

**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS & QUESTIONED COSTS
CITY OF HAWARDEN, IOWA
FOR THE
FISCAL YEAR ENDED JUNE 30, 2004**

Prepared by
Office of the City Clerk
Craig Coffey, City Administrator/City Clerk
and Sharole Rens, Deputy City Clerk/Finance Officer

**CITY OF HAWARDEN
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2004
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CITY OF HAWARDEN, IOWA
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CITY OF HAWARDEN, IOWA
Directory of City Officials
as of June 30, 200

Elected City Officers

Richard Porter - Mayor

Council Members:

Dr. Monte Harvey (2005)
Roy Lubkeman (2005)
Jeff Nohava (2005)
Mike Cauwels (2004)
Wanda Woodley (2004)

Hospital Trustees:

Glea Hamik
Matt Hummel
Pam Harvey
Mary Jacobs
Cynthia Porter

Appointed City Officers

Craig Coffey – City Administrator/City Clerk
Chris Myers – Assistant City Administrator/Telecommunications Director
Sharole Rens – Finance Officer/Deputy City Clerk
Jim Pickner – City Attorney
Tom Kane – Director of Public Works
Mike DeBruin – Chief of Police
Brad Meyers – Ambulance Dir./Emergency Svc./Safety Coordinator
Jami Dekkers – Activity Director
Valerie Haverhals - Librarian

Appointed Boards and Commissions

Library Board of Trustees:

Lois Jean Dawson -Chairman
John Polifka – Vice-Chairman
Kay Scroggs
Tony Lauters
Teri Kallsen

Planning and Zoning Commission:

Arlen DeZeeuw - Chairman
Lloyd Strong, Jr.
Marlo "Butch" Green
Mike Wiggins
Virginia Moothart
Don Nolan
Jerry Jensen

Board of Zoning Adjustment:

William Salker - Chairman
Julie Miller
Jack Andela
Judy Scott
Bruce Woodley

Park Board:

Mary Hulleman
Duane Schiefen
Jerrod Lynott
Jim Kinney
Elaine Kane

Activity Board

Glenn Gregg
Mike Dorhout
Denny Peters

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the City Council
City of Hawarden, 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 HAWARDEN, IOWA (the "City") as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Hawarden Municipal Hospital, (a discretely presented component unit), which statements reflect total assets of \$2,664,561 and total operating revenues of \$3,695,934 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Hawarden Municipal Hospital, is based solely on the report of the other auditors.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated August 26, 2004, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 4 through 13 and 52 through 59, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hawarden, Iowa's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the general purpose, combining, individual fund and account group financial statements and schedules and, accordingly, we express no opinion on it.

The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Certified Public Accountants

August 26, 2004

Management's Discussion and Analysis

June 30, 2004

This discussion and analysis of the City of Hawarden 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 City's financial statements that follow this report.

Financial Highlights

- The assets of the City of Hawarden exceeded liabilities at June 30, 2004 by \$14,461,635. Of this amount, \$6,269,177 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets decreased by \$64,622 during the year. Of this amount, the assets of our Governmental Activities increased by \$551,255 and the assets of our Business Activities decreased by \$615,877.
- The largest factor in the decrease in net assets was the construction of Capital Projects and Economic Projects with financial support from the municipal utilities.
- The City's long-term debt decreased by \$470,000 due to the retirement of debt. Outstanding General Obligation debt totals \$1,010,000. Electric revenue debt was re-financed and will take effect in 2006-07 issued.

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 the private sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenue and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by the private-sector companies. These two statements report the City's net assets, which is the difference between assets and liabilities 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 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 finances 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 Telephone/Cell Phone, Cable/High Speed Internet, Electric, Solid Waste, Water, Sewer, and Natural Gas.

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 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 TRUSTEE

Reporting the City’s Fiduciary Responsibilities

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City’s fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. We exclude these activities from the City’s government-wide financial statements because the City cannot use these assets to finance its operations.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found behind the Fiduciary Funds statements.

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 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:

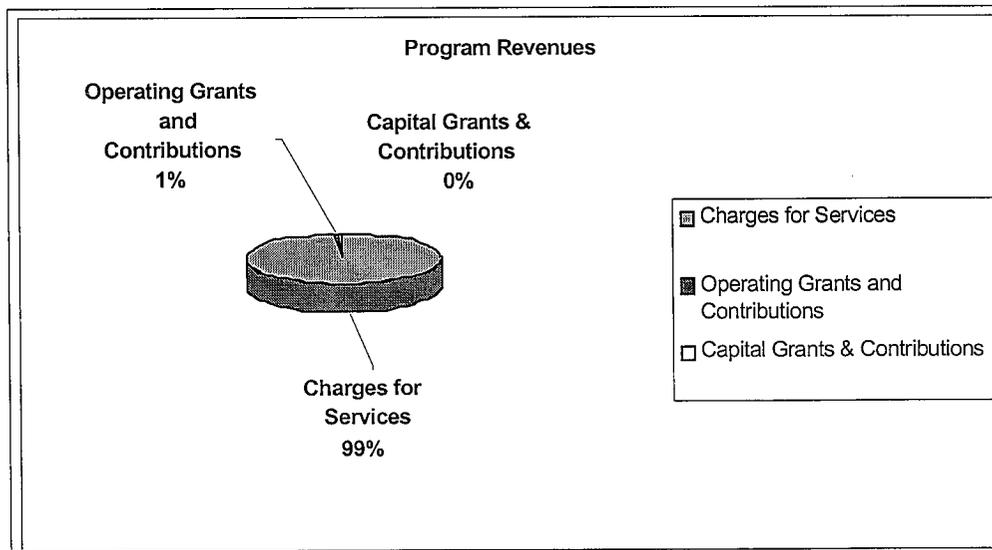
	Governmental Activities	Business- Type Activities	Total
Beginning Net Assets	\$ 8,115,737	\$ 6,410,510	\$ 14,526,257
Increase/(Decrease)	<u>551,255</u>	<u>(615,877)</u>	<u>(64,622)</u>
Ending Net Assets	<u>\$ 8,666,992</u>	<u>\$ 5,794,643</u>	<u>\$ 14,461,635</u>

This summary reflects a increase of 6.8% for the Governmental Activities and an decrease of 9.6% in the Business-Type Activities.

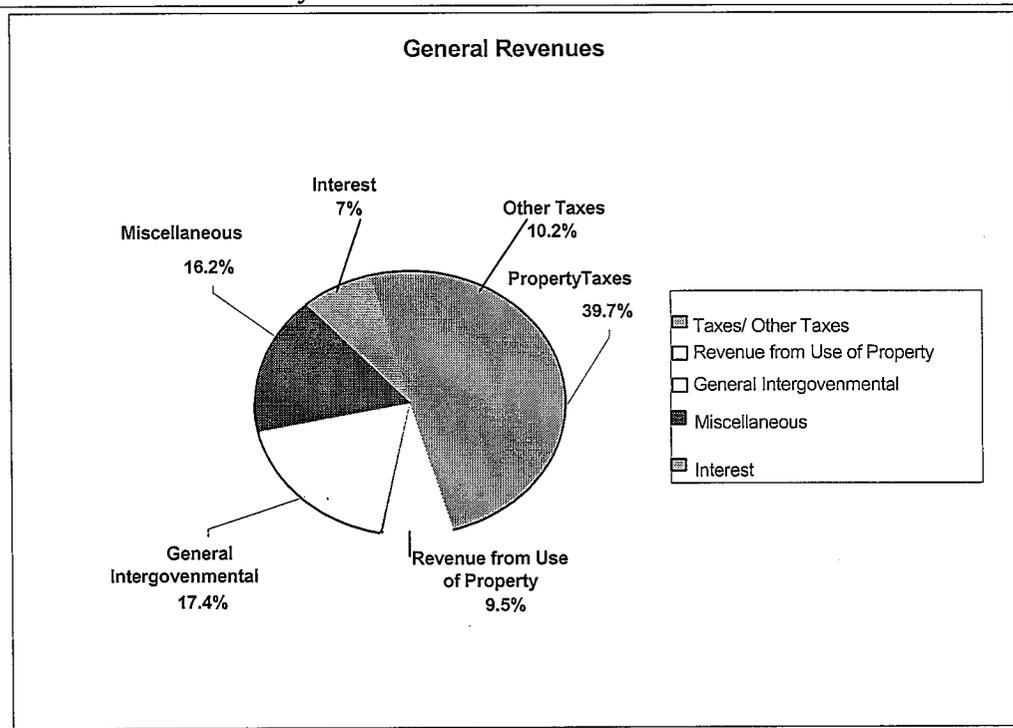
Total revenue reported in Fiscal 2004 was \$7,036,211. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities:

