

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE  
CITY OF ONAWA, IOWA  
FOR THE YEAR ENDED JUNE 30, 2004

PREPARED BY THE  
OFFICE OF THE CITY CLERK

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INTRODUCTORY SECTION



Tim Peters, Mayor  
Jim Hunt, City Administrator  
Chris R. Hogan, City Clerk  
Terry R. Christensen, Deputy Clerk  
Elaine D. Miller, Adm Assistant  
(712) 433-1181

Jeffery Sander  
Superintendent of Utilities  
Roger Gries  
Asst. Superintendent of Utilities  
(712) 433-1511

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**CITY OF ONAWA**

914 Diamond Street • Onawa, Iowa 51040

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Honorable Mayor and City Council  
City of Onawa  
Onawa, Iowa

We are pleased to provide you with the Comprehensive Annual Financial Report (CAFR) of the City of Onawa. This report is for the fiscal year ended June 30, 2004. The report is submitted each year as required by State Law, Chapter 11.6. The report is prepared according to generally accepted accounting principles (GAAP) for government as established by the Governmental Accounting Standards Board (GASB). It is audited by Henjes, Conner & Williams, P.C.

The city's Department of Accounting prepared our report. Management of the city is responsible for the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures. To the best of our knowledge and belief, the enclosed information is accurate in all material aspects and is presented in a manner designed to fairly present the financial position and results of operations of the city as measured by the financial activity of its various funds and account groups. All disclosures necessary to enable the reader to gain a complete understanding of the City of Onawa's financial activities have been included. Management of the city has established a comprehensive internal control framework that is designed both to protect the city's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statement in conformity with GAAP. Since the cost of internal controls should not outweigh their benefits, the City of Onawa's internal controls have been designed to provide reasonable, rather than absolute assurance that the financial statement will be free from material misstatement.

This report is designed to meet the needs of a wide range of financial statement readers, and is presented in three sections.

The **Introductory Section** consists of this transmittal letter, a table of contents, a list of the City's principal elected and appointed officials, an organizational chart.

The **Financial Section** consists of the Independent Auditor's Report completed by Henjes, Conner & Williams, P.C., Management's Discussion and Analysis, Government Wide Financial Statements, the Fund Financial Statements, Notes to the Financial Statements, and Other Required Combining and Supplemental Information.

The **Statistical Section**, which is unaudited, consists of selected financial and demographic information for ten years, generally presented on a multi-year basis. This section is intended to offer the reader a better overall picture of the financial and economic trends of the City of Onawa.

GAAP require that management provide an introduction, overview and analysis to accompany the basic financial statement, in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement MD&A, found immediately following the report of the City's independent auditors, and should be read in conjunction therewith. State statutes and the City Code require an annual audit by independent certified public accountants to provide reasonable assurance that the information in the CAFR can be relied upon. The auditors' report is included in the financial section of the report.

## PROFILE OF THE CITY OF ONAWA

The City of Onawa was incorporated in 1859 under the provisions of the Iowa State Legislature. It is located in Monona County on Interstate 29 about 35 miles south of Sioux City, Iowa and 60 miles north of Omaha, Nebraska on the western edge of Iowa. The population is approximately 3100.

The City of Onawa operates under a Mayor-council form of government. One council member is elected from each of the City's four wards and two are elected at-large. The City administrator is responsible for the day-to-day management of the City. All departments and department directors report to the City Administrator, with the exception of the Library Director who is supervised by an appointed Board of Trustees.

## FINANCIAL INFORMATION

The City of Onawa maintains an internal control structure designed to provide reasonable, but not absolute assurance that the assets of the city are protected from loss, theft, or fraud and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The requirement for 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 requires estimates and judgments by management.

In addition, the City recognizes the importance of leadership from management in these controls. The City Council has adopted a personnel policy that provides guidance as to certain elements of the internal control structure. The employees are updated on changes to these ethics and personnel policies to stress that internal control are an important element of the public's trust. The City has incorporated the personnel policy in the training of all employees and elected officials.

The foundation of the City's financial planning and control is the annual budget. The budget process includes sessions with staff, management, and the City Council. To ensure compliance with legal budgetary controls, the City Council and management receive monthly reports comparing budgeted amounts to actual expenditures. The City Council may make additional appropriations during the year for unanticipated revenues or capital projects which were not completed in the prior year. Budget-to-actual comparisons by fund are provided in the fund subsection of this report for all funds requiring an appropriated annual budget, and summarized in the notes to the financial statements.

State laws require audits for cities such as Onawa to be conducted by the auditor of state or by certified public accountants. In addition to meeting state requirements, the audit must meet the requirements of the federal Single Audit Act of 1984, and the Single Audit Act amendments of 1996 which substantially revised various provisions of the 1984 Act, and the related U.S. Office of Management and Budget's Circular A-133. An audit is conducted annually in accordance with generally accepted auditing standards and the standards set forth in the General Accounting Office's Government Auditing Standards. It must examine, among other things, the financial condition and resources of the City, and accuracy of the City's accounts and reports. The audit report is contained the Financial Section which follows.

## FACTORS AFFECTING FINANCIAL CONDITION

**Local Economy.** The City of Onawa is the largest city in Monona County, and also the County Seat. Onawa offers a convenient small town atmosphere while being only a 30 minute drive to a large metropolitan area.

The City's downtown as well as other areas of town continue to see improvements to buildings through the grant program established several years ago. The program gives a business that qualifies and spends money to remodel or improve the exterior of their building a \$2,500 forgivable grant and a \$2,500 loan from the Community Foundation.

The City of Onawa awarded a contract for the construction of a 2.3 million dollar addition to the Onawa Public Library during the fiscal year.

Local health care continues to improve with the Burgess Health Center announcing a new construction project of approximately \$10 million to begin in 2005. This project will add additional beds to the center as well as space to several departments to offer the residents of Onawa access to the best health care.

**Long-term Financial Planning.** The City of Onawa operates with a cash and investment pool concept, whereby funds not individually invested to the credit of a particular fund are invested to the credit of the General Fund. This is consistent with state law, which provides that with the exception of bond covenants and local ordinances that require investments by fund, investments can be pooled and invested to the credit of the General Fund.

It is the policy of the City to invest public funds in a manner which will provide the maximum security, meet daily cash flow demands, and provide the highest investment return while conforming to all state and local statutes governing the investment of public funds.

The City may invest in any of the securities identified as eligible investments defined in the City of Onawa Investment Policy. In general these consist of interest bearing savings accounts, certificates of deposits, United States Treasury Notes and Bonds, Iowa Public Agency Investment Trust, and government sponsored securities.

**Risk Management.** The City also manages medical, dental, and vision insurance for its employees via a risk-retention plan administered by a third party administrator. Costs of the program include medical benefits, administration fees, and premiums for stop-loss coverage with limits of \$20,000 per covered employee per year and 125% of expected claims for the year for the City as a whole. The City continues to analyze the insurance market, and educate employees to control rising health care costs. An annual actuarial study provides analysis and information to help the City comply with local and state requirements.

The City is also exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductible and claims in the excess of coverage limitations.

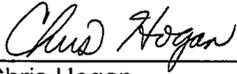
**Pension Benefits.** All permanent City employees are covered by one of two pension plans. Most uniformed employees are included in the Municipal Fire and Police Retirement System of Iowa (MFPRSI), which is a cost-sharing, defined benefit plan, administered by a Board of Trustees appointed by the State of Iowa. All other eligible City employees are covered by the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing, defined benefit plan administered by the State of Iowa.

The City of Onawa does not provide postretirement health, dental, or vision care benefits for any retirees.

**Awards and Acknowledgments.** The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Onawa for its comprehensive annual financial report (CAFR) for the year ended June 30, 2003. In order to receive this award, the city must publish an easily readable and efficiently organized CAFR. The report must also satisfy both generally accepted accounting principles and applicable legal requirements. The award is valid for one year only. The City is submitting the 2004 annual financial report to GFOA for review to determine its eligibility for an award.

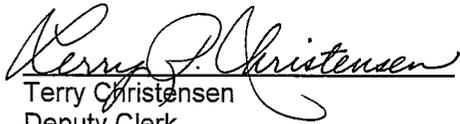
The preparation of this report could not have been accomplished without the support and dedication of the entire staff of the finance and administrative departments. Appreciation is also expressed to the mayor and city council for their support and interest in the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



---

Chris Hogan  
City Clerk



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Terry Christensen  
Deputy Clerk

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Onawa,  
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.



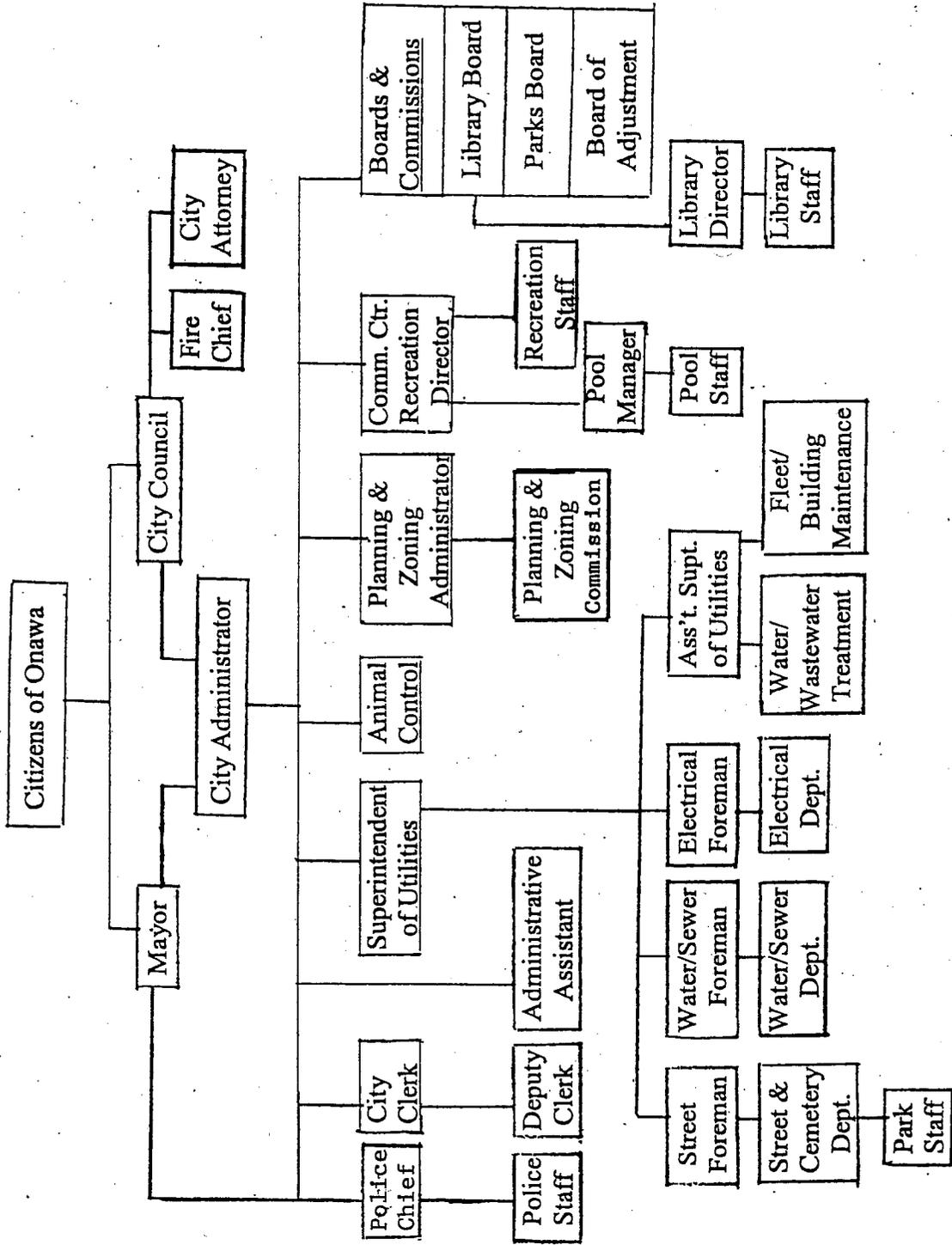
*Nancy L. Ziehl*

President

*Jeffrey R. Emsw*

Executive Director

CITY OF ONAWA ORGANIZATIONAL CHART (Revised 4/15/03)



CITY OF ONAWA, IOWA

CITY OFFICIALS

JUNE 30, 2004

ELECTED CITY OFFICERS

<u>Name</u>	<u>Title</u>
Tim Peters	Mayor
Neal Leapley	Mayor Protem
Lonnie Campbell	Council Member
Tim Coyle	Council Member
Brett Ewing	Council Member
Dawn Cass	Council Member
Ken Fegler	Council Member

APPOINTED CITY OFFICERS

Jeff Pedersen	City Administrator
Chris Hogan	City Clerk
Mike Schmiedt	Attorney
Jack Virtue	City Engineer

