED)

Name of Governmental Unit	(1) Debt Outstanding	(2) Percentage Applicable to City of Marshalltown	City of Marshalltown Share of Debt
Iowa Valley Schools	\$ 13,395,000	50.74%	\$ 6,796,623
Marshalltown Community School District	2,090,000	80.85%	1,689,765
Marshall County	<u>3,990,000</u>	50.18%	<u>2,002,182</u>
	19,475,000		10,488,570
City of Marshalltown	<u>24,443,188</u>	100.00%	<u>24,443,188</u>
Total direct and overlapping debt	<u>\$ 43,918,188</u>		<u>\$ 34,931,758</u>

Sources:

- (1) Individual governmental units. (Includes bonded and TIF debt.)
- (2) Marshall County Auditor's Office

CITY OF MARSHALLTOWN, IOWA
REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS (UNAUDITED)

Year	Gross Revenue	(1) Expenses	Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
Water Pollution Control							
1994-95	\$ 2,944,661	\$ 1,723,146	\$ 1,221,515	\$ 230,000	\$ 509,638	\$ 739,638	\$ 1.65
1995-96	3,562,483	1,669,788	1,892,695	245,000	497,904	742,904	2.55
1996-97	3,485,372	1,600,211	1,885,161	50,000	362,381	412,381	4.57
1997-98	3,372,463	1,779,400	1,593,063	80,000	314,406	394,406	4.04
1998-99	3,475,081	1,844,893	1,630,188	420,000	451,637	871,637	1.87
1999-00	3,452,591	1,872,024	1,580,567	625,000	330,152	955,152	1.65
2000-01	3,693,270	1,994,830	1,698,440	660,000	376,281	1,036,281	1.64
2001-02	3,768,757	2,123,166	1,645,591	690,000	356,418	1,046,418	1.57
2002-03	3,755,193	2,279,904	1,475,289	775,000	314,179	1,089,179	1.35
2003-04	3,560,978	2,323,665	1,237,313	1,415,000	333,572	1,748,572	0.71
Component Unit - Water Works							
1994-95	\$ 2,136,442	\$ 1,440,606	\$ 695,836	\$ 230,000	\$ 23,443	\$ 253,443	\$ 2.75
1995-96	2,164,888	1,490,021	674,867	240,000	11,440	251,440	2.68
1996-97	2,190,320	1,511,638	678,682	20,000	-	20,000	33.93
1997-98	2,492,101	1,535,019	957,082	-	-	-	-
1998-99	2,590,144	1,586,311	1,003,833	45,000	56,294	101,294	9.91
1999-00	2,647,295	1,657,230	990,065	255,000	104,258	359,258	2.76
2000-01	2,675,690	1,788,588	887,102	270,000	95,862	365,862	2.42
2001-02	2,597,885	1,808,914	788,971	280,000	85,660	365,660	2.16
2002-03	2,654,739	2,004,721	650,018	290,000	75,393	365,393	1.78
2003-04	3,287,350	2,045,154	1,242,196	305,000	75,660	380,660	3.26

(1) Total operating expenses, less depreciation.

Sources: City Financial Records and Water Works Financial Records

CITY OF MARSHALLTOWN, IOWA
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS (UNAUDITED)

City of Marshalltown							
Year	(1) Population	(3) Median Age (Zip 50158)	(5) Taxable Retail Sales	(5) No. of Businesses	(6) School Enrollment		(8) Unemployment Percent
					Public	Private	
1994	25,178	37.2	\$ 289,608,208	N/A	4,872	304	3.30
1995	25,178	37.2	298,889,577	N/A	4,958	285	3.60
1996	25,178	37.8	299,549,363	N/A	4,995	285	3.80
1997	25,178	38.4	310,141,156	3,547	4,904	271	3.20
1998	25,178	N/A	321,765,151	3,490	4,823	257	2.90
1999	25,178	39.7	323,776,666	3,363	4,941	247	2.40
2000	26,009	39.7	309,653,376	3,282	4,916	248	2.70
2001	26,009	39.0	333,741,450	3,189	4,964	248	3.10
2002	26,009	39.0	326,679,780	3,017	4,939	235	5.70
2003	26,009	39.0	315,705,482	2,923	4,913	234	5.70