Revenue Source	General Governmental Activities	Business Type Activities	Total
Program Revenues:			
Charges for Service	\$ 281,710	\$ 4,840,484	\$ 5,122,194
Operating Grants & Contributions	41,102		41,102
Capital Grants & Contributions	-		-
Total Program Revenues	<u>322,812</u>	<u>4,840,484</u>	<u>5,163,296</u>
General Revenues & Interfund Transfers:			
Property Taxes	744,387		744,387
Local Option Sales Tax	191,576		191,576
Contributions	29,288		29,288
Special Assessments	12,941		12,941
Interest	48,261	82,931	131,192
General Intergovernmental Rev.	326,319		326,319
Use of Property	16,942	158,872	175,814
Sale of Fixed Assets	4,275		4,275
Miscellaneous	189,052	68,071	257,123
Interfund Transfer	<u>693,000</u>	<u>(693,000)</u>	-
Total General Revenues & Interfund Transfers	<u>2,256,041</u>	<u>(383,126)</u>	<u>1,872,915</u>
Total Revenues & Interfund Transfers	\$ <u>2,578,853</u>	\$ <u>4,457,358</u>	\$ <u>7,036,211</u>

Program revenues totaled \$5,163,296 for fiscal year 2004. Governmental Activities provided \$322,812 and Business-Type Activities provided \$4,840,484. Revenue collected for Charges for Services during fiscal year 2004 was \$5,122,194, accounting for 99% of the total program revenues. The following chart breaks down program revenues by source:



General Revenues for fiscal year 2004 totaled \$1,872,915. Governmental Activities used \$1,704,786 and Business-Type Activities used \$232,751. Property Tax Revenues for fiscal year 2004 totaled \$744,387, accounting for 40% of General Revenues. The following chart breaks down General Revenues by source:



Expenditures for Fiscal 2004 totaled \$7,100,833. Expenditures for General Governmental Activities totaled \$2,027,598, accounting for 29% of total expenditures. Business-Type Activity expenditures totaled \$5,073,235, for 71% of the total.

The following table shows total expenditures by Function/Program:

Program Level	General Governmental Activities	Business-Type Activities	Total
Public Safety	\$ 406,863		\$ 406,863
Public Works	449,683		449,683
Health and Social Services	192,871		192,871
Culture and Recreation	421,180		421,180
Community and Economic Development	304,439		304,439
General Government	111,607		111,607
Debt Service	76,769		76,769
Capital Projects	64,186		64,186
Water Utility		\$ 260,997	260,997
Wastewater Utility		256,252	256,252
Electric Utility		1,935,696	1,935,696
Gas Utility		1,131,164	1,131,164
Solid Waste Utility		134,634	134,634
Telephone Utility		993,414	993,414
Cable/Internet Utility	-	\$ 361,078	361,078
Total Expenditures	\$ <u>2,027,598</u>	\$ <u>5,073,235</u>	\$ <u>7,100,833</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
Health and Social Services.....	
Culture and Recreation	Education & Culture, Leisure Time Opportunities
Community & Economic Development	Economic Development, Community Beautification, Planning and Zoning
General Government.....	Administration, Support Services
Debt Service.....	Payment of Interest
Capital Projects	Construction of Capital Facilities
Water Utility	Operation of Water Treatment Plant/Supply Distribution System
Sewer Utility	Operation of the Waste Water Treatment Plant/Collection System
Electric Utility.....	Operation of Electric Distribution System
Natural Gas Utility.....	Operation of Natural Gas Distribution System
Solid Waste Utility.....	Oversite of Solid Waste Contract/Closed Landfill
Telephone Utility	Operation of Telephone Communications System
Cable/Internet Utility	Operation of Cable/Internet Systems

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 of 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 Public Safety, the City spent \$406,863 and received \$146,022 in revenue, thus leaving a cost to the taxpayer of \$260,841 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:

Public Safety	Fines, Fees
Culture and Recreation	Fees, Donations, Grants
General Government	Licenses, Permits

The total cost of governmental activities this year was \$2,027,598. Of these costs, \$281,710 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 were \$41,102, leaving a Net Expense of \$1,704,786 for Governmental Activities. These expenses were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provide further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

Functions/Programs	Net (Expense) Revenue
Governmental Activities:	
Public Safety	\$ (260,841)
Public Works	(449,683)
Health & Social Services	(192,871)
Culture and Recreation	(334,355)
Community and Economic Development	(304,439)
General Government	(21,642)
Debt Service	(64,186)
Capital Projects	<u>(76,769)</u>
Total Net (Expense) Revenue	
Governmental Activities	(1,704,786)
General Revenues & Interfund Transfers	<u>2,256,041</u>
 Change in Net Assets	 <u><u>\$ 551,255</u></u>

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

Total resources available during the year to finance governmental operations were \$10,694,590, consisting of Net Assets at July 1, 2003 of \$8,115,737, Program Revenues of \$322,812 and General Revenues of \$2,256,041. Total Governmental Activities during the year expended \$2,027,598; thus, Net Assets were increased by \$551,255, to \$8,666,992.

Business Type Activities

Business Type Activities decreased the City's net assets by \$ 615,877.

The cost of all Proprietary Activities this year was \$5,073,235. As shown in the Statement of Activities, the amounts paid by users of the systems was \$4,840,484, resulting in total Net Expense for Business Type Activities of \$232,751. The Net (Expense) Revenue by Business Type Activity is shown in the following table:

Business Type Activities	Net (Expense) Revenue
Water Utility	\$ (2,039)
Sewer Utility	(43,454)
Electric Utility	(418,095)
Natural Gas Utility	113,361
Solid Waste Utility	10,581
Telephone Utility	151,753
Cable/Internet Utility	<u>(44,858)</u>
 Total Net (Expense) Revenue	
Business Type Activities	(232,751)
General Revenues & Interfund Transfers	<u>(383,126)</u>
 Change in Net Assets	 \$ <u>(615,877)</u>

Total resources available during the year to finance Proprietary Fund activities were \$10,867,878, consisting of Net Assets at July 1, 2003 of \$6,410,520, Program Revenues of \$4,840,484 and General Revenues of (\$383,126). Total Proprietary Fund Activities during the year expended \$5,073,235; thus Net Assets were decreased by \$615,877 to \$5,794,643.

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 Total Governmental Funds reported combined ending fund balances of \$2,847,442. The combined Governmental Funds balance increased \$116,282 from the prior year.

The General Fund is the primary operating fund of the City. During the year, expenditures were less than revenues in the General fund by \$534,296.

General Fund Budgetary Highlights

Comparing the fiscal year 2004 original (adopted) budget amount of \$1,357,500 to the final amount expended of \$1,196,998 shows a net decrease of \$188,402.