CITY OF ONAWA, IOWA

APPOINTED BOARDS AND COMMISSIONS

JUNE 30, 2004

ONAWA PARKS AND PLAYGROUNDS

Sue Bean  
Jill Hausman  
Jon Singlestad  
Mike Richardson  
Doug Kuhlman

LIBRARY TRUSTEES

Ann Coberly  
Dianne Kelley  
William Wonder  
Terry Virtue  
Claudine Johnston

PLANNING AND ZONING BOARD

Darrell Geib  
Roger Hansen  
Charles Peart  
Ken Wingert  
Bob Lesenyie

BOARD OF ADJUSTMENTS

Jim Johnson  
Roxanne Seward  
Randy Cass  
Newt McCunn  
Larry Duval

HEALTH OFFICER

Dr. Gerard Stanley

FIRE CHIEF

Jeff Sander

WIMECA BOARD DIRECTOR

Wayne Gries

HOUSING AUTHORITY COMMITTEE

Mike Carpenter

LOW RENT HOUSING

Lounell Olson  
Ruth Johnson  
Jerry Laffey  
Myron Johnson  
Dorothy Sorenson

STREET TREE COMMITTEE

Larry Duval  
Ano Wilkins  
Reta Benson  
Milo Burnett  
Julie Stoll  
Brett Ewing

LAW ENFORCEMENT AGENCY

Brett Ewing  
Neil Leapley, Alternate

AIRPORT ADVISORY COMMITTEE

Tim Peters  
Baynard Willey  
Jeff Sander  
Ed Weiner  
Ken Fegler  
Neil Leapley

SIMPCO

Wayne Gries

COMPENSATION/ADMINISTRATION REVIEW  
TASK FORCE

Tom Ross  
Brett Ewing  
Gary Addy  
Roger Gries

COMMUNITY CENTER ADVISORY  
COMMITTEE

Tim Peters  
Wayne Gries  
Sue Bean  
Elaine Miller  
Robert Snider  
Ken Fegler

CITY OF ONAWA, IOWA

COUNCIL STANDING COMMITTEES

JUNE 30, 2004

FINANCE

Neil Leapley  
Wayne Gries  
Tom Ross

GOVERNMENT AFFAIRS

Lonnie Campbell  
Tim Coyle  
Wayne Gries

CITIZEN RELATIONS

Tim Coyle  
Neil Leapley  
Tom Ross

COMMUNITY PROTECTION/SERVICES

Brett Ewing  
Tim Coyle  
Lonnie Campbell

UTILITIES/INFRASTRUCTURE

Brett Ewing  
Neil Leapley  
Lonnie Campbell

CITY OF ONAWA, IOWA

CITY PERSONNEL

JUNE 30, 2004

ADMINISTRATION

Jeff Pedersen  
Chris Hogan  
Terry Christensen  
Elaine Miller

City Administrator  
City Clerk  
Deputy Clerk  
Administrative Assistant

POLICE DEPARTMENT

Gary Addy  
Joe Farrens  
Jon Pinkelman  
James Fouts  
Lee Kirkpatrick, Jr.  
Kyle Tank

Police Chief  
Assistant Chief  
Patrolman  
Patrolman  
Patrolman  
Patrolman

STREETS AND CEMETERY

Randy Larson  
Jerry Bellis  
Larry Warren  
Dave Fender

Superintendent Street & Sexton  
Street & Cemetery Crewman  
Street & Cemetery Crewman  
Street & Cemetery Crewman

MUNICIPAL BUILDINGS

Rod Ulven

Maintenance Shop Supervisor

UTILITIES

Jeff Sander  
Roger Gries  
Vincent Phillips  
Robert Walker  
Curtis Richardson  
Jon Towne  
Jim Kelly  
George Carrier  
Larry Richardson – Retired 1/1/04

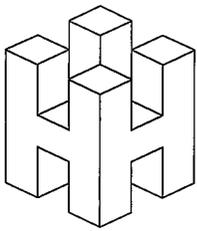
Superintendent of Utilities  
Assistant Superintendent  
Electric Foreman  
Electric Crewman  
Electric Crewman  
Waste Water Treatment  
Water Dist. Foreman  
Water Crewman  
Water Crewman

LIBRARY

Lori Beck  
Chris Zink  
Joan Roberts  
Ann Crawford  
Jessica Stanislav  
Sally Towne

Librarian  
Part-time Clerk  
Part-time Clerk  
Part-time Clerk  
Part-time Clerk  
Part-time Clerk

FINANCIAL SECTION



HENJES, CONNER &  
WILLIAMS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

800 FRANCES BUILDING  
505 FIFTH STREET  
P.O. BOX 1528  
SIOUX CITY, IOWA 51102

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(800) 274-3931  
FAX (712) 233-3431

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the CITY OF ONAWA, IOWA, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Onawa's management. Our responsibility is to express opinions on these financial statements based on our audit.

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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Onawa at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 14 to the financial statements, for the year ended June 30, 2004, the City of Onawa adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated January 13, 2005, on our consideration of the City of Onawa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 13 through 19 and 54 through 58 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Onawa's basic financial statements. The financial statements for the three years ended June 30, 2003, (none of which are presented herein) were previously audited by other auditors, who expressed unqualified opinions on those financial statements. The introductory section, supplemental information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section 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.

*Henry Conner, Jr.*  
*William P. C.*  
Certified Public Accountants

Sioux City, Iowa  
January 13, 2005

## Management Discussion and Analysis

June 30, 2004

This discussion and analysis of the City of Onawa financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2004. We encourage the readers to consider the information presented here in conjunction with the additional information furnished in our letter of transmittal on page 1 and the City's financial statements that follow this report.

### Financial Highlights:

- The assets of the City of Onawa exceeded liabilities at June 30, 2004, by \$11,797,590. Of this amount, \$6,935,193 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$1,366,365 during the year. Of this amount, the assets of our Governmental Activities increased \$863,022 and the assets of our Business Activities increased \$503,343.
- The largest factor in the increase in net assets was the amount by which capital outlays exceeded depreciation in the current period. In fiscal year 2004, that excess was \$1,014,800.
- The City's long-term debt increased due to the issuance of General Obligation Bonds of \$1,500,000 for the library expansion. Outstanding General Obligation debt totals \$2,130,000 and other outstanding long-term debt totals \$21,429.

## OVERVIEW OF THE FINANCIAL STATEMENTS

In addition to the Management Discussion and Analysis, this annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government. An additional part of the basic financial statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

## REPORTING THE CITY AS A WHOLE

### The Statement of Net Assets and the Statement of Activities

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

One of the most important questions asked about the City's finances is *"Is the City of Onawa in a better financial position at the end of this fiscal year, compared to last year?"* The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by most private-sector companies. These two statements report the City's net assets, which is the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors, such as changes in the City's property tax base and sales tax collections and condition of the City's infrastructure, are also important in making this determination.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** – Most of the City’s basic services are reported here, such as Police, Fire, Public Works and Parks departments, and general administration. Property taxes and state and federal grants finance most of these activities.
- **Business Type Activities** – The City charges fees to customers to cover the cost of these services. Included here are the City Electrical, Water and Sewer.

## REPORTING THE CITY’S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain revenues (such as Sales Tax Revenues). The City has the following types of funds:

- **Governmental Funds** – Most of the City’s basic services are included in Governmental Funds, which focus on how money moves into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using the “modified accrual basis” of accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City’s general governmental operations and basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship between Governmental Activities (reported in the Statement of Net Assets and the Statement of Activities) and Governmental Funds in a reconciliation following each Governmental Fund financial statement.
- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the Proprietary Funds report and the Business Type Activities we report in the government-wide statements is the detail and additional information, such as cash flows, provided in the Proprietary Funds report.

## THE CITY AS A WHOLE

As stated earlier, net assets may serve over time as a useful indicator of a government’s financial position. The largest part of the City’s net assets reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’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 the other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

For the year ended June 30, 2004, net assets changed as follows:

	Governmental Activities	Business- Type Activities	Total
Beginning Net Assets	\$ 3,445,183	\$ 6,986,042	\$ 10,431,225
Increase in Net Assets	863,022	503,343	1,366,365
Ending Net Assets	\$ <u>4,308,205</u>	\$ <u>7,489,385</u>	\$ <u>11,797,590</u>

This summary reflects an increase of 25% for the Governmental Activities and an increase of 7% in the Business-Type Activities. Net assets of the Governmental Activities accounted for 63% of the growth in net assets.

Total revenue reported in Fiscal 2004 was \$4,995,434. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities:

	General Governmental Activities	Business- Type Activities	Total
<b>Program Revenues:</b>			
Charges for Services	\$ 71,991	\$ 2,443,849	\$ 2,515,840
Operating Grants and Contributions	363,320	-	363,320
Capital Grants and Contributions	60,000	-	60,000
<b>Total Program Revenues</b>	<u>495,311</u>	<u>2,443,849</u>	<u>2,939,160</u>
<b>General Revenues &amp; Interfund Transfers:</b>			
Property Taxes	1,010,564	-	1,010,564
License and Permits	21,470	-	21,470
Local Option Sales Tax	163,564	-	163,564
Fines and Forfeitures	13,356	-	13,356
Special Assessments	79,492	-	79,492
Interest	63,561	9,242	72,803
General Intergovernmental Revenues	304,616	-	304,616
Contributions	1,100	-	1,100
Sale of Merchandise	-	16,897	16,897
Payment in Lieu of Taxes	84,552	-	84,552
Miscellaneous	46,107	241,753	287,860
<b>Total General Revenues &amp; Interfund Transfers</b>	<u>1,788,382</u>	<u>267,892</u>	<u>2,056,274</u>
<b>Total Revenues &amp; Interfund Transfers</b>	<u>\$ 2,283,693</u>	<u>\$ 2,711,741</u>	<u>\$ 4,995,434</u>

Program revenues totaled \$2,939,160 for fiscal year 2004. Governmental Activities provided \$495,311 and Business-Type Activities provided \$2,443,849. Revenue collected for Charges for Services during fiscal year 2004 was \$2,515,840, accounting for 86% of the total program revenues. The following chart breaks down program revenues by source:

General Revenues for fiscal year 2004 totaled \$2,056,274. Governmental Activities provided \$1,788,382 and Business-Type Activities provided \$267,892. Property Tax Revenues for fiscal year 2004 totaled \$1,010,564, accounting for 49% of General Revenues.

Expenditures for Fiscal 2004 totaled \$3,629,069. Expenditures for General Governmental Activities totaled \$1,420,671, accounting for 39% of total expenditures. Business-Type Activity expenditures totaled \$2,208,398, for 61% of the total.

The following table shows total expenditures by Function/Program:

Program Level	General Governmental Activities	Business- Type Activities	Total
Public Safety	\$ 396,835	-	\$ 396,835
Public Works	232,098	-	232,098
Culture and Recreation	306,477	-	306,477
Community and Economic Development	133,273	-	133,273
General Government	161,395	-	161,395
Debt Service	70,732	-	70,732
Depreciation	119,861	-	119,861
Electric System	-	\$ 1,417,066	1,417,066
Water System	-	281,441	281,441
Sewer System	-	500,891	500,891
Internal Service	-	9,000	9,000
<b>Total Expenditures</b>	<u>\$ 1,420,671</u>	<u>\$ 2,208,398</u>	<u>\$ 3,629,069</u>

The following table shows the activities included within each program level:

<u>Program Level</u>	<u>Activity</u>
Public Safety .....	Individual & Community Protection, Physical Health
Public Works .....	Roadway Construction, Airport Operations, Street Lighting, Transportation Services
Culture and Recreation .....	Education & Culture, Leisure Time Opportunities
Community and Economic Development .....	Economic Development, Community Beautification, Planning & Zoning
General Government.....	Administration, Support Services
Debt Service.....	Payment of Interest
Electric System .....	Operation of Electrical System
Sewer System.....	Operation of the Waste Water Treatment Plant/Collection System
Water System.....	Operation of Water Treatment Plant/Supply Distribution System
Internal Service .....	Payment of Rise Insurance and Health Insurance Deductible

Since this is the first year to report all activities on the accrual basis of accounting, a comparison to the prior year is not possible. However, in future years, this section will explain the differences between the current and prior year's assets, liabilities, revenues, expenditures and changes in net assets.

### Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for General Government, the City spent \$161,395 and received \$120,471 in revenue, thus leaving a cost to the taxpayer of \$40,924 to be funded by various methods. The new format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Taxes	Fines and Forfeits
Special Assessments	Contributions
Licenses and Permits	Refunds/Reimbursements
Intergovernmental Revenue	Grants
Charges for Services	

The total cost of governmental activities this year was \$1,420,671. Of these costs, \$71,991 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contribution was \$423,320, leaving a Net Expense of \$925,360 for Governmental Activities. These expenses of \$925,360 were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

<u>Functions/Programs</u>	<u>Net (Expense) Revenue</u>
<b>Governmental Activities:</b>	
Public Safety	\$( 396,835)
Public Works	( 232,098)
Culture and Recreation	( 306,477)
Community and Economic Development	( 133,273)
General Government	( 40,924)
Debt Service	( 70,732)
Capital Projects	374,840
Depreciation	( 119,861)

Total Net (Expense) Revenue	
Governmental Activities	( 925,360)
General Revenues & Interfund Transfers	<u>1,788,382</u>

**Change in Net Assets** \$ 863,022

In future years, a comparison of previous year's activity will be presented.