Marshall County							
Year	(2),(9) Per Capita Income	(4) Median Household Income	(4) Median Age	(5) Taxable Retail Sales	(5) No. of Businesses	(9) Unemployment Percent	
1994	\$ 20,748	\$ 33,091	37.2	\$ 306,775,790	N/A	3.20	
1995	20,862	29,479	37.4	315,917,997	N/A	3.40	
1996	21,441	35,810	37.9	318,594,987	N/A	3.60	
1997	22,717	37,628	38.4	328,338,801	4,605	3.10	
1998	24,329	N/A	N/A	340,707,831	4,509	2.80	
1999	24,579	37,042	39.6	341,335,124	4,353	2.20	
2000	25,485	39,429	39.7	345,407,321	4,251	2.50	
2001	26,857	38,942	38.9	353,539,464	4,144	2.90	
2002	27,486	N/A	38.9	347,686,741	3,851	5.50	
2003	N/A	N/A	N/A	333,245,445	3,732	5.40	

Sources:

- (1) United States Census Bureau
- (2) Iowa's counties: Selected Population Trends, Vital Statistics, and Socioeconomic Data. Published by Department of Sociology, Iowa State University.
- (3) CACI's Sourcebook of Demographics and Buying Power for Every Zip Code in the United States. CACI skips from 1990 to 1993 (projected).
- (4) CACI's Sourcebook of County Demographics
- (5) Iowa Department of Revenue Sales and Use Tax Report based on fiscal year ending March 31 succeeding the calendar year.
- (6) Marshalltown Community School District
- (7) Marshalltown Catholic School
- (8) Job Service of Iowa
- (9) Bureau of Economic Analysis (We switched our source in fiscal 94)

N/A: Information not available at time of printing.

CITY OF MARSHALLTOWN, IOWA
PROPERTY VALUE, BUILDING PERMITS, AND BANK DEPOSITS
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	(1) Property Value				(1) Value of Property of Utility Provider
	Regular Realty	TIF	Ag Land Realty	Tax Exempt	
1994-95	\$ 607,867,079	\$ 6,371,567	\$ 2,345,740	\$ 64,952,943	\$ -
1995-96	630,258,060	8,475,945	2,346,740	72,681,182	-
1996-97	719,921,430	9,331,911	2,336,950	79,173,765	-
1997-98	724,711,878	13,375,774	2,860,413	77,542,410	-
1998-99	767,129,346	26,174,774	3,090,344	79,623,089	-
1999-00	774,036,481	35,447,957	3,048,144	79,424,978	-
2000-01	717,519,561	46,453,635	3,332,535	82,264,656	82,272,233
2001-02	716,783,869	44,573,485	3,310,601	88,347,820	82,653,397
2002-03	793,933,172	61,244,207	3,230,403	92,101,046	84,141,000
2003-04	804,677,548	55,196,316	3,218,650	89,988,114	86,485,422

Fiscal Year	(2) New construction		Remodeling, Repairs and Additions		(3) Bank Deposits
	Number of Permits	Value of Permits	Number of Permits	Value of Permits	
1994-95	19	\$ 2,989,000	261	\$ 13,463,900	\$ 504,221,000
1995-96	26	2,855,000	243	9,855,900	527,754,000
1996-97	34	15,941,000	203	3,841,300	558,641,000
1997-98	51	10,333,000	196	5,971,800	573,728,000
1998-99	34	12,607,000	182	5,085,600	564,020,000
1999-00	48	5,804,800	206	16,727,900	574,026,000
2000-01	51	11,574,000	179	7,467,600	605,743,000
2001-02	59	28,425,000	191	13,421,600	615,334,000
2002-03	87	19,684,000	139	15,805,900	653,572,000
2003-04	55	13,441,000	120	7,489,900	506,285,000

Sources:

- (1) Marshall County Auditor's Office
- (2) Based on building permits issued by the City.
- (3) Federal Deposit Insurance Corporation

Note: Effective with the January 1, 1999, valuations, Alliant Energy, the local gas and electric provider, is assessed a utility excise tax instead of taxes based upon the property valuation.

CITY OF MARSHALLTOWN, IOWA
INSURANCE IN FORCE – PRIMARY GOVERNMENT ONLY
JUNE 30, 2004 (UNAUDITED)