Original Budget	Supplemental Changes	Amended Budget
\$ 1,357,500	\$ 27,900	\$ 1,385,400

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

Expenditures	Amended Budget	Actual	Variance
Public Safety	\$ 434,250	\$ 401,683	\$ 32,567
Public Works	334,500	290,241	44,259
Culture and Recreation	423,500	362,110	61,840
Community and Economic Development	62,500	39,868	22,632
General Government	<u>130,200</u>	<u>103,096</u>	<u>27,104</u>
Total Expenditures	\$ <u>1,385,400</u>	\$ <u>1,196,998</u>	\$ <u>188,402</u>

Capital Assets

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2004, was \$8,016,034 (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
Improvements- Other Bldgs	\$ 45,645	\$ 141,607	\$ 187,252
Equipment	120,536		120,536
Construction In Progress	<u>308,985</u>	<u>23,794</u>	<u>332,779</u>
Total Gross Additions	\$ <u>475,166</u>	\$ <u>165,401</u>	\$ <u>640,567</u>

For Business-Type Activities, the Construction in progress consisted of costs associated with the electric distribution improvements and water plant expansion.

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

DEBT ADMINISTRATION

At year-end the City had \$7,490,000 of debt outstanding, including \$2,945,000 of revenue crossover bonds. This is an increase of \$2,390,000 from the prior year. Without the inclusion of the crossover bonds which proceeds are held as investment until the crossover date, outstanding debt decreased by \$555,000, including an \$85,000 reduction in hospital debt.

Debt administration is on track, with the majority of all City debt repaid within the next 10 years. This rapid repayment, when combined with the use of 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 \$3,356,821. With outstanding General Obligation Debt applicable to this limit of \$1,010,000, we are utilizing 30% of this limit. More detailed information on debt administration is provided as a note in the financial statements.

ECONOMIC FACTORS

The City of Hawarden worked hard in FY 2004-05 to maintain a positive approach to growth and community development. During the year work proceeded on the new City Offices and Community Center facilities as well as preparation for the start of a new fire station on the north end of town. A Community and Attraction Tourism (CAT) Grant was also submitted that if approved would bring about real change to amenities and overall appearance of the community. These projects are just a step in the overall vision of providing quality services to Hawarden residents and to improve the face of the community to outside visitors and prospective industries.

Economically the City continued to grow also. The City worked to introduce two new larger businesses. One was a bulk concrete plant on the north end of the community by the Airport and the start of a new 30-unit plus motel (Hawarden Harvest Inn) occurred on Highway 10 to the south. The combined value of the new businesses will add approximately 2 million dollars to the tax base. Just across the border, 4 miles north of town in South Dakota, a new Ethanol plant opened up employing 60 new employees. Other small successes including the start of the renovation of the former Bonderson Building damaged by fire in February of 2003 and the retention and expansion of Hawarden Machine/Foremost into 16,000 s.f. of the former Wahoo building.

Residential development also progressed with the addition of a new rural subdivision in Calliope along the river and immediate construction of three houses. Approximately three other houses were built in the community.

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 Craig Coffey or Sharole Rens at 712-551-2565.

CITY OF HAWARDEN, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Primary Government		Total	Component Unit Hawarden Community Hospital
	Governmental Activities	Business-Type Activities		
ASSETS				
Cash and Cash Equivalents	\$ 2,238,428	\$ 25,900	\$ 2,264,328	\$ 361,941
Investments	1,445,934	-	1,445,934	13,698
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	43,406	237,593	280,999	866,346
Taxes	8,720	-	8,720	-
Subsequent Year Taxes	770,492	-	770,492	-
Accrued Interest	4,121	1,501	5,622	-
Other	-	-	-	72,959
Estimated Unbilled Usage	-	87,812	87,812	-
Special Assessments	12,146	-	12,146	-
Notes Receivable	169,947	-	169,947	-
Internal Balances	11,649	(11,649)	-	-
Advances to Other Funds	(78,718)	78,718	-	-
Due from Other Governmental Agencies	45,269	-	45,269	-
Inventories	-	437,137	437,137	55,693
Prepaid Assets	46,791	41,445	88,236	19,748
Investment in Joint Venture	-	535,449	535,449	-
Restricted Assets:				
Cash and Cash Equivalents	-	2,163,447	2,163,447	96,123
Investments	-	3,718,558	3,718,558	-
Customer Deposits	-	33,786	33,786	-
Bond Issue Costs	17,904	75,878	93,782	-
Land	472,625	56,094	528,719	7,000
Construction in Progress	308,985	38,977	347,962	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 6)	5,751,475	4,657,072	10,408,547	1,171,053
Total Assets	11,269,174	12,177,718	23,446,892	2,664,561
LIABILITIES				
Accounts Payable	166,900	155,269	322,169	733,790
Accrued Wages and Compensated Absences	25,581	45,202	70,783	141,177
Accrued Expenses	39,642	8,282	47,924	79,360
Due to Other Governments	-	24,332	24,332	-
Accrued Postclosure Costs	-	7,480	7,480	-
Unearned Revenue	185,249	-	185,249	-
Deferred Revenue - Subsequent Year Taxes	770,492	-	770,492	-
Accrued Interest Payable	9,318	-	9,318	-
Payables from Restricted Assets:				
Customer Deposits	-	33,786	33,786	-
Accrued Revenue Bond Interest	-	23,724	23,724	-
Revenue Bonds - Crossover	-	2,945,000	2,945,000	-
Noncurrent Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	170,000	170,000	-
General Obligation Bonds	125,000	-	125,000	-
Notes Payable	-	-	-	7,993
Capital Lease	-	-	-	27,371
Due in more than one year:				
Revenue Bonds Payable	-	2,970,000	2,970,000	-
General Obligation Bonds	1,280,000	-	1,280,000	-
Notes Payable	-	-	-	16,359
Capital Lease	-	-	-	39,173
Total Liabilities	2,602,182	6,383,075	8,985,257	1,045,223
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	5,108,592	2,907,442	8,016,034	1,087,157
Restricted for:				
Endowments:				
Expendable	45,490	-	45,490	-
Nonexpendable	130,934	-	130,934	96,123
Unrestricted	3,381,976	2,887,201	6,269,177	436,058
Total Net Assets	\$ 8,666,992	\$ 5,794,643	\$ 14,461,635	\$ 1,619,338

See Accompanying Notes to Financial Statements

CITY OF HAWARDEN, IOWA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 406,863	\$ 146,022	\$ -	\$ -
Public Works	449,683	-	-	-
Health and Social Services	192,871	-	-	-
Culture and Recreation	421,180	45,723	41,102	-
Community and Economic Development	304,439	-	-	-
General Government	111,607	89,965	-	-
Capital Projects	64,186	-	-	-
Debt Service	76,769	-	-	-
Total governmental activities	<u>2,027,598</u>	<u>281,710</u>	<u>41,102</u>	<u>-</u>
Business-Type Activities:				
Water Utility	260,997	258,958	-	-
WasteWater Treatment Utility	256,252	212,798	-	-
Electric Utility	1,935,696	1,517,601	-	-
Gas Utility	1,131,164	1,244,525	-	-
Solid Waste Utility	134,634	145,215	-	-
Telephone Utility	993,414	1,145,167	-	-
Cable/Internet Utility	361,078	316,220	-	-
Total Business-Type Activities:	<u>5,073,235</u>	<u>4,840,484</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 7,100,833</u>	<u>\$ 5,122,194</u>	<u>\$ 41,102</u>	<u>\$ -</u>
Component Unit:				
Hawarden Community Hospital	<u>\$ 3,728,052</u>	<u>\$ 3,695,934</u>	<u>-</u>	<u>-</u>