Total resources available during the year to finance governmental operations were \$5,728,876, consisting of Net Assets at July 1, 2003 of \$3,445,183, Program Revenues of \$495,311 and General Revenues of \$1,788,302. Total Governmental Activities during the year expended \$1,420,671; thus, Net Assets were increased by \$863,022 to \$4,308,205.

### Business Type Activities

Business Type Activities increased the City's net assets by \$503,343 accounting for 37% of the growth in the City's net assets.

The cost of all Proprietary Activities this year was \$2,208,398. As shown in the Statement of Activities, the amounts paid by users of the systems was \$2,443,849, resulting in total Net Revenue for Business Type Activities of \$235,451. The Net (Expense) Revenue by Business Type Activity is shown in the following table:

<u>Business-Type Activities</u>	<u>Net (Expense) Revenue</u>
Electric System	\$ 229,645
Water System	23,031
Sewer System	( 22,725)
Internal Service	<u>5,500</u>
Total Net (Expense) Revenue	
Business-Type Activities	235,451
General Revenues	<u>267,892</u>
<b>Change in Net Assets</b>	<u>\$ 503,343</u>

Total resources available during the year to finance Proprietary Fund activities were \$9,967,783, consisting of Net Assets at July 1, 2003 of \$6,986,042, Program Revenues of \$2,443,849 and General Revenues of 267,892. Total Proprietary Fund Activities during the year expended \$2,208,398; thus Net Assets were increased by \$503,343 to \$7,489,385.

As stated above, the comparative nature of this report will be more complete when comparative numbers are available.

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of \$2,825,056. The combined Governmental Funds balance increased \$1,584,662 from the prior year.

The General Fund is the primary operating fund of the City. During the year, revenue exceeded expenditures in the General Fund by \$48,584.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The fiscal year 2004 original (adopted) General Fund amount was \$1,264,721 with no amendments.

The following table shows the General Fund budget variances by program structure:

Expenditures	Budget	Type Actual	Variance
Public Safety	\$ 429,491	\$ 419,319	\$ 10,172
Public Works	154,375	75,250	79,125
Culture and Recreation	500,775	432,438	68,357
Community and Economic Development	11,250	1,955	9,295
General Government	168,830	153,010	15,820
<b>Total Expenditures</b>	<b>\$ 1,264,721</b>	<b>\$ 1,081,972</b>	<b>\$ 182,749</b>

## CAPITAL ASSETS

The City's investment in capital assets, including land, buildings and improvements and equipment represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2004, was \$4,629,684 (net of accumulated depreciation and outstanding financings). The gross additions to capital assets for Fiscal 2004 are as follows:

	Governmental Activities	Business-Type Activities	Total
Infrastructure	\$ 56,433	-	\$ 56,433
Buildings	15,811	\$ 85,424	101,235
Improvements – Other than Buildings	18,823	-	18,823
Equipment	120,190	7,362	127,552
Construction in Progress	923,404	36,913	960,317
<b>Total Gross Additions</b>	<b>\$ 1,134,661</b>	<b>\$ 129,699</b>	<b>\$ 1,264,360</b>

Construction in Progress for governmental activities consisted of costs associated with the Library Expansion Project.

For Business-Type Activities, the Construction in progress consisted of costs associated with the sewer system improvements.

See Note 6 to the financial statements for more information on the City's capital assets.

## DEBT ADMINISTRATION

At year-end the City had \$2,151,429 of debt outstanding. This is an increase of \$1,429,286 from the prior year due to the issuance of General Obligation Bonds of \$1,500,000 for the Library Expansion Project.

Debt administration is on track, with over 72% of all City debt repaid within the next 10 years. This rapid repayment, when used with TIF, has allowed the City to maintain our good rating. This reflects well on our community.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$4,633,504. With outstanding General Obligation Debt applicable to this limit of \$2,151,429, we are utilizing 50% of this limit. More detailed information on debt administration is provided in Note 7 of the financial statements.

## **ECONOMIC FACTORS**

The City of Onawa continues to work hard to maintain a positive approach to growth and development. Continued improvement in downtown façade and the addition to the library continues to make a positive effect on the City's image.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department at 712-433-1181.

CITY OF ONAWA, IOWA

**CITY OF ONAWA, IOWA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2004**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 644,129	\$ 891,644	\$ 1,535,773
Investments	2,193,906	752,806	2,946,712
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	-	222,162	222,162
Taxes	22,146	-	22,146
Subsequent Year Taxes	1,047,870	-	1,047,870
Accrued Interest	12,615	1,463	14,078
Other	6,272	1,550	7,822
Special Assessments	15,611	-	15,611
Subsequent Year Special Assessments	112,638	-	112,638
Due from Other Governments - Note 4	49,506	-	49,506
Inventories	-	340,185	340,185
Prepaid Assets	50,423	24,961	75,384
Investment in WIMECA - Note 13	-	1,921,112	1,921,112
Restricted Assets:			
Cash and Cash Equivalents	-	40,064	40,064
Temporary Cash Investments Designated for Equipment	510,295	197,709	708,004
Bond Issue Cost - Net of Amortization	10,850	-	10,850
Bond Discount - Net of Amortization	14,359	-	14,359
Land - Note 6	437,239	9,050	446,289
Construction in Progress - Note 6	930,468	36,913	967,381
Infrastructure, Property and Equipment, Net of Accumulated Depreciation - Note 6	2,081,416	3,286,027	5,367,443
<b>Total Assets</b>	<b>8,139,743</b>	<b>7,725,646</b>	<b>15,865,389</b>
<b>LIABILITIES</b>			
Accounts Payable	556,099	122,451	678,550
Accrued Wages and Compensated Absences	38,013	49,941	87,954
Accrued Expenses	38,127	23,805	61,932
Deferred Revenue - Subsequent Year Taxes	1,047,870	-	1,047,870
Payables from Restricted Assets:			
Customer Deposits	-	40,064	40,064
Noncurrent Liabilities:			
Due within one year:			
General Obligation Bonds - Note 7	145,000	-	145,000
Notes Payable - Note 7	10,714	-	10,714
Due in more than one year:			
General Obligation Bonds - Note 7	1,985,000	-	1,985,000
Notes Payable - Note 7	10,715	-	10,715
<b>Total Liabilities</b>	<b>3,831,538</b>	<b>236,261</b>	<b>4,067,799</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	1,297,694	3,331,990	4,629,684
Restricted for:			
Endowments:			
Nonexpendable	232,713	-	232,713
Unrestricted			
Designated for Equipment	510,295	-	510,295
Unreserved - Undesignated	2,267,503	4,157,395	6,424,898
<b>Total Net Assets</b>	<b>\$ 4,308,205</b>	<b>\$ 7,489,385</b>	<b>\$ 11,797,590</b>

See Accompanying Notes to Financial Statements

**CITY OF ONAWA, 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
<b>Primary Government:</b>				
Governmental Activities:				
Public Safety	\$ 396,835	\$ -	\$ -	\$ -
Public Works	232,098	-	-	-
Culture and Recreation	306,477	-	-	-
Community and Economic Development	133,273	-	-	-
General Government	161,395	71,991	48,480	-
Capital Projects	-	-	314,840	60,000
Depreciation expense	119,861	-	-	-
Debt Service	70,732	-	-	-
Total governmental activities	<u>1,420,671</u>	<u>71,991</u>	<u>363,320</u>	<u>60,000</u>
<b>Business-Type Activities:</b>				
Electric System	1,417,066	1,646,711	-	-
Water System	281,441	304,472	-	-
Sewer System	500,891	478,166	-	-
Internal Service	9,000	14,500	-	-
Total Business-Type Activities:	<u>2,208,398</u>	<u>2,443,849</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 3,629,069</u>	<u>\$ 2,515,840</u>	<u>\$ 363,320</u>	<u>\$ 60,000</u>

General Revenues:  
Property taxes  
Licenses and Permits  
Local Option Sales Tax  
Fines and Forfeits  
Special Assessments  
Interest  
General Intergovernmental Revenues  
Contributions  
Sale of Merchandise  
Payment in Lieu of Taxes  
Miscellaneous  
Total general revenues and transfers  
Change in net assets  
Net assets - beginning  
Net assets - ending

See Accompanying Notes to Financial Statements

**Net (Expense) Revenue  
and Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (396,835)		\$ (396,835)
(232,098)		(232,098)
(306,477)		(306,477)
(133,273)		(133,273)
(40,924)		(40,924)
374,840		374,840
(119,861)		(119,861)
(70,732)		(70,732)
<u>(925,360)</u>		<u>(925,360)</u>
	\$ 229,645	229,645
	23,031	23,031
	(22,725)	(22,725)
	5,500	5,500
	<u>235,451</u>	<u>235,451</u>
<u>(925,360)</u>	<u>235,451</u>	<u>(689,909)</u>
1,010,564	-	1,010,564
21,470	-	21,470
163,564	-	163,564
13,356	-	13,356
79,492	-	79,492
63,561	9,242	72,803
304,616	-	304,616
1,100	-	1,100
-	16,897	16,897
84,552	-	84,552
46,107	241,753	287,860
<u>1,788,382</u>	<u>267,892</u>	<u>2,056,274</u>
863,022	503,343	1,366,365
3,445,183	6,986,042	10,431,225
<u>\$ 4,308,205</u>	<u>\$ 7,489,385</u>	<u>\$ 11,797,590</u>

**CITY OF ONAWA, IOWA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004**

	General	TIF	Road Use Tax
<b>Assets</b>			
Cash and Pooled Investments	\$ 245,810	\$ -	\$ 175,423
Investments	702,091	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Taxes	16,616	2,654	-
Subsequent Year Taxes	422,140	429,270	-
Accrued Interest	10,165	-	-
Other	6,272	-	-
Special Assessments	12,143	-	-
Subsequent Year Special Assessments	81,420	-	-
Due from Other Funds	-	-	394,627
Due from Other Governmental Agencies	17,500	-	20,483
Temporary Cash Investments Designated for Equipment	464,879	-	45,416
<b>Total Assets</b>	<b>1,979,036</b>	<b>431,924</b>	<b>635,949</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts Payable	30,728	8,266	20,709
Accrued Wages and Compensated Absences	26,035	-	11,978
Accrued Expenses	26,132	-	3,811
Due to Other Funds	-	593,897	-
Unearned Revenue	5,369	-	-
Deferred Revenue - Subsequent Year Taxes	422,140	429,270	-
Deferred Revenue - Subsequent Year Assessments	81,420	-	-
Advance from Other Funds	-	-	-
<b>Total Liabilities</b>	<b>591,824</b>	<b>1,031,433</b>	<b>36,498</b>
Fund Balances:			
Reserved for:			
Endowment	-	-	-
Unreserved (Deficit)	1,387,212	(599,509)	599,451
<b>Total Fund Balances (Deficits)</b>	<b>1,387,212</b>	<b>(599,509)</b>	<b>599,451</b>
<b>Total Liabilities and Equity</b>	<b>\$ 1,979,036</b>	<b>\$ 431,924</b>	<b>\$ 635,949</b>

See Accompanying Notes to Financial Statements

Local Option Sales Tax	Debt Service	Library Expansion	Other Governmental Funds	Total Governmental Funds
\$ 29,837	\$ -	\$ 32,573	\$ 160,486	\$ 644,129
-	-	1,419,365	72,450	2,193,906
-	227	-	2,649	22,146
-	138,765	-	57,695	1,047,870
-	-	579	1,871	12,615
-	-	-	-	6,272
-	-	-	3,468	15,611
-	-	-	31,218	112,638
350,000	-	-	-	744,627
11,523	-	-	-	49,506
-	-	-	-	510,295
391,360	138,992	1,452,517	329,837	5,359,615
73	-	495,683	640	556,099
-	-	-	-	38,013
-	-	-	-	29,943
-	41,069	-	109,661	744,627
-	-	-	-	5,369
-	138,765	-	57,695	1,047,870
-	-	-	31,218	112,638
-	-	-	-	-
73	179,834	495,683	199,214	2,534,559
-	-	-	232,713	232,713
391,287	(40,842)	956,834	(102,090)	2,592,343
391,287	(40,842)	956,834	130,623	2,825,056
\$ 391,360	\$ 138,992	\$ 1,452,517	\$ 329,837	\$ 5,359,615

CITY OF ONAWA, IOWA

**CITY OF ONAWA, IOWA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 27)	\$ 2,825,056
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	3,449,123
Deferred revenues that provide current financial resources for governmental activities	5,369
Deferred assessments that provide current financial resources for governmental activities	112,638
Accrued expenses from the balance sheet that require current financial resources for governmental activities	(8,184)
Bond issue costs and Bond Discounts are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	25,209
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	50,423
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(2,151,429)</u>
Total Net Assets - Governmental Activities (page 20)	<u>\$ 4,308,205</u>