Insurer	Description	Amount	Expiration Date
Employers Mutual	Property Coverage	\$ 36,312,513	April 1, 2005
Employers Mutual	Liability Coverage:		
	General aggregate	2,000,000	April 1, 2005
	Products aggregate	2,000,000	April 1, 2005
	Personal injury	1,000,000	April 1, 2005
	Each occurrence	1,000,000	April 1, 2005
	Damage to premises rented	100,000	April 1, 2005
	Medical expense	5,000	April 1, 2005
Employers Mutual	Inland Marine:		
	Contractor's equipment	795,030	April 1, 2005
Employers Mutual	Automobile Coverage:		
	Liability	1,000,000	April 1, 2005
	Auto medical	2,000	April 1, 2005
	Uninsured motorist	50,000	April 1, 2005
	Underinsured motorist	50,000	April 1, 2005
	Comprehensive/collision		April 1, 2005
Employers Mutual	Workers' Compensation:		
	Bodily injury by accident	500,000	April 1, 2005
	Bodily injury by disease	500,000	April 1, 2005
	Policy limit	500,000	April 1, 2005
Employers Mutual	Umbrella:		
	Retained limit	10,000	April 1, 2005
	Occurrence limit	2,000,000	April 1, 2005
	Aggregate limit	2,000,000	April 1, 2005
Employers Mutual	Linebacker:		
	Each loss	1,000,000	April 1, 2005
	Aggregate	1,000,000	April 1, 2005
	City Officials covered under Linebacker		
Employers Mutual	Transit Auto:		
	Liability	1,000,000	April 1, 2005
	Uninsured motorist	1,000,000	April 1, 2005
	Underinsured motorist	1,000,000	April 1, 2005
Employers Mutual	Garage Keepers:		
	Theft/vandalism comprehensive	100,000	April 1, 2005
	Collision	100,000	April 1, 2005
United States Aviation Underwriters, Inc.	Commercial General Liability:		
	Personal injury	5,000,000	October 18, 2004
	Each occurrence	5,000,000	October 18, 2004
	Fire damage	50,000	October 18, 2004
	Medical expense	1,000	October 18, 2004

CITY OF MARSHALLTOWN, IOWA
PRINCIPAL EMPLOYERS
JUNE 30, 2004 (UNAUDITED)

Employer	Industry	Employees
Swift & Company	Pork processors	2,100
Lennox Industries, Inc.	Furnace and air conditioning manufacturer	1,228
Emerson Process Mgt/Fisher Controls	Valves and regulators manufacturer	1,100
Iowa Veterans Home	Hospital care facility	965
Marshalltown Community School District	Education	952
Marshalltown Medical and Surgical Center	Hospital	700
HyVee Food Stores*	Grocery store	300
City of Marshalltown*	Municipal government	237
Marshall County	County government	175
Packaging Corporation	Packaging containers manufacturer	127

Source: Marshalltown Chamber of Commerce

*Includes full time, part time, and seasonal employees.

CITY OF MARSHALLTOWN, IOWA
SALARIES OF PRINCIPAL OFFICIALS
JUNE 30, 2004 (UNAUDITED)

		Fiscal 2004 Salary
Elected officials:		
Floyd Harthun	Mayor	\$ 6,000
Susan Malloy	Mayor Pro-tem - At Large	2,000
Robert Schubert	Council Member - First Ward	2,000
Jeff Linton	Council Member - Second Ward	1,000 (A)
Eric Fruin	Council Member - Third Ward	2,000
Laurel Phipps	Council Member - Fourth Ward	1,000 (A)
Darrell Eaton	Council Member - At Large	2,000
John Cahill	Council Member - At Large	1,000 (A)
Council-appointed officials:		
Dick Hierstein	City Administrator	60,313 (B)
City Administrator Appointment with Council Approval:		
Cindy R. Kendall	Finance Director	62,379
Shari Coughenhour	City Clerk	40,206
Duane Greenwood	Public Works Director	57,528
Roger Nowadzky	City Attorney	63,939
Mike Fields	Water Pollution Control Director	72,322
Robert Workman	Parks and Recreation Director	65,520
Larry Squiers	Fire Chief	63,939
Lon Walker	Police Chief	69,980
Mary Rund	Technical Services Coordinator	50,907
Mary Schrader	Housing Director	56,576
John Phillips	Public Facilities Superintendent	53,997

(A) Officials duties began January 1, 2004.

(B) Hired October 30, 2003.