General Revenues:
Property taxes
Local Option Sales Tax
Contributed Capital
Special Assessments
Interest
General Intergovernmental Revenues
Use of property
Gain (Loss) on Sale of Assets
Miscellaneous
Interfund Transfers
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			Component Unit Floyd Valley Hospital
Governmental Activities	Business-Type Activities	Total	
\$ (260,841)		\$ (260,841)	
(449,683)		(449,683)	
(192,871)		(192,871)	
(334,355)		(334,355)	
(304,439)		(304,439)	
(21,642)		(21,642)	
(64,186)		(64,186)	
(76,769)		(76,769)	
<u>(1,704,786)</u>		<u>(1,704,786)</u>	
	\$ (2,039)	(2,039)	
	(43,454)	(43,454)	
	(418,095)	(418,095)	
	113,361	113,361	
	10,581	10,581	
	151,753	151,753	
	(44,858)	(44,858)	
	<u>(232,751)</u>	<u>(232,751)</u>	
<u>(1,704,786)</u>	<u>(232,751)</u>	<u>(1,937,537)</u>	
			\$ (32,118)
744,387	-	744,387	-
191,576	-	191,576	-
29,288	-	29,288	-
12,941	-	12,941	-
48,261	82,931	131,192	9,662
326,319	-	326,319	-
16,942	158,872	175,814	-
4,275	-	4,275	-
189,052	68,071	257,123	180,528
693,000	(693,000)	-	-
<u>2,256,041</u>	<u>(383,126)</u>	<u>1,872,915</u>	<u>190,190</u>
551,255	(615,877)	(64,622)	158,072
8,115,737	6,410,520	14,526,257	1,461,266
<u>\$ 8,666,992</u>	<u>\$ 5,794,643</u>	<u>\$ 14,461,635</u>	<u>\$ 1,619,338</u>

See Accompanying Notes to Financial Statements

CITY OF HAWARDEN, IOWA
BALANCE SHEET
Governmental Funds
JUNE 30, 2004

	General	TIF
Assets		
Cash and Pooled Investments	\$ 398,589	\$ 146,365
Investments	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	43,406	-
Taxes	4,568	1,211
Subsequent Year Taxes	300,052	264,649
Accrued Interest	147	163
Special Assessments	12,146	-
Notes Receivable	169,947	-
Due from Other Funds	44,677	-
Due from Other Governmental Agencies	-	-
Prepaid Assets	46,791	-
Total Assets	1,020,323	412,388
Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	18,818	-
Accrued Wages and Compensated Absences	25,581	-
Accrued Expenses	39,642	-
Due to Other Funds	-	-
Unearned Revenue	177,598	-
Deferred Revenue - Subsequent Year Taxes	300,052	264,649
Advance from Other Funds	-	78,718
Total Liabilities	561,691	343,367
Fund Balances:		
Reserved for:		
Debt Service	-	-
Advances	-	69,021
Library Endowment	-	-
Prepaid Items	46,791	-
Unreserved	411,841	-
Total Fund Balances	458,632	69,021
Total Liabilities and Equity	\$ 1,020,323	\$ 412,388

See Accompanying Notes to Financial Statements

	Debt Service	Capital Project Community Center Project	Other Governmental Funds	Total Governmental Funds
\$	15,028	\$ 849,972	\$ 516,608	\$ 1,926,562
	-	500,000	580,934	1,080,934
	-	-	-	43,406
	1,309	-	1,632	8,720
	98,569	-	107,222	770,492
	-	733	1,063	2,106
	-	-	-	12,146
	-	-	-	169,947
	-	-	-	44,677
	-	345	44,924	45,269
	-	-	-	46,791
	114,906	1,351,050	1,252,383	4,151,050
	-	112,215	35,867	166,900
	-	-	-	25,581
	-	-	-	39,642
	-	-	44,677	44,677
	-	-	-	177,598
	98,569	-	107,222	770,492
	-	-	-	78,718
	98,569	112,215	187,766	1,303,608
	16,337	-	-	16,337
	-	-	-	69,021
	-	-	176,424	176,424
	-	-	-	46,791
	-	1,238,835	888,193	2,538,869
	16,337	1,238,835	1,064,617	2,847,442
\$	114,906	\$ 1,351,050	\$ 1,252,383	\$ 4,151,050

See Accompanying Notes to Financial Statements

CITY OF HAWARDEN, IOWA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
For the Year Ended June 30, 2004

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

Total Fund Balance - Governmental Funds (page 21)	\$ 2,847,442
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	6,052,340
Internal service funds are used by management to fund and maintain the City's health insurance provided to user departments and are included in the statement of net assets.	1,171,275
Deferred revenues that provide current financial resources for governmental activities	(7,651)
Accrued expenses from the balance sheet that require current financial resources for governmental activities	(9,318)
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	17,904
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(1,405,000)</u>
Total Net Assets - Governmental Activities (page 16)	<u><u>\$ 8,666,992</u></u>

See Accompanying Notes to Financial Statements

CITY OF HAWARDEN, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
Year Ended June 30, 2004

	General	TIF
Revenue:		
Taxes	\$ 319,187	\$ 210,248
Special Assessments	6,969	-
Licenses and Permits	20,784	-
Intergovernmental Revenue	44,893	-
Charges for Services	181,163	-
Fines and Forfeits	10,582	-
Contributions	-	-
Refunds/Reimbursements	51,383	-
Rental Income	16,942	-
Interest	5,961	2,123
Miscellaneous	4,838	-
Total Revenue	<u>662,702</u>	<u>212,371</u>
Expenditures:		
Public Safety	401,683	-
Public Works	290,241	-
Health and Social Services	-	-
Culture and Recreation	362,110	-
Community and Economic Development	39,868	244,845
General Government	103,096	-
Capital Projects	-	-
Debt Service	-	-
Total Expenditures	<u>1,196,998</u>	<u>244,845</u>
Excess (deficiency) of revenues over expenditures	<u>(534,296)</u>	<u>(32,474)</u>
Other financing sources (uses):		
Transfers In	705,800	161,000
Transfers Out	(30,100)	(94,948)
Total other financing sources (uses)	<u>675,700</u>	<u>66,052</u>
Net Change in Fund Balance	141,404	33,578
Fund balances-beginning of year	317,228	35,443
Fund balances- end of year	<u>\$ 458,632</u>	<u>\$ 69,021</u>

See Accompanying Notes to Financial Statements

	Debt Service	Capital Project Community Betterment	Other Governmental Funds	Total Governmental Funds
\$	100,949	\$ -	\$ 114,003	\$ 744,387
	-	-	-	6,969
	-	-	-	20,784
	88,998	-	399,210	533,101
	-	-	-	181,163
	-	-	-	10,582
	-	-	81,104	81,104
	-	-	34,374	85,757
	-	-	-	16,942
	609	17,436	13,774	39,903
	15,294	335	31,895	52,362
	205,850	17,771	674,360	1,773,054
	-	-	25,300	426,983
	-	-	48,597	338,838
	-	-	191,576	191,576
	-	-	5,009	367,119
	-	-	-	284,713
	-	-	-	103,096
	209,894	251,255	94,822	555,971
	78,003	-	3,473	81,476
	287,897	251,255	368,777	2,349,772
	(82,047)	(233,484)	305,583	(576,718)
	94,948	280,000	66,100	1,307,848
	-	-	(489,800)	(614,848)
	94,948	280,000	(423,700)	693,000
	12,901	46,516	(118,117)	116,282
	3,436	1,192,319	1,182,734	2,731,160
\$	16,337	\$ 1,238,835	\$ 1,064,617	\$ 2,847,442