See Accompanying Notes to Financial Statements

**CITY OF ONAWA, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2004**

	General	TIF	Road Use Tax
<b>Revenue:</b>			
Taxes	\$ 440,722	\$ 453,359	\$ -
Special Assessments	27,956	-	-
Licenses and Permits	21,470	-	-
Intergovernmental Revenue	45,618	-	258,998
Charges for Services	71,991	-	-
Fines and Forfeits	13,356	-	-
Contributions	48,480	-	-
Refunds/Reimbursements	-	-	-
Grants	-	-	-
Proceeds from Sale of Bonds	-	-	-
Interest	48,827	-	-
Payment in Lieu of Taxes	84,552	-	-
Miscellaneous	45,382	-	-
Total Revenue	<u>848,354</u>	<u>453,359</u>	<u>258,998</u>
<b>Expenditures:</b>			
Public Safety	419,319	-	-
Public Works	75,250	-	158,127
Culture and Recreation	432,438	-	-
Community and Economic Development	1,955	140,104	-
General Government	153,010	-	-
Capital Projects	-	-	-
Debt Service	-	-	-
Principal Retirements	-	-	-
Interest	-	-	-
Total Expenditures	<u>1,081,972</u>	<u>140,104</u>	<u>158,127</u>
Excess (deficiency) of revenues over expenditures	<u>(233,618)</u>	<u>313,255</u>	<u>100,871</u>
<b>Other financing sources (uses):</b>			
Transfers In	286,702	-	-
Transfers Out	(4,500)	(96,713)	(100,000)
Total other financing sources (uses)	<u>282,202</u>	<u>(96,713)</u>	<u>(100,000)</u>
Net Change in Fund Balance	48,584	216,542	871
Fund Balances (Deficit) beginning of year	1,338,628	(816,051)	598,580
Fund Balances (Deficit) End of Year	<u>\$ 1,387,212</u>	<u>\$ (599,509)</u>	<u>\$ 599,451</u>

See Accompanying Notes to Financial Statements

Local Option Sales Tax	Debt Service	Library Expansion	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 10,917	\$ -	\$ 105,542	\$ 1,010,540
-	-	-	35,091	63,047
-	-	-	-	21,470
163,564	-	-	-	468,180
-	-	-	-	71,991
-	-	-	-	13,356
-	-	314,840	1,100	364,420
-	-	-	-	-
-	-	60,000	-	60,000
-	-	1,500,000	-	1,500,000
-	-	13,378	6,226	68,431
-	-	-	-	84,552
-	-	725	-	46,107
163,564	10,917	1,888,943	147,959	3,772,094
-	-	-	-	419,319
-	-	-	63,540	296,917
-	-	-	16,425	448,863
11,681	-	-	-	153,740
-	-	-	594	153,604
-	-	932,109	-	932,109
-	-	-	-	-
-	60,000	-	-	60,000
-	67,148	-	-	67,148
11,681	127,148	932,109	80,559	2,531,700
151,883	(116,231)	956,834	67,400	1,240,394
-	96,713	-	4,500	387,915
(100,000)	-	-	(86,702)	(387,915)
(100,000)	96,713	-	(82,202)	-
51,883	(19,518)	956,834	(14,802)	1,240,394
339,404	(21,324)	-	145,425	1,584,662
\$ 391,287	\$ (40,842)	\$ 956,834	\$ 130,623	\$ 2,825,056

CITY OF ONAWA, IOWA

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

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

Net change in fund balances - total governmental funds (page 27)	\$	1,240,394
<p>Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays were exceeded by depreciation expense in the current year as follows:</p>		
Expenditures for capital assets	\$	1,134,661
Depreciation expense	<u>(119,861)</u>	1,014,800
Revenues reported in the funds that are not available to provide current financial resources		16,469
Interest income reported in the funds which was earned in prior year		(4,870)
Prepaid expenses are not reported in the governmental funds as it is not available to provide current financial resources		3,890
Accrued interest expense that does not require current financial resources		(3,584)
The issuance of indebtedness provides current financial resources to the governmental funds without affecting net assets. The statement of activities does not reflect the proceeds from the issuance of long-term debt. The proceeds from the issuance of long-term debt for the year was:		(1,500,000)
The effect of bond issuance costs and bond discounts when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities		25,209
The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was:		<u>70,714</u>
Change in net assets of governmental activities (page 22)	<u>\$</u>	<u>863,022</u>

See Accompanying Notes to Financial Statements

**CITY OF ONAWA, IOWA  
COMBINING STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

	<b>Business Type Activities</b>	
	<b>Electric System</b>	<b>Water System</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 496,273	\$ 184,614
Investments	551,870	100,468
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	148,722	28,574
Taxes	-	-
Subsequent Year Taxes	-	-
Accrued Interest	792	592
Other	1,550	-
Estimated Unbilled Usage	-	-
Advances to Other Funds	-	-
Due from Other Funds	-	-
Due from Other Governmental Agencies	-	-
Inventories	283,971	55,401
Prepaid Assets	11,909	9,231
Investment in WIMECA	1,921,112	-
Restricted Assets:		
Cash and Cash Equivalents	40,064	-
Investments	-	-
Accrued Interest Receivable	-	-
Temporary Cash Investments Designated for Equipment	29,488	148,307
Land	-	-
Construction in Progress	-	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	1,883,728	341,391
<b>Total Assets</b>	<b>5,369,479</b>	<b>868,578</b>
<b>LIABILITIES</b>		
Accounts Payable	93,437	4,246
Accrued Wages and Compensated Absences	20,963	16,677
Accrued Expenses	14,990	4,019
Due to Other Funds	-	-
Advance from Other Funds	-	-
Payables from Restricted Assets:		
Customer Deposits	40,064	-
<b>Total Liabilities</b>	<b>169,454</b>	<b>24,942</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	1,883,728	341,391
Unrestricted	3,316,297	502,245
<b>Total Net Assets</b>	<b>\$ 5,200,025</b>	<b>\$ 843,636</b>

See Accompanying Notes to Financial Statements

<u>Business Type Activities</u>		<u>Business Type Activities</u>	
<u>Sewer System</u>	<u>Total</u>	<u>Internal Service</u>	
\$ 121,170	\$ 802,057	\$ 89,587	
100,468	752,806	-	
44,866	222,162	-	
-	-	-	
-	-	-	
79	1,463	-	
-	1,550	-	
-	-	-	
-	-	-	
-	-	-	
813	340,185	-	
3,821	24,961	-	
-	1,921,112	-	
-	40,064	-	
-	-	-	
-	-	-	
19,914	197,709	-	
9,050	9,050	-	
36,913	36,913	-	
<u>1,060,908</u>	<u>3,286,027</u>	<u>-</u>	
<u>1,398,002</u>	<u>7,636,059</u>	<u>89,587</u>	
22,109	119,792	2,659	
12,301	49,941	-	
4,796	23,805	-	
-	-	-	
-	-	-	
-	40,064	-	
<u>39,206</u>	<u>233,602</u>	<u>2,659</u>	
1,106,871	3,331,990	-	
251,925	4,070,467	86,928	
<u>\$ 1,358,796</u>	<u>\$ 7,402,457</u>	<u>\$ 86,928</u>	

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

	<b>Business Type Activities</b>	
	<b>Electric System</b>	<b>Water System</b>
<b>Operating Revenues:</b>		
Charges for Services	\$ 1,646,711	\$ 304,472
<b>Total Operating Revenue</b>	<u>1,646,711</u>	<u>304,472</u>
<b>Operating Expenses:</b>		
Production	1,017,628	79,632
Distribution	183,803	92,086
Customer Accounts/Administration	122,360	59,506
Solid Waste	-	-
Depreciation	93,275	50,217
Deductibles	-	-
<b>Total Operating Expenses</b>	<u>1,417,066</u>	<u>281,441</u>
<b>Operating Income (Loss)</b>	229,645	23,031
<b>Non-Operating Income (Expense):</b>		
Interest Income	6,669	1,910
Sale of Merchandise	3,794	13,103
Equity in Net Income of WIMECA	85,867	-
WIMECA Member Charge Refund	146,871	-
Other Non-operating Revenues	7,265	683
<b>Total Non-Operating Income (Expenses)</b>	<u>250,466</u>	<u>15,696</u>
<b>Change in Net Assets</b>	480,111	38,727
<b>Net Assets - Beginning</b>	<u>4,719,914</u>	<u>804,909</u>
<b>Net Assets - Ending</b>	<u>\$ 5,200,025</u>	<u>\$ 843,636</u>

See Accompanying Notes to Financial Statements

<u>Business Type Activities</u>		<u>Business Type Activities</u>	
<u>Sewer System</u>	<u>Total</u>	<u>Internal Service</u>	
\$ 478,166	\$ 2,429,349	\$ 14,500	
478,166	2,429,349	14,500	
68,826	1,166,086	-	
100,354	376,243	-	
50,359	232,225	-	
227,513	227,513	-	
53,839	197,331	-	
-	-	9,000	
500,891	2,199,398	9,000	
(22,725)	229,951	5,500	
663	9,242	-	
-	16,897	-	
-	85,867	-	
-	146,871	-	
1,067	9,015	-	
1,730	267,892	-	
(20,995)	497,843	5,500	
1,379,791	6,904,614	81,428	
\$ 1,358,796	\$ 7,402,457	\$ 86,928	

**CITY OF ONAWA, IOWA  
COMBINING STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

	<b>Business Type Activities</b>	
	<b>Electric System</b>	<b>Water System</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers	\$ 1,643,338	\$ 306,984
Cash Paid to Suppliers for Goods and Services	(1,135,324)	(95,080)
Cash Paid to Employees for Services	(243,777)	(162,426)
Other Nonoperating Income	171,370	13,786
Cash Received from Customer Deposits	2,871	
Net Cash Provided by Operating Activities	<u>438,478</u>	<u>63,264</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and Construction of Capital Assets	<u>(86,687)</u>	<u>(1,541)</u>
Net Cash (Used) for Capital and Related Financing Activities	<u>(86,687)</u>	<u>(1,541)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Temporary Cash Investments	(400,000)	(100,000)
Purchase of Temporary Cash Investments-Equipment	(2,871)	
Proceeds from Sale of Temporary Cash Investments	100,000	
Proceeds from Sale of Temporary Cash Investments -Equipment	5,038	427
Proceeds from Patranage Dividend from WIMECA	15,528	-
Interest Received	<u>4,692</u>	<u>-</u>
Net Cash Provided for Investing Activities	(277,613)	(99,573)
Net Increase (Decrease) in Cash and Cash Equivalents	74,178	(37,850)
Cash and Cash Equivalents at Beginning of Year	<u>422,095</u>	<u>222,464</u>
Cash and Cash Equivalents at End of Year	<u>\$ 496,273</u>	<u>\$ 184,614</u>

See Accompanying Notes to Financial Statements

<u>Business Type Activities</u>		<u>Business Type Activities</u>	
<u>Sewer System</u>	<u>Total</u>	<u>Internal Service</u>	
\$ 475,999	\$ 2,426,321	\$ 14,500	
(288,911)	(1,519,315)	(8,341)	
(157,114)	(563,317)	-	
1,067	186,223	-	
	2,871		
<u>31,041</u>	<u>532,783</u>	<u>6,159</u>	
(41,472)	(129,700)	-	
<u>(41,472)</u>	<u>(129,700)</u>	<u>-</u>	
(100,000)	(600,000)	-	
	(2,871)		
	100,000		
426	5,891		
-	15,528	-	
-	4,692	-	
(99,574)	(476,760)	-	
(110,005)	(73,677)	6,159	
231,175	875,734	83,428	
<u>\$ 121,170</u>	<u>\$ 802,057</u>	<u>\$ 89,587</u>	

(Continued)

**CITY OF ONAWA, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS (Continued)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	<b>Business Type Activities</b>	
	<b>Electric System</b>	<b>Water System</b>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ 229,645	\$ 23,031
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	93,275	50,217
Other Non-Operating Income	157,930	13,786
(Increase) Decrease in Assets:		
Accounts Receivable	(4,923)	2,512
Prepaid Expenses	(477)	(4,570)
Due From Other Governments	14,990	-
Inventories	(59,224)	(15,523)
Increase (Decrease) in Liabilities		
Accounts Payable	4,154	(1,684)
Accrued Wages and Compensated Absences	453	(3,399)
Accrued Expenses	(216)	(1,106)
Customer Deposits	2,871	-
Total Adjustments	<u>208,833</u>	<u>40,233</u>
Net Cash Provided by Operating Activities	<u>438,478</u>	<u>63,264</u>
 <b>Non Cash Investing and Financing Activities</b>		
Reinvestment of Interest Income	<u>2,146</u>	<u>1,678</u>
Increase in Temporary Cash Investments	1,870	468
Increase in Temporary Cash Investments Designated for Equipment	276	1,210
	<u>\$ 2,146</u>	<u>\$ 1,678</u>

See Accompanying Notes to Financial Statements

<u>Business Type Activities</u>		<u>Business Type</u>
<u>Sewer</u>	<u>Total</u>	<u>Activities</u>
<u>System</u>		<u>Internal</u>
		<u>Service</u>
\$ (22,725)	\$ 229,951	\$ 5,500
53,839	197,331	-
1,067	172,783	-
(2,167)	(4,578)	-
(1,171)	(6,218)	-
-	14,990	-
104	(74,643)	-
2,271	4,741	659
(326)	(3,272)	-
149	(1,173)	-
-	2,871	-
<u>53,766</u>	<u>302,832</u>	<u>659</u>
<u>31,041</u>	<u>532,783</u>	<u>\$ 6,159</u>
<u>633</u>	<u>4,457</u>	<u>-</u>
468	2,806	-
165	1,651	-
<u>\$ 633</u>	<u>\$ 4,457</u>	<u>-</u>

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2004**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Onawa, Iowa is a political subdivision of the State of Iowa located in Monona County, and was incorporated in 1859, and operates under the Home Rule Provisions of the Constitution of Iowa. The City operates under a Mayor-Council form of government with an appointed administrator and finance director and administers the following programs as authorized by its charter: public safety, public works, culture and recreation, community and economic development and general government services. The City also has municipal electric, water and sewer utility systems, which are governed by the City Council.