Source: City Financial Records

CITY OF MARSHALLTOWN, IOWA
MISCELLANEOUS STATISTICAL DATA
JUNE 30, 2004 (UNAUDITED)

Date of Incorporation	July 27, 1863
Form of Government	Mayor-Council
Area	18.5 square miles
Miles of streets:	
Paved	156.8
Unpaved	5.8
	<u>162.6</u>
Miles of sewers:	
Storm	54.6
Sanitary	143.2
	<u>197.8</u>
Building Permits:	
Permits issued	175
Estimated cost	\$ 20,930,900
Fire protection:	
Number of stations	1
Number of employees	31
Police protection:	
Number of stations	1
Number of non-dispatch employees	46
Number of dispatchers	13
Recreation:	
Parks:	
Number of park areas	27
Number of acres	250
Number of playgrounds	24
Number of golf courses - private and public	3
Number of city owned swimming pools	1
Number of tennis courts	12
Number of softball diamonds	6
Miles of bike trails (off-street)	9
Sewage System	
Number of treatment plants	1
Number of service connections	9,411
Daily average treatment in gallons	5.60 million gal/day
Maximum daily capacity of treatment plant in gallons	13.04 million gal/day

(continued)

CITY OF MARSHALLTOWN, IOWA
MISCELLANEOUS STATISTICAL DATA (continued)
JUNE 30, 2004 (UNAUDITED)

Cemeteries:

Number of facilities	2
Number of acres:	
Developed	135
Undeveloped	80

Libraries:

Number of items in collections	83,931
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Number of street lights	1,540
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Employees

Civil service - regular	72
Noncivil service - regular full & part time	129

Elections (1):

Last general election	November 2002
Registered voters	26,554
Number of votes cast	14,336
Percentage of registered voters voting (represents all of Marshall County)	53.99%

Population(2):

1900	11,544
1910	13,374
1920	15,731
1930	17,393
1940	19,240
1950	19,821
1960	22,521
1970	26,219
1980	26,938
1990	25,178
2000	26,009

Other information required by bond resolution:

Sewer cutomers served	10,774
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Sewer rates in effect:

City contributors (excluding two industrial users):

Base charge	\$9.51 per month
Flow charge	\$1.31 per 100 cubic feet

(continued)

CITY OF MARSHALLTOWN, IOWA
MISCELLANEOUS STATISTICAL DATA (continued)
JUNE 30, 2004 (UNAUDITED)

Facilities and services not included in the reporting entity:

Education:

Number of elementary schools*	7
Number of elementary school instructors	156
Number of secondary schools	3
Number of secondary school instructors	205

Hospitals:

Number of hospitals	1
Number of patient beds	125

Sources:

- (1) Marshall County Auditor
- (2) United States Census Bureau decennial census

* Includes one private school.

CITY OF MARSHALLTOWN, IOWA

WATER POLLUTION CONTROL HISTORIC EARNINGS LAST FIVE FISCAL YEARS (UNAUDITED)

	Year Ending June 30				
	2004	2003	2002	2001	2000
Revenues:					
Sewer Rental	\$ 3,445,984	\$ 3,499,800	\$ 3,408,218	\$ 3,215,020	\$ 3,038,825
Interest Income	86,945	142,074	239,950	378,216	337,596
Grants	13,660	96	96	96	96
Miscellaneous	147,288	113,223	120,493	99,938	76,074
Total Revenues	3,693,877	3,755,193	3,768,757	3,693,270	3,452,591
Expenses:					
Cost of Services	2,341,278	2,279,904	2,123,166	1,994,830	1,872,024
Depreciation	979,579	959,963	1,021,980	983,779	892,996
Debt Service	1,772,014	1,098,533	1,046,418	1,036,281	955,152
Total Expenses	5,092,871	4,338,400	4,191,564	4,014,890	3,720,172
Net Income (Loss)	\$ (1,398,994)	\$ (583,207)	\$ (422,807)	\$ (321,620)	\$ (267,581)

Source: City Financial Records

WATER POLLUTION CONTROL HISTORIC COVERAGE LAST FIVE FISCAL YEARS (UNAUDITED)

	Year Ending June 30				
	2004	2003	2002	2001	2000
Net Income (Loss)	\$ (1,398,994)	\$ (583,207)	\$ (422,807)	\$ (321,620)	\$ (267,581)
Add Depreciation	979,579	959,963	1,021,980	983,779	892,996
Add Debt Retirement	1,772,014	1,098,533	1,046,418	1,036,281	955,152
Net Income Available for Debt Service	\$ 1,352,599	\$ 1,475,289	\$ 1,645,591	\$ 1,698,440	\$ 1,580,567
Historic Debt Service	\$ 1,772,014	\$ 1,098,533	\$ 1,046,418	\$ 1,036,281	\$ 955,152
Historic Coverage	0.76	1.34	1.57	1.64	1.65
Projected Max Future Debt	\$ 998,726	\$ 1,009,166	\$ 1,032,115	\$ 1,019,826	\$ 1,021,886
Projected Coverage	1.35	1.46	1.59	1.67	1.55