See Accompanying Notes to Financial Statements

CITY OF HAWARDEN, 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

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

Net change in fund balances - total governmental funds (page 21) \$ 116,282

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:

Expenditures for capital assets	\$ 298,221	
Depreciation expense	<u>(183,703)</u>	114,518

Revenues reported in the funds that are not available to provide current financial resources 5,972

Capital contributions reported in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the funds. 29,288

Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources

Accrued interest expense that does not require current financial resources 4,707

Internal service funds are used by management to fund and maintain the City's insurance policies provided to user departments and for the maintenance, repair, and replacement of the City's automotive equipment and are included in the statement of net assets. The net revenue of the internal service funds is reported with governmental activities. 77,539

The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities (2,051)

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: 205,000

Change in net assets of governmental activities (page 16) \$ 551,255

See Accompanying Notes to Financial Statements

CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF NET ASSETS
Proprietary Funds
June 30, 2004

	Business Type Activities		
	Water Utility	Waste Water Treatment Utility	Electric Utility
ASSETS			
Cash and Cash Equivalents	\$ -	\$ -	\$ 10,584
Investments	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	18,759	14,881	56,238
Accrued Interest	-	440	1,061
Estimated Unbilled Usage	8,102	5,988	50,156
Due from Other Funds	-	116,678	7,324
Investment in Joint Venture	-	-	501,673
Advanced to Other Funds	-	-	78,718
Inventories	23,928	-	252,174
Prepaid Assets	3,381	2,845	20,415
Restricted Assets:			
Cash and Cash Equivalents	282,937	355,115	821,741
Investments	-	300,000	3,418,558
Customer Deposits	-	-	-
Bond Issue Costs	-	-	75,878
Land	33,873	130	-
Construction in Progress	-	-	30,162
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	918,377	534,793	2,776,989
Total Assets	<u>1,289,357</u>	<u>1,330,870</u>	<u>8,101,671</u>
LIABILITIES			
Accounts Payable	947	806	63,442
Accrued Wages and Compensated Absences	2,275	3,877	18,120
Accrued Expenses	2,956	77	3,998
Due to Other Funds	88,673	-	144,899
Due to Other Governments	-	-	-
Accrued Postclosure Costs	-	-	-
Payables from Restricted Assets:			
Customer Deposits	-	-	-
Accrued Revenue Bond Interest	-	-	23,724
Revenue Bonds - Current	-	-	2,945,000
Noncurrent Liabilities:			
Due within one year:			
Revenue Bonds Payable	-	-	170,000
Due in more than one year:			
Revenue Bonds Payable	-	-	2,970,000
Total Liabilities	<u>94,851</u>	<u>4,760</u>	<u>6,339,183</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	952,250	534,923	962,450
Unrestricted	242,256	791,187	800,038
Total Net Assets	<u>\$ 1,194,506</u>	<u>\$ 1,326,110</u>	<u>\$ 1,762,488</u>

See Accompanying Notes to Financial Statements

Business Type Activities					Governmental Activities
Gas Utility	Solid Waste Utility	Telephone Utility	Cable/Internet Utility	Total	Internal Service
\$ 169	\$ -	\$ 15,147	\$ -	\$ 25,900	\$ 311,866
-	-	-	-	-	365,000
50,048	8,691	86,023	2,953	237,593	-
-	-	-	-	1,501	2,015
19,796	3,770	-	-	87,812	-
133,250	47,225	97,353	-	401,830	11,649
-	33,776	-	-	535,449	-
-	-	-	-	78,718	-
33,578	-	108,558	18,899	437,137	-
4,919	2,250	4,786	2,849	41,445	-
259,916	180,523	200,058	63,157	2,163,447	-
-	-	-	-	3,718,558	-
28,870	-	4,916	-	33,786	-
-	-	-	-	75,878	-
6	22,085	-	-	56,094	-
8,815	-	-	-	38,977	-
159,965	-	55,595	211,353	4,657,072	480,745
699,332	298,320	572,436	299,211	12,591,197	1,171,275
31,045	78	39,910	19,041	155,269	-
6,370	-	11,633	2,927	45,202	-
1,251	-	-	-	8,282	-
122,960	-	-	56,947	413,479	-
-	-	24,332	-	24,332	-
-	7,480	-	-	7,480	-
28,870	-	4,916	-	33,786	-
-	-	-	-	23,724	-
-	-	-	-	2,945,000	-
-	-	-	-	170,000	-
-	-	-	-	2,970,000	-
190,496	7,558	80,791	78,915	6,796,554	-
168,786	22,085	55,595	211,353	2,907,442	480,745
340,050	268,677	436,050	8,943	2,887,201	690,530
\$ 508,836	\$ 290,762	\$ 491,645	\$ 220,296	\$ 5,794,643	\$ 1,171,275

See Accompanying Notes to Financial Statements

CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
Proprietary Funds
For the Year Ended June 30, 2004

	Business Type Activities		
	Water Utility	Waste Water Treatment Utility	Electric Utility
Operating Revenues:			
Charges for Services	\$ 258,958	\$ 212,798	\$ 1,517,601
Total Operating Revenue	<u>258,958</u>	<u>212,798</u>	<u>1,517,601</u>
Operating Expenses:			
Resale Purchases			754,970
Employee Services	55,105	43,130	101,048
Contract Services	84,295	94,637	150,764
Supplies	39,633	23,033	71,679
Repairs and Improvements	12,770	15,627	49,269
Utilities	12,811	22,288	
Miscellaneous	1,209	762	12,480
Depreciation	51,645	56,775	553,005
Amortization			3,992
Total Operating Expenses	<u>257,468</u>	<u>256,252</u>	<u>1,697,207</u>
Operating Income	1,490	(43,454)	(179,606)
Non-Operating Income (Expense):			
Interest Income	3,460	10,259	60,871
Revenue from Use of Property	3,518		150,354
Other Non-operating Revenues	9,484	1,844	26,998
Interest Expense	(3,529)		(238,489)
Total Non-Operating Income (Expenses)	<u>12,933</u>	<u>12,103</u>	<u>(266)</u>
Income before Transfers	14,423	(31,351)	(179,872)
Contributions from Developers			6,774
Transfers In	-	-	50,000
Transfers Out	<u>(2,000)</u>	<u>-</u>	<u>(508,500)</u>
Change in Net Assets	12,423	(31,351)	(631,598)
Net Assets - Beginning	<u>1,182,083</u>	<u>1,357,461</u>	<u>2,394,086</u>
Net Assets - Ending	<u>\$ 1,194,506</u>	<u>\$ 1,326,110</u>	<u>\$ 1,762,488</u>

See Accompanying Notes to Financial Statements

Business Type Activities					Governmental Activities
Gas Utility	Solid Waste Utility	Telephone Utility	Cable/Internet Utility	Total	Internal Service
\$ 1,244,525	\$ 145,215	\$ 1,145,167	316,220	\$ 4,840,484	\$ 194,500
1,244,525	145,215	1,145,167	316,220	4,840,484	194,500
850,414	119,550	513,129	144,984	2,383,047	
82,411		61,607	38,885	382,186	-
131,083	12,771	333,374	108,834	915,758	-
11,003	1,170		29,921	176,439	-
28,145	1,000	9,261	14,409	130,481	2,160
	138	11,524		46,761	-
9,496	5	62,139	4,756	90,847	-
18,612		2,380	19,289	701,706	123,159
				3,992	-
1,131,164	134,634	993,414	361,078	4,831,217	125,319
113,361	10,581	151,753	(44,858)	9,267	69,181
2,329	3,122	2,631	259	82,931	8,358
5,000				158,872	-
1,657	526	10,991	5,470	56,970	-
				(242,018)	-
8,986	3,648	13,622	5,729	56,755	8,358
122,347	14,229	165,375	(39,129)	66,022	77,539
4,327				11,101	
				50,000	
(202,500)		(30,000)		(743,000)	-
(75,826)	14,229	135,375	(39,129)	(615,877)	77,539
584,662	276,533	356,270	259,425	6,410,520	1,093,736
\$ 508,836	\$ 290,762	\$ 491,645	\$ 220,296	\$ 5,794,643	\$ 1,171,275