The City's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The City applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The more significant accounting policies established in GAAP and used by the City are discussed below.

**A. Reporting Entity**

For financial reporting purposes, the City of Onawa, 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.

The City of Onawa does not include any component units within its reporting unit.

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. City officials are members of the following Boards and Commissions: Monona County Assessors' Conference Board, Monona County Emergency Management Commission, Monona County Joint E911 Service Board, and Monona County Landfill Commission.

CITY OF ONAWA, IOWA  
Notes to Financial Statements  
June 30, 2004

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basic Financial Statements-Government-Wide Statements**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's general, special revenue, debt service, and capital projects funds are classified as governmental activities. The City's health insurance and risk insurance internal service funds are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts-invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first uses restricted resources to finance qualifying activities.

The Government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (public safety, public works, culture and recreation, community and economic development, general government, etc.) and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenue, operating grants, and capital grants. Program revenue must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The City does not allocate indirect costs. Certain expenses of the City are accounted for through the internal service fund on a cost-reimbursement basis.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year activities.

**C. Fund Accounting**

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues or receipts, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria for the determination of major funds. The City electively added funds, as major funds, which had a specific community focus. The non-major funds are combined into a single column in the fund financial statements.

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2004**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The City reports the following major governmental funds:

**Governmental Fund Types** – The governmental fund financial statements are reported using the current financial resources measurement focus. This means that the focus of the governmental funds' measurement is upon the determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the City:

- 1) General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general administration, police and fire protection, maintenance of public streets, economic development, and culture and recreation.

- 2) Special Revenue Funds

The TIF (Tax Incremental Financing Fund) is used to account for property taxes received to be expended for constructions of specific projects within the TIF District.

The Road Use Tax Fund is used to account for the operation of street maintenance and construction financed by allocations of state fuel taxes.

The Local Option Sales Tax Fund is used to account for the collection of a 1% local option sales tax to be expended for industrial development and infrastructure and for property tax relief.

Employee Benefits Tax Levy is used to account for the collection of property tax to pay for Fica, IPERS, workman's compensation and unemployment tax benefits of the general government of the City of Onawa. State law requires these be levied in a special revenue fund.

- 3) Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs.

- 4) Capital Project Funds

The Library Expansion Fund is used to account for the construction of capital assets related to the library expansion financed through individual contributions, grants and bond proceeds.

2004 Street Project is used to account for the resurfacing of various streets within the City of Onawa.

CITY OF ONAWA, IOWA  
Notes to Financial Statements  
June 30, 2004

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

15<sup>th</sup> & Marble Street Project Fund is used to account for the construction of resurfacing of 15<sup>th</sup> Street. TIF revenues will be used to finance this project.

Community Center Project Fund is used to account for the construction of a new community center. City funds received from the Kelly Estate, local donations, and state grant revenues were used to finance this project.

**Proprietary Fund Types** – The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

- 1) Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City maintains several business-type activities. The major enterprise funds are listed as follows:

The Electric Fund is used to account for the operation and maintenance of the City's electric system.

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

- 2) Internal Service Funds – Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-recovery basis.

The City's internal service funds are presented in the proprietary fund financial statements.

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2004**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Risk Insurance – The City operates an insurance deductible fund that accounts for all deductibles on insurance claims owed by the other organizational units of the City. The financial statements of the risk insurance internal service fund are consolidated into the business type column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

Health Insurance Deductibles – The City operates a health insurance deductible fund that accounts for all deductibles on employee health insurance claims owed by the other organizational units of the City. The financial statements of the health insurance deductible internal service fund are consolidated into the business type column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

**Fiduciary Fund Types** – Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements.

**D. Basis of Accounting**

Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual basis of accounting is used for all activities in the government-wide financial statements and for the proprietary and fiduciary activities in the fund financial statements. Revenues are recognized when earned and expenses are recognized when incurred.

Modified accrual basis of accounting is used by all governmental funds in the fund financial statements. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

Expenditures are recorded when the related fund liability is incurred. An exception to this general rule is that principal and interest on general obligation debt, if any, is recognized when due.

Those revenues susceptible to accrual are property taxes, assessments, and intergovernmental revenues. Licenses, fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2004**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**E. Budgets**

Chapter 384, Section 16, of the State Code of Iowa requires the adoption of an annual budget on or before March 15 of each year, which becomes effective July 1 and constitutes the appropriation for each program specified therein until amended. The City budget may be amended for specified level purposes and budget amendments must be prepared and adopted in the same manner as the original budget. Appropriations, as adopted and amended, lapse at the end of the fiscal year.

Annual budgets are adopted on the cash basis of accounting for all governmental funds. The City's budget is prepared on the cash basis of accounting. The legal level of control (the level on which expenditures may not legally exceed appropriations) is the program level for all funds combined rather than at the individual fund level. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental fund types with expenses of proprietary fund types on a program level basis and to compare such program totals to program budgeted totals in order to demonstrate legal compliance with budget. Legal budget compliance for cities in the State of Iowa is applied only to expenditures.

The Budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the debt service and capital project programs.

**F. Cash And Cash Equivalents And Investments**

The City is authorized by statute to invest public funds not currently needed for operating expenses in notes, certificates, bonds, prime eligible bankers acceptances, certain high rated commercial paper, perfected repurchase agreements, or other evidences of indebtedness which are obligations of or guaranteed by the United States of America or any of its agencies, or in time deposits or savings accounts in depositories approved by the City Council.

1) Cash and Cash Equivalents

Includes investments with original maturities of three months or less.

2) Investments

The City and uses the following methods in determining the reported amounts.

<u>Type</u>	<u>Method</u>
Nonnegotiable Certificates of Deposit	Cost

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2004**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**G. Property Tax Receivable**

Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City Council 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 Council 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 Council 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.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2002. Any county collections on the 2003-2004 tax levy remitted to the City within 60 days subsequent to June 30, 2004, are recorded as property tax revenue.

**H. Short-Term Interfund Receivables/Payables**

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2004, balances of interfund amounts payable or receivable have been recorded as "due to other funds" and "due from other funds", respectively. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

**I. Inventories**

Inventories of the proprietary fund types are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. The inventory amounts are not material and therefore not recorded on the balance sheet.

**J. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2004 are recorded as prepaid items.

CITY OF ONAWA, IOWA  
Notes to Financial Statements  
June 30, 2004

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**K. Property and Equipment**

Assets with an initial individual cost of \$1,000 or more are considered capital assets. Property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at their fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Historical infrastructure has not been recorded on these financial statements other than buildings and improvements. GASB 34 does not require the City of Onawa to record the historical infrastructure costs. Depreciation on all assets is provided on the straight-line basis over the following estimated lives:

Buildings	39 – 50 Years
Utility Plant	20 – 33 Years
Machinery & Equipment	3 - 20 Years
Infrastructure	15 – 70 Years

**L. Compensated Absences**

Vested or accumulated vacation leave including related employee benefits that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

**M. Long-Term Obligations**

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the government-wide financial statements. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**N. Fund Equity**

Reserves represent those portions of fund equity legally segregated for a specific future use.

**O. Interfund Transactions**

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2004**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

All other interfund transactions, except interfund services provided and used transactions and reimbursements, are reported as transfers.

**P Landfill Closure Costs**

The City is part of an Iowa Code Section 28F agreement with the Monona County Landfill Commission and, therefore, not required to account for landfill post closure costs.

**Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS**

The City's deposits at June 30, 2004, were entirely covered by Federal Depository Insurance collateralized with securities or letters of credit held by the City or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

Deposits at June 30, 2004, are shown below:

	<b>Primary <u>Government</u></b>	<b>Bank <u>Balance</u></b>
Demand Deposits	\$ 1,502,961	\$ 1,531,194
Savings Deposits	2,346,027	2,346,027
Time Deposits	1,381,510	1,381,510
	<u>\$ 5,230,498</u>	<u>\$ 5,258,731</u>

The primary government's investments are categorized to give an indication of the level of risk assumed by the City at year-end. At June 30, 2004, the City's investments and component unit's investments are in a category characterized as investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. The City did not hold any investments at June 30, 2004.

There were no significant changes in investments held during the fiscal year ended June 30, 2004.

**Note 3 - RECEIVABLES**

Receivables at June 30, 2004 are net of allowance for uncollectibles. The allowance for uncollectibles of the enterprise funds of the primary government was \$11,693 at June 30, 2004.

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2004**

**Note 4 - DUE FROM OTHER GOVERNMENTS**

At June 30, 2004, amounts due from other governments were as follows:

Due from the Iowa Department of Transportation for road use tax allocations	\$ 20,483
Due from the State of Iowa for local option sales taxes	11,523
Due from the State of Iowa for miscellaneous grants	17,500
Total Due from Other Governments	\$ 49,506

**Note 5 - INTERFUND RECEIVABLES AND PAYABLES**

As of June 30, 2004, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
Special Revenue – Road Use Tax	TIF Fund	\$ 394,627
Special Revenue – Local Option Sales Tax	TIF Fund	199,270
Special Revenue – Local Option Sales Tax	Debt Service Fund	41,069
Special Revenue – Local Option Sales Tax	Nonmajor Governmental Funds	109,661
		\$ 744,627

**Note 6 - CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

**Primary Government**

	<b>Balance July 1, 2003</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2004</b>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 437,239			\$ 437,239
Construction in Progress	7,064	\$ 923,404		930,468
Total capital assets not being depreciated	444,303	923,404		1,367,707
Capital assets being depreciated:				
Buildings	1,473,516	15,811		1,489,327
Improvements	116,514	18,823		135,337
Equipment	1,343,158	120,190		1,463,348
Infrastructure	8,972	56,433		65,405
Total capital assets being depreciated	2,942,160	211,257		3,153,417
Less: Accumulated Depreciation for:				
Buildings	243,569	31,932		275,501
Improvements	82,742	6,170		88,912
Equipment	625,829	80,560		706,389
Infrastructure	1,199	1,199		1,199
Total Accumulated Depreciation	952,140	119,861		1,072,001
Total capital assets being depreciated, net	1,990,020	91,396		2,081,416
Governmental activities capital assets, net	\$ 2,434,323	\$ 1,014,800		\$ 3,449,123

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2004**

**Note 6 - CAPITAL ASSETS – (Continued)**

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 9,050			\$ 9,050
Construction in Progress		\$ 36,913		36,913
Total capital assets not being depreciated	<u>9,050</u>	<u>36,913</u>		<u>45,963</u>
Capital assets being depreciated:				
Equipment	1,045,827	7,362		1,053,189
Buildings, Utility Plant, Lines, Etc.	5,759,980	85,425		5,845,404
Total capital assets being depreciated	<u>6,805,807</u>	<u>92,786</u>		<u>6,898,593</u>
Less: Accumulated Depreciation	<u>3,415,235</u>	<u>197,331</u>		<u>3,612,566</u>
Total capital assets being depreciated, net	<u>\$ 3,390,572</u>	<u>\$(104,545)</u>		<u>\$ 3,286,027</u>

Construction in progress at June 30, 2004 consisted of costs associated with the library addition and the sewer system improvements.

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

<b>Governmental Activities:</b>	
Public Safety	\$ 38,202
Public Works	19,271
Culture and Recreation	57,966
Community and Economic Development	3,223
General Government	<u>1,199</u>
Total depreciation expense – governmental activities	<u>119,861</u>
<b>Business-Type Activities:</b>	
Electric	93,275
Water	50,217
Sewer	<u>53,839</u>
Total depreciation expense – business-type activities	<u>\$ 197,331</u>

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2004**

**Note 6 - CAPITAL ASSETS – (Continued)**

A summary of changes in capital assets for the discretely presented component unit is as follows:

**Reconciliation of Investment in Capital Assets:**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Land	\$ 437,239	\$ 9,050
Construction in Progress	930,468	36,913
Capital Assets (net of accumulated depreciation)	2,081,416	3,286,027
Less: General Obligation Bonds Payable	(2,130,000)	
Notes Payable	( 21,429)	
	\$ 1,297,694	\$ 3,331,990

**Note 7 - LONG-TERM DEBT**

**Warrants Payable**

The City has outstanding warrants payable. The warrants were issued in 1998 in the amount of \$75,000 payable in annual installments of \$10,714 through 2006. The interest rate on the warrant is 5%. The total balance outstanding on the warrants at June 30, 2004 was \$21,429.

Annual debt service requirements to maturity is as follows:

<b>Year Ending June 30,</b>	<b>Governmental Activities Principal</b>	<b>Interest</b>
2005	\$ 10,714	\$ 1,071
2006	10,715	536
	\$ 21,429	\$ 1,607

**General Obligation Bonds**

The City issues general obligation bonds to provide funds for the construction of the library expansion project. General obligation bonds have been issued for the governmental activities. These bonds are direct obligations and pledge the full faith and credit of the City.