Sources: Revenue Bond Agreements and City Financial Records

CITY OF MARSHALLTOWN, IOWA

WATER POLLUTION CONTROL – NUMBER OF CUSTOMERS BY TYPE LAST SEVEN FISCAL YEARS (UNAUDITED)

Year	Residential	Multi-Family	Commercial	Industrial	Total
1997	8,143	452	823	45	9,463
1998	8,166	461	833	47	9,507
1999	8,215	433	826	60	9,534
2000	7,956	424	745	43	9,168
2001	8,051	422	744	44	9,261
2002	8,040	419	757	48	9,264
2003	9,444	469	815	46	10,774
2004	9,799	486	851	45	11,181

Note: Due to computer modification in fiscal year 2003, a more accurate count can be ascertained. Prior years included credit meters. Information is based upon number of meters.

Source: Marshalltown Water Works

WATER POLLUTION CONTROL – PRESENT NET ASSETS JUNE 30, 2004 (UNAUDITED)

Sewer Revenue Operating and Maintenance Accounts	\$ 213,712
Sewer Revenue Sinking Reserve Fund Account	72,753
Sewer Revenue Improvement Fund Account	250,000
Additional Capital Replacement Fund Account	1,516,622
Sewer Revenue Reserve Fund Account	565,500
Undesignated	<u>1,518,947</u>
Total Water Pollution Control Net Assets	<u>\$ 4,137,534</u>

Source: City Financial Records

WATER POLLUTION CONTROL – MAJOR USERS JUNE 30, 2004 (UNAUDITED)

	Average Gallons Per Month	Average Monthly Bill
Swift & Company	46,109,599	\$ 83,131
Iowa Veterans Home	2,292,447	4,024
Lennox Industries, Inc.	1,293,985	2,276
Sunset Village Mobile Home Park	1,027,572	1,809
Starlite Mobile Home Park	875,846	1,543
Rainbow Carwash I and III	827,489	1,459
Marshalltown Medical and Surgical Center	759,117	1,339
Packaging Corporation	621,463	1,098
Marshalltown Company	620,778	1,097
Fisher Controls	618,687	1,093

Sources: City Financial Records and Marshalltown Water Works

COMPLIANCE SECTION



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**REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council
City of Marshalltown, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshalltown, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 2, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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. The financial statements of the Marshalltown Convention and Visitors Bureau were not audited in accordance with *Government Auditing Standards*.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of non-compliance that is described in Part III of the accompanying Schedule of Findings and Questioned Costs.

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 of Marshalltown, Iowa. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of Marshalltown, Iowa, in a separate letter dated November 2, 2004. There were no prior year reportable conditions.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Marshalltown, Iowa, and other parties to whom the City of Marshalltown, Iowa, 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 Marshalltown, Iowa, 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.

Erin Bailly LLP

Dubuque, Iowa
November 2, 2004



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and
Members of the City Council
City of Marshalltown, Iowa

Compliance

We have audited the compliance of the City of Marshalltown, Iowa, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The City's major federal programs are identified in the summary of the independent auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; Chapter 11 of the Code of Iowa; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of Marshalltown, Iowa, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questions Costs as item II-A-04.

Internal Control Over Compliance

The management of the City of Marshalltown, Iowa, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Marshalltown, Iowa, and other parties to whom the City of Marshalltown, Iowa, may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Dubuque, Iowa
November 2, 2004

CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct			
Department of Housing and Urban Development Section 8 Housing Choice Vouchers	14.871	IA125VO8001	\$ <u>1,604,196</u>
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	IALHB0202-02	<u>469,269</u>
Department of Justice			
Local Law Enforcement Block Grants Program	16.592	2002-LB-BX-0351	4,263
Local Law Enforcement Block Grants Program	16.592	2001-LB-BX-3888	3,727
Local Law Enforcement Block Grants Program	16.592	2003-LB-BX-0064	<u>8,740</u>
			<u>16,730</u>
Bulletproof Vest Partnership Program	16.607	162064008	<u>18,471</u>
Public Safety Partnership and Community Policing Grants	16.710	2003-SH-WX-0116	<u>39,333</u>
Department of Transportation			
Airport Improvement Program	20.106	3-19-0058-07	<u>367,751</u>
Department of Homeland Security			
Public Assistance Grants	97.036	127-49755-00	<u>13,564</u>
Assistance to Firefighters Grant	97.044	EMW-2003-FG-05270	<u>46,382</u>
Total Direct			<u>2,575,696</u>
Indirect			
Department of Housing and Urban Development			
Iowa Department of Economic Development HOME Investment Partnerships Program	14.239	01-HM-108-42	<u>12,378</u>
Department of Justice			
Iowa Division of Criminal and Juvenile Justice Planning and Marshall County, Iowa			
Juvenile Accountability Incentive Block Grants	16.523	JJYD-S03-32	4,149
Juvenile Accountability Incentive Block Grants	16.523	JJYD-S04-32	<u>2,082</u>
			<u>6,231</u>
Governor's Office of Drug Control Policy and Marshall County, Iowa			
Byrne Formula Grant Program	16.579	02A-0269	2,566
Byrne Formula Grant Program	16.579	03A-0267	<u>34,917</u>
			<u>37,483</u>
Governor's Office of Drug Control Policy			
Violence Against Women Formula Grants	16.588	VW-04-6887	<u>29,000</u>
Department of Transportation			
Iowa Department of Transportation			
Highway Planning and Construction	20.205	STP-E-4797(607)--8T-64	<u>29,463</u>
Federal Transit - Capital Investment Grants	20.500	03-0087-479-00	<u>25,814</u>
Formula Grants for Other Than Urbanized Areas	20.509	18-4024-479-04	<u>81,259</u>

(continued)

CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
YEAR ENDED JUNE 30, 2004

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued)			
Environmental Protection Agency			
Iowa Department of Natural Resources			
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS19222801	\$ 2,310,156
Department of Education			
Iowa Department of Public Health and Substance Abuse			
Treatment Unit of Central Iowa			
Safe and Drug-Free Schools and Communities -			
State Grants	84.186	5884DV09	<u>2,669</u>
Marshalltown Community Schools, Marshalltown, Iowa			
Twenty-First Century Community Learning Centers	84.287	S287A000125	228,050
Twenty-First Century Community Learning Centers	84.287	R287A981703-00	<u>73,800</u>
			<u>301,850</u>
Department of Health and Human Services			
Iowa Department of Public Health			
Childhood Lead Poisoning Prevention Projects - State and			
Local Childhood Lead Poisoning Prevention and			
Surveillance of Blood Lead Levels in Children	93.197	5884LP04	<u>11,744</u>
Department of Homeland Security			
Iowa Emergency Management Division			
Hazard Mitigation Grant	97.039	996-0109	<u>587</u>
Total indirect			<u>2,848,634</u>
Total			<u>\$ 5,424,330</u>

CITY OF MARSHALLTOWN, IOWA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Marshalltown, Iowa, and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004**

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 66.458 – Capitalization Grants for Clean Water State Revolving Funds
 - CFDA Number 20.106 – Airport Improvement Program
 - CFDA Number 14.900 – Lead-Based Paint Hazard Control in Privately-Owned Housing
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Marshalltown, Iowa, qualified as a low-risk auditee.

Part II: Findings and Questioned Costs for Federal Awards:

INSTANCE OF NON-COMPLIANCE

**CFDA Number: 14.900: Lead-Based Paint Hazard Control in Privately-Owned Housing
Grant Number: IALHB0202-02
Department of Housing and Urban Development**

II-A-04 Reporting – The City is required to file a quarterly standard Form 269 – Financial Status Report with the Department of Housing and Urban Development (HUD). City staff have not filed these reports since inception of this grant.

Recommendation – We recommend that City staff file all the delinquent quarterly financial status reports with HUD. In addition, City staff need to develop procedures to ensure these reports will be filed timely and accurately in the future.

Response – Staff within the City's Lead Based Paint Hazard Control program have committed to filing all delinquent quarterly financial status reports within the next 30 days. All subsequent reports will be filed in a timely matter.

Conclusion – Response accepted.

**CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004**

Part III: Other Findings Related to Statutory Reporting:

III-A-04 Official Depositories – A resolution naming official depositories has been approved by the City Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

III-B-04 Certified Budget – Program disbursements during the year ended June 30, 2004, exceeded the amount budgeted in the health and social services and the debt service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – 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 – Added monitoring and additional amendments will be prepared as necessary to insure future compliance.

Conclusion – Response accepted.

III-C-04 Questionable Expenditures – We noted no expenditures that we believe may fail to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

III-D-04 Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

III-E-04 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Rick Reisinger, Fireman, Owner of The Sign Shop	Sign painting	\$1,200

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction with Rick Reisinger does not appear to represent a conflict of interest since the total transaction was less than \$1,500 during the fiscal year.

III-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.

III-G-04 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

III-H-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.