See Accompanying Notes to Financial Statements

CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended June 30, 2004

	Business Type Activities		
	Water Utility	Waste Water Treatment Utility	Electric Utility
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 262,163	\$ 212,838	\$ 1,520,563
Cash Paid to Suppliers for Goods and Services	(157,938)	(158,463)	(1,065,533)
Cash Paid to Employees for Services	(55,028)	(40,844)	(93,959)
Other Nonoperating Income	13,002	1,844	177,352
Net Cash Provided by Operating Activities	<u>62,199</u>	<u>15,375</u>	<u>538,423</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and Construction of Capital Assets	(14,627)	(18,701)	(52,939)
Proceeds from Bond Sales			2,945,000
Bond Issuance Costs			(48,340)
Principal Paid on Notes and Bonds	(190,000)		(160,000)
Interest Paid on Notes and Bonds	(5,294)		(245,713)
Net Cash (Used) for Capital and Related Financing Activities	<u>(209,921)</u>	<u>(18,701)</u>	<u>2,438,008</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Operating Transfers to Other Funds	(2,000)		(458,500)
Advances From (To) Other Funds	-		11,282
Due From (To) Other Funds	(2,774)	(101,678)	-
Net Cash Provided (Used) for Non-Capital Financing Activities	<u>(4,774)</u>	<u>(101,678)</u>	<u>(447,218)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Investment Securities			(2,868,558)
Proceeds from Sale of Investment Securities	260,000	70,000	240,000
Interest and Dividends on Investments	6,817	14,508	90,459
Net Cash Provided for Investing Activities	<u>266,817</u>	<u>84,508</u>	<u>(2,538,099)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	114,321	(20,496)	(8,886)
Cash and Cash Equivalents at Beginning of Year	<u>168,616</u>	<u>375,611</u>	<u>841,211</u>
Cash and Cash Equivalents at End of Year	<u>\$ 282,937</u>	<u>\$ 355,115</u>	<u>\$ 832,325</u>

See Accompanying Notes to Financial Statements

Business Type Activities					Governmental Activities
Gas Utility	Solid Waste Utility	Telephone Utility	Cable/Internet Utility	Total	Internal Service
\$ 1,237,156	\$ 146,516	\$ 1,315,305	\$ 317,469	\$ 5,012,010	\$ 194,500
(1,026,965)	(144,650)	(934,463)	(288,473)	(3,776,485)	(2,160)
(78,755)	-	(55,030)	(37,313)	(360,929)	-
6,657	526	10,991	5,470	215,842	-
138,093	2,392	336,803	(2,847)	1,090,438	192,340
(8,815)	-	(46,499)	-	(141,581)	(98,258)
				2,945,000	-
				(48,340)	-
				(350,000)	-
				(251,007)	-
(8,815)	-	(46,499)	-	2,154,072	(98,258)
(202,500)		(30,000)		(693,000)	-
62,158		(97,353)		(23,913)	-
	(47,225)	(85,727)	24,087	(213,317)	-
(140,342)	(47,225)	(213,080)	24,087	(930,230)	-
200,000	120,000			(2,868,558)	-
6,127	5,086	2,631	259	890,000	-
				125,887	14,805
206,127	125,086	2,631	259	(1,852,671)	14,805
195,063	80,253	79,855	21,499	461,609	108,887
93,892	100,270	140,266	41,658	1,761,524	202,979
\$ 288,955	\$ 180,523	\$ 220,121	\$ 63,157	\$ 2,223,133	\$ 311,866

See Accompanying Notes to Financial Statements

(Continued)

CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF CASH FLOWS (Continued)
Proprietary Funds
For the Year Ended June 30, 2004

	Business Type Activities		
	Water Utility	Waste Water Treatment Utility	Electric Utility
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income	\$ 1,490	\$ (43,454)	\$ (179,606)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	51,645	56,775	553,005
Amortization			3,992
Miscellaneous Non-Operating Income	13,002	1,844	177,352
(Increase) Decrease in Assets:			
Accounts Receivable	(895)	(1,851)	(19,168)
Estimated Unbilled Usage	4,100	1,891	22,130
Inventories	(4,360)		14,869
Prepaid Expenses	(217)	(28)	(3,527)
Increase (Decrease) in Liabilities			
Accounts Payable	(3,387)	(2,088)	(31,481)
Accrued Wages and Compensated Absences	77	2,286	7,089
Accrued Expenses	744	-	(6,232)
Customer Deposits			
Total Adjustments	<u>60,709</u>	<u>58,829</u>	<u>718,029</u>
Net Cash Provided by Operating Activities	<u>\$ 62,199</u>	<u>\$ 15,375</u>	<u>\$ 538,423</u>
 Supplemental Schedule of Noncash Capital and Related Financing Activities:			
Contributed Capital	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,774</u>
 Reconciliation of Cash and Cash Equivalents to the Balance Sheet:			
Cash and Cash Equivalents	\$ -	\$ -	\$ 10,584
Restricted Cash and Cash Equivalents	282,937	355,115	821,741
	<u>\$ 282,937</u>	<u>\$ 355,115</u>	<u>\$ 832,325</u>

See Accompanying Notes to Financial Statements

Business Type Activities					Governmental Activities
Gas Utility	Solid Waste Utility	Telephone Utility	Cable/Internet Utility	Total	Internal Service
\$ 113,361	\$ 10,581	\$ 151,753	\$ (44,858)	\$ 9,267	\$ 69,181
18,612	-	2,380	19,289	701,706	123,159
6,657	526	10,991	5,470	3,992	-
(4,218)	32	170,138	1,249	215,842	-
(645)	1,269			145,287	-
1,219		14,808	10,904	28,745	-
(248)		(123)	(76)	37,440	-
				(4,219)	-
4,558	(9,331)	(42,026)	4,762	(78,993)	-
3,656		6,577	1,572	21,257	-
(2,353)	(685)	19,497	(1,159)	9,812	-
(2,506)		2,808		302	-
24,732	(8,189)	185,050	42,011	1,081,171	123,159
\$ 138,093	\$ 2,392	\$ 336,803	\$ (2,847)	\$ 1,090,438	\$ 192,340
\$ 4,327	\$ -	\$ -	\$ -	\$ 11,101	\$ -
\$ 169	\$ -	\$ 15,147		\$ 25,900	\$ 311,866
288,786	180,523	204,974	63,157	2,197,233	-
\$ 288,955	\$ 180,523	\$ 220,121	\$ 63,157	\$ 2,223,133	\$ 311,866

See Accompanying Notes to Financial Statements

CITY OF HAWARDEN, IOWA
STATEMENT OF FIDUCIARY NET ASSETS
Fiduciary Funds
June 30, 2004

ASSETS

Cash and Pooled Investments	<u>\$ 25,994</u>
Total Assets	<u>25,994</u>

LIABILITIES

Accounts Payable	4,295
Due to Other Governments	<u>18,300</u>
Total Liabilities	<u>22,595</u>

NET ASSETS

Unrestricted	<u>3,399</u>
Total Net Assets	<u><u>\$ 3,399</u></u>

See Accompanying Notes to Financial Statements

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hawarden is a political subdivision of the State of Iowa located in Sioux County. It was first incorporated in 1887 and operates under the Mayor-Council form of government with the Mayor and Council elected on a non-partisan basis. The City administers the following programs under its charter: public safety, public works, health and social services, culture and recreation, community and economic development and general government. It also provides water, sewer, electric and sanitation utilities and telephone and cable/internet services.