The City issued one new bond during 2004:

On November 6, 2003, the City sold \$1,500,000 general obligation bonds with an average interest rate of 3.48% for 15 years. The bonds were sold to Ruan Securities for \$1,500,000 and the proceeds were used to finance the library expansion project. The general obligation bonds are due in annual installments of \$80,000 to \$130,000 through 2019.

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2004**

**Note 7 - LONG-TERM DEBT – (Continued)**

The City also has outstanding general obligation bonds at June 30, 2004 as follows:

\$630,000 1997 Corporate Purpose Loan Notes due in annual installments of \$65,000 to \$95,000 through 2012.

General obligation bonds outstanding as of June 30, 2004 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
Governmental Activities – Library	1.5-4.40%	\$ 1,500,000
Governmental Activities – TIF	5.05-5.55%	630,000
		<u>\$ 2,130,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities Principal</u>	<u>Interest</u>
2005	\$ 145,000	\$ 85,888
2006	150,000	81,405
2007	150,000	76,280
2008	160,000	70,725
2009	170,000	64,455
2010-2014	755,000	211,675
2015-2019	600,000	79,050
Total	<u>\$ 2,130,000</u>	<u>\$ 669,478</u>

**Changes in Long-Term Liabilities**

Long-Term liability activity for the year ended June 30, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Primary Government:</b>					
<b>Governmental</b>					
<b>Activities:</b>					
Bonds Payable:					
General Obligation	\$ 690,000	\$ 1,500,000	\$ 60,000	\$ 2,130,000	\$ 145,000
Notes Payable	32,143		10,714	21,429	10,714
Total	<u>\$ 722,143</u>	<u>\$ 1,500,000</u>	<u>\$ 70,714</u>	<u>\$ 2,151,429</u>	<u>\$ 155,714</u>

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2004**

**Note 8 - TRANSFERS**

The following is a summary of transfers between funds:

	<u>Governmental Fund Types</u>			<u>Governmental Fund Types</u>
	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	
General			\$ 4,500	\$ 4,500
TIF		\$ 96,713		96,713
Road Use Tax	\$ 100,000			100,000
Local Option Sales Tax	100,000			100,000
Nonmajor Governmental	86,702			86,702
<b>Total Transfers</b>	<b><u>\$ 286,702</u></b>	<b><u>\$ 96,713</u></b>	<b><u>\$ 4,500</u></b>	<b><u>\$ 387,915</u></b>

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. To move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due.
3. To use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Note 9 - PENSION AND RETIREMENT**

**Iowa Public Employees Retirement System** - 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 plan to 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 percent of their annual covered salary and the City is required to contribute 5.75 percent of annual covered payroll except for, police employees, in which case, the percentage is 8.90 percent. Contribution requirements are established by state statute. The City contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$54,584, \$53,297, and \$49,264, respectively, equal to the required contributions for each year.

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2004**

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**Note 10 - DEFICIT FUND EQUITY**

The City has five funds with deficit equity balances at June 30, 2004. The City intends to finance these deficits from various resources including general funds , special assessments to be collected and future property tax levies.

The individual fund deficits were as follows:

Debt Service.....	\$ 40,842
Special Revenue – TIF.....	599,509
Capital Project – Community Center.....	69,412
Capital Project – 2004 Street Project.....	8,386
Capital Project – 15 <sup>th</sup> & Marble Street.....	28,305

**Note 11 - 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; and natural disasters for which the City carries commercial insurance.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There are no claims reported in the financial statements as a liability and no losses in excess of insurance coverage have occurred in the last three years.

There were no significant reductions in insurance coverage over the past three years.

**Note 12 - COMMITMENTS**

During the year ended June 30, 2004, the City had entered into a construction contract for the construction of an addition to the library totaling \$2,350,000, net of change orders, of which approximately \$667,967 has been expended to date. The remaining balance will be paid as work progresses.

**Note 13 - INVESTMENT IN WIMECA**

Western Iowa Municipal Electric Cooperative Association (WIMECA) was incorporated on December 4, 1973, under the laws of Iowa. The Association operates as a cooperative for six municipalities. The primary activity of the Association is the acquisition of electric power and energy which is sold to its member municipalities.

It is the intent of the Association to operate on a nonprofit basis and, accordingly, earnings are distributed in accordance with the provisions of Chapter 499 of the Code of Iowa. In order to comply with such provisions, earnings must first be allocated to meet certain reserve and surplus requirements with remaining earnings allocated to the account of each member municipality based on the proportion of business which each municipality has done with the Association during the year. The City of Onawa's Electric Enterprise Fund's proportion of business for the year ended December 31, 2003 represents 30.7% of the total member business.

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2004**

**Note 13 - INVESTMENT IN WIMECA - (Continued)**

The last available information for WIMECA is from its December 31, 2003 independent audit report. These financial statements are available at the City office.

The summary financial information of WIMECA is as follows:

	December 31, 2003
Total Assets	\$ <u>7,864,477</u>
Total Liabilities	2,100,917
Total Equity	<u>5,763,560</u>
Total Liabilities and Equity	<u>7,864,477</u>
Total Revenue	2,661,557
Total Expense	<u>2,381,949</u>
Net Earnings	\$ <u>279,608</u>

At December 31, 2003, WIMECA had bonds outstanding totaling \$1,175,000 all of which is current. Such bonds are payable from and secured by a pledge and assignment of, and a security interest in, all of the rights and interests of the Association in and to (i) all revenues of the Association from whatever source derived, (ii) the Electric Power Contracts, (iii) the Certificate of Indebtedness, and (iv) the Wholesale Power Agreement. All monies deposited in the various funds created under the Indenture shall, while held by the Trustee, constitute part of the Trust estate and be subject to the lien of the indenture.

At June 30, 2004, the City of Onawa Electric Enterprise Fund investment in WIMECA was as follows:

	June 30, 2004
Beginning Balance	\$ 1,850,773
Add: Net Earnings	<u>85,867</u>
Balance at December 31, 2003	1,936,640
Less: Dividends Received – April 2004	<u>15,528</u>
Ending Balance at June 30, 2004	\$ <u>1,921,112</u>

After June 30, 2004 the City received \$623,982 from WIMECA as a return of part of their investments.

**Note 14 - ACCOUNTING CHANGE**

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statement was implemented during the year ended June 30, 2004. Governmental Accounting Standards Board Statement No.34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences were implemented

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2004**

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**Note 14 - ACCOUNTING CHANGE - (Continued)**

during the fiscal year 2004. These statements create new basic financial statements for reporting the City's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor special revenue funds are presented in total in one column.

The government-wide financial statements report the City's governmental activities. Beginning net assets for governmental activities has been restated to include capital assets and the changes in assets and liabilities at July 1, 2003 resulting from the conversion to the accrual basis of accounting.

Net Assets, June 30, 2003, as Previously Reported	\$ 11,944,169
GASB 34 Adjustments	
Adjust Fixed Assets for Accumulated Depreciation	( 939,141)
Depreciation of \$3,661,212 at 6/30/02	
Change in Long-Term Liabilities	
General Obligation Bonds	( 690,000)
Notes Payable	( 32,143)
Total	( 722,143)
Change in Deferral of Assets and Liabilities	
Deferred Revenues	5,344
Prepaid Expenses	46,533
Assessments Receivables	96,193
Accrued Interest Receivable	4,870
Accrued Interest Payable	( 4,600)
Total	<u>148,340</u>
Total Net Assets as Restated	<u>\$ 10,431,225</u>

**Note 15 - CONTINGENCIES**

The City is currently involved in one legal matter that is being defended by its insurance carrier. The liability if any associated with this matter is not determinable at June 30, 2004.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ONAWA, IOWA

**CITY OF ONAWA, IOWA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET**  
**AND ACTUAL, GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2004**

	<b>General Fund</b>		
	<b>Budgeted Amounts</b>		<b>Variance with</b>
	<b>Original</b>	<b>Actual</b>	<b>Final Budget</b>
			<b>Positive</b>
			<b>(Negative)</b>
<b>Revenue:</b>			
Taxes	\$ 438,136	\$ 440,722	\$ 2,586
Special Assessments	10,000	27,956	17,956
Licenses and Permits	31,550	21,470	(10,080)
Intergovernmental Revenue	185,675	45,618	(140,057)
Charges for Services	217,651	71,991	(145,660)
Fines and Forfeits	-	13,356	13,356
Contributions	-	48,480	48,480
Interest	20,500	48,827	28,327
Miscellaneous	34,125	129,934	95,809
<b>Total Revenue</b>	<b>937,637</b>	<b>848,354</b>	<b>(89,283)</b>
<b>Expenditures:</b>			
Public Safety	429,491	419,319	10,172
Public Works	154,375	75,250	79,125
Culture and Recreation	500,775	432,438	68,337
Community and Economic Development	11,250	1,955	9,295
General Government	168,830	153,010	15,820
Capital Projects	-	-	-
<b>Total Expenditures</b>	<b>1,264,721</b>	<b>1,081,972</b>	<b>182,749</b>
Excess (deficiency) of revenues over expenditures	(327,084)	(233,618)	93,466
<b>Other financing sources (uses):</b>			
Interfund Transfers In	173,914	286,702	112,788
Interfund Transfers Out	-	(4,500)	(4,500)
<b>Total other financing sources (uses)</b>	<b>173,914</b>	<b>282,202</b>	<b>108,288</b>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (153,170)	48,584	\$ 201,754
Fund balances-beginning of year		1,338,628	
Fund balances- end of year		<b>\$ 1,387,212</b>	

TIF			
Budgeted Amounts			Variance with Final Budget Positive (Negative)
Original	Actual		
\$ 425,000	\$ 453,359	\$	28,359
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
425,000	453,359		28,359
-	-	-	-
-	-	-	-
280,000	140,104		(139,896)
-	-	-	-
-	-	-	-
280,000	140,104		(139,896)
145,000	313,255		168,255
-	-	-	-
(96,713)	(96,713)		-
(96,713)	(96,713)		-
<u>\$ 48,287</u>	216,542	<u>\$</u>	<u>168,255</u>
	<u>(816,051)</u>		
	<u>\$ (599,509)</u>		

Continued

CITY OF ONAWA, IOWA  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET  
 AND ACTUAL, GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS - (Continued)  
 YEAR ENDED JUNE 30, 2004

	Road Use Tax		
	Budgeted Amounts		Variance with
	Original	Actual	Final Budget Positive (Negative)
Revenue:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenue	274,235	258,998	(15,237)
Total Revenue	<u>274,235</u>	<u>258,998</u>	<u>(15,237)</u>
Expenditures:			
Public Works	248,950	158,127	90,823
General Government	-	-	-
Total Expenditures	<u>248,950</u>	<u>158,127</u>	<u>90,823</u>
Excess (deficiency) of revenues over expenditures	<u>25,285</u>	<u>100,871</u>	<u>75,586</u>
Other financing sources (uses):			
Interfund Transfers Out	-	(100,000)	(100,000)
Total other financing sources (uses)	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ 25,285</u>	<u>871</u>	<u>\$ (24,414)</u>
Fund Balances - Beginning of Year		<u>598,580</u>	
Fund Balances - End of Year		<u>\$ 599,451</u>	

<u>Local Option Sales Tax</u>		
<u>Budgeted Amounts</u>		<u>Variance with</u>
<u>Original</u>	<u>Actual</u>	<u>Final Budget</u>
		<u>Positive</u>
		<u>(Negative)</u>
\$ -	\$ -	-
140,000	163,564	23,564
140,000	163,564	23,564
63,500	11,681	51,819
11,500	-	11,500
75,000	11,681	63,319
65,000	151,883	86,883
(100,000)	(100,000)	-
(100,000)	(100,000)	-
\$ (35,000)	51,883	\$ 86,883
	339,404	
	\$ 391,287	

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

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

Formal and legal budgetary control is based upon 9 major classes of disbursements known as functions, not by fund or fund type. These 9 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 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 by fund.

The following schedule demonstrates the City's legal compliance to the budget.

<b><u>Function</u></b>	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b>Variance Favorable <u>(Unfavorable)</u></b>
Public Safety	\$ 429,491	\$ 419,319	\$ 10,172
Public Works	403,325	296,917	106,408
Culture & Recreation	500,775	448,863	51,912
Community & Economic Development	447,250	153,740	293,510
General Government	180,330	153,604	26,726
Debt Service		127,148	(127,148)
Capital Projects	910,000	932,109	( 22,109)
Business Type/Enterprise	2,731,550	2,208,398	523,152
Total	<u>\$ 5,602,721</u>	<u>\$ 4,740,098</u>	<u>\$ 862,623</u>

During the year ended June 30, 2004, disbursements in the debt service and capital projects function exceeded the amount budgeted.