The financial statements of the City of Hawarden have been prepared in conformity with U.S. generally accepted accounting principles as described by the Governmental Accounting Standards Board.

For financial reporting purposes, the City of Hawarden has included all funds, organizations, account groups, 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.

A. Reporting Entity

These financial statements present the City of Hawarden (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its financial relationship with the City. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from their administrative offices.

Discretely Presented Component Unit – The Hawarden Community Hospital (Hospital) is organized under Chapter 392 of the Code of Iowa and governed by a five member Board of Trustees elected for four year terms. The City of Hawarden annually provides significant operating subsidies to the Hospital. In accordance with criteria set forth by the Governmental Accounting Standards Board. The Hospital meets the definition of a component unit which should be discretely presented. The Hospital is accounted for as a Proprietary Fund in these financial statements. Complete financial statements are on file at the hospital.

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: Sioux County Conference Board, Sioux County Emergency Management Commission and Sioux County Joint E911 Service Board.

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

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

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reported the following major governmental funds.

The General Fund is the general operating fund of the City. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

The Special Revenue Tax Increment Financing Revenues Fund is used to account for funds provided to private companies for economic development and related tax revenues from the tax increment financing district.

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

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

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. General property taxes or tax increment financing are to provide the revenues for the debt services payments.

The Capital Project Community Center Project Fund is used to account for financial resources to be used for the acquisition and construction of a community center.

The City reports the following major proprietary funds.

The Water Fund accounts for the operation of a municipally owned water system, which provides services to the residents of the City.

The Waste Water Fund accounts for the operation of a municipally owned sewage collection and treatment facility, which provides services to the residents of the City.

The Electric Fund accounts for the operation of a municipally owned electric system, which distributes electrical power to the residents of the City.

The Gas Fund accounts for the operation of a municipally owned natural gas system, which distributes natural gas to the residents of the City.

The Solid Waste Fund accounts for the collection and disposal of solid waste. The services are performed by a private contractor. The City is responsible for the billing and collection of the customers' accounts and payments to the contractor.

The Telephone Fund accounts for the operation of a municipally owned telephone system, providing telephone service to residents of the City.

The Cable/Internet Fund accounts for the operation of a municipally owned cable/internet system providing cable/internet services to residents of the City.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property taxes to be 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 generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

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

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

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.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Pooled Cash, Investments and Cash Equivalents – The cash balances of most City funds are pooled and invested in money market checking accounts. Interest earned on those investments is recorded in the General Fund unless otherwise provided by law. Other investments held by specific funds consist of non-negotiable certificates of deposit which are stated at cost or U.S. government securities stated at fair value determined by quoted market prices (except for \$2,868,558 held at cost by Banker's Trust for electric fund crossover refunding, because the treasury notes will be held to maturity when payments on debt are required) or in the Iowa Public Agency Investment trust stated at fair value determined by current share prices.

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

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2004 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable have been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current 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 tax asking contained in the budget certified to the County Board of Supervisors March, 2003.

Customer Accounts and Unbilled Usage – Accounts receivable are recorded at the time the service is billed, net of an allowance for doubtful accounts of \$17,094 and \$3,269 at June 30, 2004 and June 30, 2003, respectively. Unbilled usage, recorded in the Enterprise Funds for service consumed between periodic scheduled billing dates, is estimated and is recognized as revenue in the period in which the service is provided.

Also, the Hawarden Community Hospital's accounts receivable consists of patient receivables net of allowances for estimated third-party contractual adjustments and uncollectibles of \$174,325 and \$243,236 at June 30, 2004 and June 30, 2003, respectively.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa.

Internal Balances – During the course of its operations, the City has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2004, the balance of interfund amounts payable or receivable have been recorded in the fund financial statements.

Advances From and To Other Funds – Advances are long-term borrowings between funds which are repaid over time plus interest.

Inventories – Inventories are valued at the lower of cost (first-in, first-out) or market. Governmental Fund Type inventories of expendable supplies held for consumption are recorded as an expenditure at the time of purchase and are not recorded on the combined balance sheet because the amounts are not material. Inventories in the Enterprise Funds, consisting of material and supplies, are reported as an expense when consumed.

Restricted Assets – Proceeds from debt and funds set aside for payment of enterprise fund revenue bonds are classified as restricted assets since their use is limited by applicable bond indentures. Customer deposits are monies paid by customers and held by the City until future refunding or application to an unpaid account balance.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, curbs, gutters) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Roads have been capitalized using estimated historical cost beginning in 1980 as required by GASB 34. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds.

<u>Asset Class</u>	<u>Amount</u>
General Fixed Assets	\$ 2,000
Utility Fixed Assets	5,000
Infrastructure	50,000

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	30 – 100 years
Improvements other than buildings	15 – 40 years
Vehicles	5 – 10 years
Equipment	5 – 20 years
Infrastructure	50 – 100 years

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of notes receivable not currently due, as well as delinquent property tax receivable and special assessments not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and notes receivable not currently due.

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, general and proprietary fund financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

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

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

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Budgets and Budgetary Accounting – The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2 - POOLED CASH , INVESTMENTS AND CASH EQUIVALENTS

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

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

Note 3 - JOINT VENTURES

MBMECA - The City is a participant in the Missouri Basin Municipal Electric Cooperative Association, a joint venture for the construction and maintenance of power lines from the Northwest Iowa Power Cooperative. The construction of the lines is accomplished by NIPCO and there are no actual dedicated lines, but rather an agreement which guarantees the municipalities the right to draw power over the lines at a raw power cost without transmission charges. The City owns a 11.75 percent share of the venture with twelve other cities sharing in the ownership at varying percentages. The City's investment in the joint venture is accounted for on the equity method in the Electric Fund. The net income reported on the financial statements is reported on the City's fiscal year, not on the Cooperative's year; therefore, the summary data presented below does not agree with the financial statements.

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

Note 3 - JOINT VENTURES – (Continued)

Summary financial information of the joint venture for the year ended December 31, 2003 follows:

	Total	City Share
Assets	\$ 8,323,460	\$ 978,007
Liabilities	655,181	76,984
Equity	7,668,279	901,023
	8,323,460	978,007
Revenues	939,730	110,418
Expenses	1,089,780	128,049
Net Decrease in Equity	\$ (150,050)	\$ (17,631)

The joint venture has no outstanding debt. Complete financial statements can be obtained directly from MBMECA.

Northwest Iowa Solid Waste - In 1991 the City contributed \$33,776 capital to Northwest Iowa Area Solid Waste Agency for membership in the Agency. Membership provides the City with use of solid waste facilities. In the event of the City's withdrawal from the Agency or dissolution, the City is entitled to the lower of its capital contribution or a share of the Agency's assets based on the City's prorata share of contributions by all municipalities. Complete financial statements can be obtained directly from Northwest Iowa Solid Waste.