SUPPLEMENTARY INFORMATION

CITY OF ONAWA, IOWA

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

	Special Revenue Funds		Capital Projects	
	Employee Benefits	2004 Street Project	Community Center	15th and Marble
<b>Assets</b>				
Cash and Pooled Investments	\$ 1,364	\$ -	\$ -	\$ -
Investments	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Taxes	2,649	-	-	-
Subsequent Year Taxes	57,695	-	-	-
Accrued Interest	-	-	-	730
Special Assessments	-	-	-	3,468
Subsequent Year Special Assessments	-	-	-	31,218
<b>Total Assets</b>	<b>61,708</b>	<b>-</b>	<b>-</b>	<b>35,416</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts Payable	-	640	-	-
Due to Other Funds	-	7,746	69,412	32,503
Deferred Revenue - Subsequent Year Taxes	57,695	-	-	-
Deferred Revenue - Subsequent Year Assessments	-	-	-	31,218
<b>Total Liabilities</b>	<b>57,695</b>	<b>8,386</b>	<b>69,412</b>	<b>63,721</b>
<b>Fund Balances:</b>				
Reserved for:				
Endowment	-	-	-	-
Unreserved (Deficit)	4,013	(8,386)	(69,412)	(28,305)
<b>Total Fund Balances (Deficits)</b>	<b>4,013</b>	<b>\$(8,386)</b>	<b>\$(69,412)</b>	<b>\$(28,305)</b>
<b>Total Liabilities and Equity</b>	<b>\$ 61,708</b>	<b>-</b>	<b>-</b>	<b>\$ 35,416</b>

Permanent Fund		Total Governmental Nonmajor Funds
Library Endowment Fund	Cemetery Perpetual Care Fund	
\$ 155,069	\$ 4,053	\$ 160,486
-	72,450	72,450
-	-	-
-	-	-
-	-	2,649
-	-	57,695
50	1,091	1,871
-	-	3,468
-	-	31,218
<u>155,119</u>	<u>77,594</u>	<u>329,837</u>
-	-	640
-	-	109,661
-	-	57,695
-	-	31,218
-	-	<u>199,214</u>
155,119	77,594	232,713
-	-	(102,090)
<u>155,119</u>	<u>77,594</u>	<u>130,623</u>
<u>\$ 155,119</u>	<u>\$ 77,594</u>	<u>\$ 329,837</u>

**CITY OF ONAWA, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL NONMAJOR FUNDS**  
**JUNE 30, 2004**

	Special Revenue Funds		Capital Projects		
	Employee Benefits	LHAP	2004 Street Project	Community Center	15th and Marble
Revenue:					
Taxes	\$ 105,542	\$ -	\$ -	\$ -	\$ -
Special Assessments	-	-	-	-	35,091
Contributions	-	-	-	-	-
Interest	-	-	-	-	730
Total Revenue	105,542	-	-	-	35,821
Expenditures:					
Public Works	-	-	8,386	-	55,154
Culture and Recreation	-	-	-	16,425	-
General Government	594	-	-	-	-
Total Expenditures	594	-	8,386	16,425	55,154
Excess (deficiency) of revenues over expenditures	104,948	-	(8,386)	(16,425)	(19,333)
Other financing sources (uses):					
Transfers In	-	4,500	-	-	-
Transfers Out	(84,045)	-	-	-	-
Total other financing sources (uses)	(84,045)	4,500	-	-	-
Net Change in Fund Balance	20,903	4,500	(8,386)	(16,425)	(19,333)
Fund balances (deficits) -beginning of year	(16,890)	(4,500)	-	(52,987)	(8,972)
Fund balances (deficits) - end of year	\$ 4,013	\$ -	\$ (8,386)	\$ (69,412)	\$ (28,305)

Permanent Fund		Total
Library Endowment Fund	Cemetery Perpetual Care Fund	Governmental Nonmajor Funds
\$ -	-	\$ 105,542
-	-	35,091
-	1,100	1,100
4,372	1,124	6,226
<u>4,372</u>	<u>2,224</u>	<u>147,959</u>
-	-	63,540
-	-	16,425
-	-	594
-	-	<u>80,559</u>
<u>4,372</u>	<u>2,224</u>	<u>67,400</u>
-	-	4,500
<u>(658)</u>	<u>(1,999)</u>	<u>(86,702)</u>
<u>(658)</u>	<u>(1,999)</u>	<u>(82,202)</u>
3,714	225	(14,802)
<u>151,405</u>	<u>77,369</u>	<u>145,425</u>
<u>\$ 155,119</u>	<u>\$ 77,594</u>	<u>\$ 130,623</u>

**CITY OF ONAWA, IOWA  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2004**

	Risk Insurance	Health Insurance Deductibles	Totals
<b>ASSETS</b>			
Cash	\$ 84,112	\$ 5,475	\$ 89,587
<b>Total Assets</b>	<b>84,112</b>	<b>5,475</b>	<b>89,587</b>
<b>LIABILITIES</b>			
Accounts Payable	2,659	-	2,659
<b>Total Liabilities</b>	<b>2,659</b>	<b>-</b>	<b>2,659</b>
<b>NET ASSETS</b>			
Unrestricted	\$ 81,453	\$ 5,475	\$ 86,928

**CITY OF ONAWA, IOWA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

	Risk Insurance	Health Insurance Deductibles	Totals
<b>Operating revenues:</b>			
Charges for services to operating funds	\$ 8,000	\$ 6,500	\$ 14,500
<b>Operating expenses:</b>			
General Government	2,659	6,341	9,000
<b>Total operating expenses</b>	<u>2,659</u>	<u>6,341</u>	<u>9,000</u>
<b>Operating Income</b>	5,341	159	5,500
<b>Net assets - beginning</b>	<u>76,112</u>	<u>5,316</u>	<u>81,428</u>
<b>Net assets - ending</b>	<u>\$ 81,453</u>	<u>\$ 5,475</u>	<u>\$ 86,928</u>

**CITY OF ONAWA, IOWA  
STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

	Risk Insurance	Health Insurance Deductibles	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 8,000	\$ 6,500	\$ 14,500
Cash Paid to Suppliers	(2,000)	(6,341)	(8,341)
Net Increase in Cash and Cash Equivalents	6,000	159	6,159
Cash and Cash Equivalents at Beginning of Year	78,112	5,316	83,428
Cash and Cash Equivalents at End of Year	<u>\$ 84,112</u>	<u>\$ 5,475</u>	<u>\$ 89,587</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	\$ 5,341	\$ 159	\$ 5,500
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:			
Increase in Liabilities:			
Accounts Payable	659		659
Total Adjustments	659	-	659
Net Cash Provided by Operating Activities	<u>\$ 6,000</u>	<u>\$ 159</u>	<u>\$ 6,159</u>

STATISTICAL SECTION

(NOT COVERED BY AUDITORS' REPORT)

CITY OF ONAWA, IOWA

TABLE I

General Government Expenditures By Function  
General, Special Revenue, Debt Service and Capital Projects Funds  
Last Ten Fiscal Years

<u>Year</u>	<u>Community Protection</u>	<u>Human Development</u>	<u>Home and Community Environment</u>	<u>Policy and Administration</u>	<u>Debt Service</u>	<u>Capital Outlay</u>	<u>Total</u>
1994-95	\$ 259,612	\$ 151,674	\$ 312,814	\$ 167,979	\$ 155,552	\$ 136,440	\$ 1,184,071
1995-96	262,867	185,283	775,920	109,490	101,928	554,180	1,989,668
1996-97	305,580	183,018	517,020	108,327	102,665	19,648	1,236,258
1997-98	406,194	185,730	740,153	115,199	155,818	96,465	1,699,559
1998-99	466,236	207,092	579,648	120,831	202,882	196,426	1,773,115
1999-00	353,731	230,316	300,288	158,120	195,133	12,025	1,249,613
2000-01	385,793	214,248	293,990	133,187	172,227	92,469	1,291,914
2001-02	439,022	209,693	427,963	140,767	165,595	1,706,647	3,089,687

<u>Year</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Culture &amp; Recreation</u>	<u>Community &amp; Economic Development</u>	<u>General Government</u>	<u>Debt Service</u>	<u>Capital Outlay</u>	<u>Total</u>
2002-03	\$ 521,334	\$ 272,125	\$ 310,817	\$ 281,796	\$ 118,987	\$ 168,878	\$ 694,118	\$ 2,368,055
2003-04	419,319	296,917	448,863	153,740	153,604	127,148	932,109	2,531,700

Note: Expenditures by function category changed in the fiscal year 2002-03.

TABLE II

General Government Revenues By Source  
General, Special Revenue, Debt Service and Capital Projects Funds  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter-Governmental</u>	<u>Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Contributions from Property Owners</u>	<u>Miscellaneous</u>	<u>Total</u>
1994-95	\$ 435,009	\$ 13,488	\$ 561,232	\$ 37,282	\$ 2,292	\$ 9,562	\$ 121,571	\$ 1,180,436
1995-96	511,584	12,373	847,136	48,242	2,502		138,980	1,560,817
1996-97	552,414	13,134	596,297	42,035	3,634		144,673	1,352,187
1997-98	635,620	48,603	537,078	44,648	3,829		202,330	1,472,108
1998-99	656,421	29,986	583,463	48,253	4,381		183,365	1,505,869
1999-00	713,653	27,466	485,109	48,928	6,712		219,569	1,501,437
2000-01	819,998	21,735	485,917	60,735	7,821	4,708	1,055,282	2,456,196
2001-02	928,628	35,068	846,263	56,540	15,420	22,959	251,380	2,156,258
2002-03	915,903	24,665	725,562	66,004	19,521	17,092	315,724	2,084,471
2003-04	\$1,010,540	\$ 21,470	\$ 468,180	\$ 71,991	\$ 13,356	\$ 63,047	\$ 2,123,510	\$ 3,772,094

CITY OF ONAWA, IOWA

TABLE III

Property Tax Levies and Collections

Last Ten Fiscal Years

<u>Collection Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>
1994-95	\$ 437,153	\$ 431,174	98.63%	\$ 3,835
1995-96	514,714	507,229	98.50	4,355
1996-97	531,217	523,745	98.59	4,636
1997-98	575,979	569,313	98.84	4,928
1998-99	523,051	519,651	99.35	4,842
1999-00	544,844	536,954	98.55	5,689
2000-01	544,579	533,282	97.93	5,086
2001-02	568,509	555,848	97.77	5,261
2002-03	594,770	580,538	97.61%	5,673
2003-04	\$ 552,236	\$ 544,837	98.66%	\$ 5,634

TABLE IV

Assessed and Taxable Value of Property

Last Ten Fiscal Years

<u>Collection Year</u>	<u>Real Property</u>		<u>Personal Property</u>	
	<u>Assessed Value</u>	<u>Taxable Value</u>	<u>Assessed Value</u>	<u>Taxable Value</u>
1993-94	\$ 43,075,725	\$ 33,883,185	\$ 713,438	\$ 713,438
1994-95	47,704,164	35,646,799	837,937	837,937
1995-96	48,309,323	35,918,741	851,925	851,925
1996-97	54,001,115	36,124,935	1,145,047	1,145,047
1997-98	54,066,576	35,307,268	1,093,729	1,093,729
1998-99	68,886,186	45,033,276	407,992	407,992
1999-00	69,283,251	46,774,491	297,923	297,923
2000-01	82,515,977	53,986,280	184,202	184,202
2001-02	85,284,452	57,317,876	110,247	110,247
2002-03	91,249,971	55,719,712	\$ 66,148	\$ 66,148
2003-04	\$ 91,062,986	\$ 58,404,414	-	-

<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>
\$ 435,009	99.51%
511,584	99.30
528,381	99.47
574,241	99.70
524,493	100.28
542,643	99.60
538,368	98.86
561,109	98.70
580,211	98.56
\$ 550,471	99.68%

<u>Utilities</u>		<u>Total</u>		<u>Ratio of Total Taxable Value</u>
<u>Assessed Value</u>	<u>Taxable Value</u>	<u>Assessed Value</u>	<u>Taxable Value</u>	
\$ 1,588,534	\$ 1,588,534	\$ 50,130,635	\$ 38,073,270	75.95%
1,978,853	1,923,624	51,140,101	38,694,290	75.60
2,017,110	2,006,787	57,163,272	39,276,769	68.71
2,026,765	2,026,765	57,187,070	38,427,762	67.20
2,075,304	2,067,484	71,369,482	47,508,752	66.57
1,980,002	1,980,002	71,561,176	49,052,416	68.55
1,508,501	1,508,501	84,208,680	55,678,983	66.12
1,408,426	1,408,426	86,803,125	58,836,549	67.78
1,308,730	1,308,730	92,624,849	57,094,591	61.64%
\$ 1,607,102	\$ 1,607,102	\$ 92,670,088	\$ 60,011,516	64.76%

CITY OF ONAWA, IOWA

TABLE V

Property Tax Rates and Tax Levies  
Direct and Overlapping Governments  
(Per \$1,000 of Assessed Value)  
Last Ten Fiscal Years

<u>Year</u>	<u>City</u>	<u>School District</u>	<u>County Consolidated</u>	<u>Area Vocational School</u>	<u>State Levy</u>	<u>Total</u>
1994-95	11.56902	10.88875	6.26434	.57017	.005	29.29728
1995-96	13.43059	11.13575	5.93681	.53795	.005	31.04610
1996-97	13.88406	10.53120	6.03568	.53266	.005	30.98860
1997-98	14.66973	10.61512	5.86845	.60796	.005	31.76626
1998-99	12.36841	11.03105	5.61720	.59515	.005	29.61681
1999-00	12.57794	10.38155	5.37794	.55951	.005	28.90194
2000-01	11.82399	10.74693	5.36311	.60985	.005	28.54888
2001-02	12.03710	10.91229	6.29521	.62121	.005	29.87071
2002-03	11.92593	10.95505	6.45078	.94866	.004	30.28442
2003-04	12.20166	11.84505	6.38161	.54141	.004	30.97373

TAX LEVIES

1994-95	\$ 437,153	\$ 413,773	\$ 238,045	\$ 21,666	\$ 190	\$ 1,110,827
1995-96	514,714	430,890	229,721	20,816	193	1,196,334
1996-97	531,217	413,632	237,062	20,921	196	1,203,028
1997-98	575,979	407,915	225,511	22,755	192	1,232,352
1998-99	523,051	524,071	266,866	28,275	238	1,342,501
1999-00	544,844	509,236	263,799	27,445	245	1,345,569
2000-01	544,579	598,378	298,613	33,956	278	1,475,804
2001-02	568,509	642,041	370,388	36,550	294	1,617,782
2002-03	594,770	634,348	373,530	54,932	232	1,657,812
2003-04	\$ 552,236	\$ 710,839	\$ 382,970	\$ 32,491	\$ 240	\$ 1,678,776

State law limits maximum tax rate for the General Fund to \$8.10 per thousand dollars of assessed valuation (100 percent basis) effective July 1, 1976.

Limitation does not include debt service.

Taxes Due July 1.

Taxes Delinquent First Half - October 1; Second Half - April 1.

Penalties for Delinquency: 1 Percent per month.

Discount Allowed: None

Uncollected Taxes Handled as Follows: Delinquent real estate tax list published in newspaper prior to May 16.

Taxes collected by Monona County and distributed to the City of Onawa in proportion of its levy to all levies.

Tax Sale Date: First Monday in June.

CITY OF ONAWA, IOWA

TABLE VI

Special Assessment Collections  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Current Assessments Due</u>	<u>Current Assessments Collected</u>	<u>Ratio of Collections to Amount</u>	<u>Total Outstanding Due Assessments</u>
1994-95	\$ 5,213	\$ 9,562	183.34%	\$ 978
1995-96	978	0	0	0
1996-97	*			
2001-02	140,038	19,792	14.13	120,246
2002-03	120,246	12,029	10.00	108,217
2003-04	\$ 174,527	\$ 46,788	26.81%	\$ 127,739

\* All paid at fiscal year end 1995-96

+ Filed 2001-02 - Property owners had until June 30, 2003 before the interest and schedule started.

TABLE VII

Ratio of Net General Obligation Bonded Debt  
to Assessed Value and Net General Obligation Bonded Debt Per Capita  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Popula- tion</u>	<u>Taxable Value</u>	<u>Gross Bonded Debt</u>	<u>Less: Debt Service Monies Available</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Taxable Value</u>	<u>Net Bonded Debt Per Capita</u>
1994-95	2,936	\$ 38,073,270	\$ 550,000	-	\$ 550,000	.014 to 1	\$ 187.33
1995-96	2,936	38,694,290	485,000	-	485,000	.013 to 1	165.19
1996-97	2,936	39,276,769	1,375,000	-	1,375,000	.035 to 1	468.32
1997-98	2,936	38,427,762	1,380,000	29,444	1,350,556	.035 to 1	459.99
1998-99	2,936	47,508,752	1,239,286	22,495	1,216,791	.026 to 1	414.44
1999-00	2,936	49,052,416	1,098,572	13,397	1,085,175	.022 to 1	369.61
2000-01	3,091	55,678,983	972,857	1,872	970,985	.017 to 1	314.13
2001-02	3,091	58,836,549	847,143	-	847,143	.014 to 1	274.07
2002-03	3,091	57,904,591	711,429	-	711,249	.012 to 1	230.10
2003-04	3,091	\$ 60,011,516	\$ 2,151,429		\$ 2,151,429	.036 to 1	\$ 696.03

CITY OF ONAWA, IOWA

TABLE VIII

Computation of Legal Debt Margin

June 30, 2004

Assessed Property Value		
Real Estate and Corporation	\$ 91,332,326	
Agland	<u>1,337,762</u>	
Total Actual Valuation	\$ <u>92,670,088</u>	
Debt Limit - 5% of Total Actual Valuation		\$ 4,633,504
Amount of Debt		
Applicable to Debt Limit:		
Total Bonded Debt ( Including Warrants Payable)		<u>2,151,429</u>
Legal Debt Margin		\$ <u>2,482,075</u>

TABLE IX

Computation of Direct and Overlapping Debt

June 30, 2004

<u>Name of Governmental Unit</u>	<u>Percentage Applicable Net Debt*</u> <u>Outstanding</u>	<u>To This Governmental Unit</u>	<u>City of Onawa Share of Debt</u>
City of Onawa, Iowa	\$ 2,151,429	100%	\$ 2,151,429
Monona County	-		-
West Monona School	-		-
Total	\$ <u>2,151,429</u>		\$ <u>2,151,429</u>

\* Net debt outstanding is total bonds outstanding less funds available for debt service.

CITY OF ONAWA, IOWA

TABLE X

Ratio of Annual Debt Service Expenditures for  
General Bonded Debt to Total General Expenditures  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures</u>	<u>Ratio of Debt Service to Total General Expenditures</u>
1994-95	\$ 110,000	\$ 45,552	\$ 155,552	\$ 738,543	21.06%
1995-96	65,000	36,928	101,928	685,611	14.80
1996-97	70,000	32,665	102,665	731,804	14.03
1997-98	70,000	85,818	155,818	1,013,318	15.37
1998-99	130,000	72,882	202,882	909,597	22.30
1999-00	130,000	65,133	195,133	844,152	23.12
2000-01	115,000	57,227	172,227	851,002	20.24
2001-02	115,000	50,595	165,595	931,644	17.77
2002-03	125,000	43,878	168,878	1,024,885	16.48
2003-04	\$ 60,000	\$ 67,148	\$ 127,148	\$ 1,081,972	11.75%

TABLE XI

Electric Revenue Bond Coverage  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Gross Revenues</u>	<u>Direct Operating Expense</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements</u>			
				<u>Princi- pal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
1993-94	\$ 1,554,957	\$ 1,417,077	\$ 137,880	\$ 20,000	\$ 1,477	\$ 21,477	6.42
1994-95	1,512,611	1,360,905	151,706	20,000	369	20,369	7.45
1995-96	*						

\* Paid off in 1994-95.

CITY OF ONAWA, IOWA

TABLE XII

Water Revenue Bond Coverage  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Gross Revenues</u>	<u>Direct Operating Expense</u>	<u>Net Revenue Available For Debt Service</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
				<u>Princi- pal</u>	<u>Interest</u>	<u>Total</u>	
1993-94	\$ 251,818	\$ 228,260	\$ 23,558	\$ 44,955	\$ 4,703	\$ 49,658	.47
1994-95	259,709	231,127	28,582	45,234	4,531	49,765	.57
1995-96	258,366	244,731	13,635	46,288	3,044	49,332	.28
1996-97	262,732	235,602	27,130	35,594	460	36,054	.75
1997-98	*						

\* - Paid off in 1996-1997.

TABLE XIII

Demographic Statistics

<u>Per Fiscal Year</u>	(1) <u>Population</u>	(1) <u>Capita Income</u>	(1) <u>Median Age</u>	(2) <u>School Enrollment</u>	(3) <u>Monona County Unemployment Rate</u>
1970	3,154	\$ 2,659	38.3	1,154	4.1 %
1980	3,283	7,168	39.2	833	5.4 %
1990	2,936	10,826	43.2	733	4.2 %
2000	3,091	17,928	42.3	679	3.1%

Sources:

- (1) Bureau of Census
- (2) Annual School Census
- (3) Iowa Department of Job Service

CITY OF ONAWA, IOWA

TABLE XIV

Property Value, Construction, and Bank Deposits

Last Ten Fiscal Years

Fiscal Year	Commercial (1) Construction		Residential (1) Construction		Bank (2) Deposits (in Thousands)
	No. of Units	Value	No. of Units	Value	
1994-95	3	\$ 282,161	5	\$ 4,039,291	\$ 76,907
1995-96	6	186,895	4	413,255	78,157
1996-97	(3)	605,030	38	5,114,053	78,101
1997-98	6	1,611,709	4	942,664	75,655
1998-99	3	3,349,853	1	6,482,623	80,342
1999-00	(6)	389,133	3	1,027,724	84,020
2000-01	(6)	1,371,424	3	1,350,230	82,253
2001-02	(3)	2,229,289	3	3,543,752	83,553
2002-03	(3)	( 24,634)	(7)	641,368	83,867
2003-04	(2)	\$( 28,771)	(3)	\$ 2,585	\$ 93,954

(1) Includes new construction and remodeling.

(2) Combined deposits in three banks (Source: Bank Financial Statements).

TABLE XV

Principal Taxpayers  
June 30, 2004

<u>Taxpayer</u>	FY2003-04 Assessed Valuation	Percentage of Total Assessed Valuation
Regal Manors of Onawa, Inc.	\$ 2,319,778	2.50%
Onawa – Pam Limited Partnership	1,207,409	1.30
Westendorf, Inc.	1,140,984	1.23
Vetter Equipment	1,015,000	1.10
Brett and Debra Ewing	896,335	.97
Sarah and Derek Cartmill	821,460	.89
NILS Holdings LLC	813,288	.88
Western Iowa Cooperative	750,422	.81
NFG, LLC	743,744	.80
Longlines, Inc.	<u>688,429</u>	<u>.74</u>
Total	\$ <u>10,396,849</u>	<u>11.22%</u>

CITY OF ONAWA, IOWA

TABLE XVI

Miscellaneous Statistics  
June 30, 2004

Date of Incorporation	1859
Form of Government	Mayor - Council
Area	4.6
Miles of Streets	40
Number of Street Lights	345
Fire Protection:	
Number of Stations	2
Number of Volunteer Firemen	21
Police Protection:	
Number of Stations	1
Number of Policemen and Officers	6
Education:	
Number of Schools	1 Public (Elementary, Middle, High School Early Childhood Development)
Municipal Water Department:	
Number of Consumers	1,454
Average Daily Consumption	503,014 Gallons
Miles of Water Mains	38 Miles
Miles of Sewers:	
Sanitary Sewers	27 Miles
Lift Stations	4
Building Permits Issued 2003-04	89
Recreation and Culture	
Number of Parks	4
Number of Libraries	1
Number of Volumes	22,090
Total Library Circulation	32,898

COMMENTS AND RECOMMENDATIONS

CITY OF ONAWA, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2004

Part I: Summary Of Auditors' Results

- A. An unqualified opinion was issued on the financial statements.
- B. A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements including a material weakness. See 04-II-A
- C. The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings Related to the General Purpose Financial Statements

04-II-A Segregation of Accounting Functions

Observation - An important aspect of internal control is the segregation of accounting functions among employees. Several incompatible accounting functions regarding cash receipts are handled by the same employee.

Recommendations - We recommend that one employee be designated to open the mail and make a prelist of receipts, one employee post the receipts and the employee who opens the mail make the bank deposit.

Response - Due to the limited number of personnel in the office, it is not feasible at this time to break down the segregation of duties any further.

Conclusion - We realize that there are limited number of personnel available and we agree with the City's response. Our purpose in making this observation is to remind management of the careful attention and scrutiny of the records that is necessary when a limited number of personnel are available which makes ideal control impossible.

Part III: Other Findings Related to Required Statutory Reporting

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

04-III-B Certified Budget - City disbursements during the fiscal year ended June 30, 2004, exceeded the amount budgeted in the Debt Service and the Capital Projects programs. 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 - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

04-III-C Entertainment Expense - We noted no expenditures for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

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

04-III-E Business Transactions - No business transactions between the City and City officials or employees were noted.

04-III-F Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions, but we suggest that the City review its coverage with the council and insurance agent on an annual basis.

04-III-G Council Minutes - The minutes record was examined and appeared to give a condensed, accurate account of business transacted by the council. The City has represented to us that we were furnished a complete and official copy of all minutes of all meetings of the council.

04-III-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

04-III-I Financial Condition - There were fund deficits in the following individual funds:

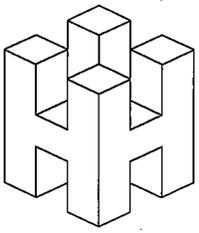
Debt Service	\$ 40,842
Special Revenue - TIF	599,509
Capital Project - Community Center	69,412
Capital Project - 2004 Street Project	8,386
Capital Project - 15 <sup>th</sup> & Marble Street	28,305

Recommendation - The City should monitor these funds and investigate alternatives to eliminate these deficits.

Response - The City intends to finance these deficits from various resources including general funds, special assessments to be collected, and future property tax levies.

Conclusion - Response accepted.

CITY OF ONAWA, IOWA



HENJES, CONNER &  
WILLIAMS, P.C.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF ONAWA, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated January 13, 2005. 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.

Compliance

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

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

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Onawa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Onawa's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part II of the accompanying Schedule of Findings and Questioned Costs, as Item 04-II-A.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider Item 04-II-A to be a material weakness.

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 Onawa and other parties to whom the City of Onawa 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 Onawa 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.

*Hanges, Curran  
& Williams, P.C.*  
Certified Public Accountants

Sioux City, Iowa  
January 13, 2005