Note 4 - CAPITAL ASSETS

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

	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Primary Government				
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 472,625	-	-	\$ 472,625
Construction in Progress-infrastructure	-	\$ 9,540	-	9,540
Construction in Progress-other	38,558	299,445	\$ 38,558	299,445
Total capital assets not being depreciated	511,183	308,985	38,558	781,610
Capital assets being depreciated:				
Buildings	3,301,434	-	-	3,301,434
Improvements other than buildings	722,070	45,645	-	767,715
Equipment and vehicles	1,989,956	120,536	14,595	2,095,897
Infrastructure, road network	4,331,893	-	-	4,331,893
Total capital assets being depreciated	10,345,353	166,181	14,595	10,496,939
Less: Accumulated Depreciation for:				
Buildings	1,778,116	62,152	-	1,840,268
Improvements other than buildings	434,087	21,691	-	455,778
Equipment and vehicles	1,318,753	162,499	14,595	1,466,657
Infrastructure, road network	911,400	71,361	-	982,761
Total Accumulated Depreciation	4,442,356	317,703	14,595	4,745,464
Total capital assets being depreciated, net	5,902,997	(151,522)	-	5,751,475
Governmental activities capital assets, net	\$ 6,414,180	\$ 157,463	\$ 38,558	\$ 6,533,085

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

Note 4 - CAPITAL ASSETS – (Continued)

	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 56,094	-	-	\$ 56,094
Construction in Progress	28,440	\$ 23,794	\$ 13,257	38,977
Total capital assets not being depreciated	<u>84,534</u>	<u>23,794</u>	<u>13,257</u>	<u>95,071</u>
Capital assets being depreciated:				
Buildings	102,703	-	-	102,703
Utility Plant	12,142,153	141,607	-	12,283,760
Total capital assets being depreciated	<u>12,244,856</u>	<u>141,607</u>	<u>-</u>	<u>12,386,463</u>
Less: Accumulated Depreciation for:				
Buildings	71,169	2,795	-	73,964
Utility Plant	6,958,304	705,198	8,026	7,655,476
Total Accumulated Depreciation	<u>7,029,473</u>	<u>707,993</u>	<u>8,026</u>	<u>7,729,440</u>
Total capital assets being depreciated, net	<u>5,215,383</u>	<u>(566,386)</u>	<u>(8,026)</u>	<u>4,657,023</u>
Business-Type activities capital assets, net	<u>\$ 5,299,917</u>	<u>\$ (542,592)</u>	<u>\$ 5,231</u>	<u>\$ 4,752,094</u>

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

Governmental Activities:	
Public Safety	\$ 5,180
Public Works	14,184
Culture and Recreation	65,497
General Government	140,460
Health & Social Services	1,295
Community Economic Development	19,726
Public Works	71,361
Total depreciation expense – governmental activities	<u>\$ 317,703</u>
Business-Type Activities:	
Water	51,645
Wastewater	56,775
Electric	559,293
Gas	18,611
Cable/Internet	19,289
Telephone	2,380
Total depreciation expense – business type activities	<u>\$ 707,993</u>

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

Note 4 - CAPITAL ASSETS – (Continued)

Discretely presented component unit	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Capital assets not being depreciated:				
Land	\$ 7,000	-	-	\$ 7,000
Capital assets being depreciated:				
Land Improvements	28,089	-	-	28,089
Hospital	1,437,781	-	-	1,437,781
Fixed Equipment	501,056	-	-	501,056
Major Moveable Equipment	1,013,687	\$ 113,971	-	1,127,658
Total capital assets being depreciated	2,980,613	113,971	-	3,094,584
Less: Accumulated Depreciation for:				
Land Improvements	16,998	2,713	-	19,711
Hospital	753,597	53,877	-	807,474
Fixed Equipment	299,222	19,178	-	318,400
Major Moveable Equipment	690,986	86,960	-	777,946
Total Accumulated Depreciation	1,760,803	162,728	-	1,923,531
Total capital assets being depreciated, net	1,219,810	(48,757)	-	1,171,053
Total capital assets, net	\$ 1,226,810	\$ (48,757)	-	1,178,053
Total depreciation expense – discretely presented component unit				\$ 162,728

Note 5 - CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004	Due Within One Year
Governmental activities:					
General obligation bonds/notes	\$1,610,000	-	\$205,000	\$ 1,405,000	\$125,000

Unamortized discount at June 30, 2004 on bonds sold at discount totaled \$7,009.11.
Unaccredited premium at June 30, 2004 on bonds sold at premium totaled \$5,083.26.

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

Note 5 - CHANGES IN LONG-TERM LIABILITIES – (Continued)

	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004	Due Within One Year
Business type activities:					
Revenue notes	\$ 3,490,000	\$ 2,945,000	\$ 350,000	\$ 6,085,000	\$ 170,000

	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004	Due Within One Year
Component unit:					
Bank Note	-	\$ 25,000	\$ 648	\$ 24,352	\$ 7,993
Capital Lease	\$ 92,305	-	25,761	66,544	27,371
	\$ 92,305	\$ 25,000	\$ 26,409	\$ 90,896	\$ 35,364

General Obligation Bonds/Notes

Three issues of unmatured general obligation bonds/notes, totaling \$1,405,000 are outstanding at June 30, 2004. General obligation bonds/notes bear interest at rates ranging from 2.0-4.0% and mature in varying annual amounts, ranging from \$25,000 to \$55,000, with the final maturities due in the year ending June 30, 2018.

In May 2003, the City issued \$1,060,000 in General Obligation Corporate Purpose and Refunding Bonds with an average interest rate of 3.18%, in part, to refund the remaining \$110,000 of the 1992 General Obligation Swimming Pool Notes with an average interest rate of 5.34%.

Details of general obligation bonds/notes payable at June 30, 2004 are as follows:

Governmental Activities:	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2004
General obligation bonds/notes:						
Capital Loan Notes	Oct. 1, 1996	4.5-5.5%	June 1, 2007	15,000-25,000	\$ 215,000	\$ 75,000
Capital Loan Notes	April 3, 2000	5.3-5.5%	June 1, 2008	35,000-60,000	480,000	320,000
General corporate purpose and refunding	May 1, 2003	2.0-4.0%	June 1, 2018	50,000-95,000	1,060,000	1,010,000
						<u>\$ 1,405,000</u>

A summary of the annual general obligation bond/note principal and interest requirements to maturity by year is as follows:

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

Note 5 - CHANGES IN LONG-TERM LIABILITIES – (Continued)

Year Ending June 30	Principal	Interest	Total
2005	\$ 125,000	\$ 55,137	\$ 180,137
2006	130,000	50,350	180,350
2007	135,000	44,975	179,975
2008	115,000	39,425	154,425
2009	125,000	34,655	159,655
2010-2014	425,000	110,043	535,043
2015-2018	350,000	35,150	385,150
Total	<u>\$ 1,405,000</u>	<u>\$ 369,735</u>	<u>\$ 1,774,735</u>

Revenue Notes

In January 2004, the City issued \$2,945,000 of Electric Revenue Refunding Notes for a crossover advance refunding of the Electric Revenue Notes, Series 1997. The proceeds of the Refunding Notes are held escrow until the crossover date of June 1, 2006. The 2004 bonds have an average interest rate of 3.81% and the 1997 bonds to be refunded have an average interest rate of 5.46%. As a result of this refunding the City will reduce its debt service payments over the next twelve years by \$129,789 and obtain an economic gain of \$101,116.

There are a number of limitations and restrictions contained in the revenue bond indenture summary. The reserve requirements are as follows:

<u>Enterprise</u>	<u>Type of Account</u>	Required Balance June 30, 2004	Actual Balance June 30, 2004
Electric	Electric Revenue Sinking Fund	\$ 28,981	\$ 28,981
Electric	Bond and Interest Reserve	377,535	377,535
Electric	Bond Improvement	100,000	100,000

These amounts are classified as restricted assets on the combined balance sheet.

Details of revenue notes payable at June 30, 2004 are as follows:

Business Type Activities	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2004
Revenue Notes:						
Electric (Series 1997)	Jan. 7, 1997	5.25-6.0%	June 1, 2016	25,000-355,000	\$ 3,795,000	\$ 3,140,000
Electric Crossover Refunding	Jan. 26, 2004	2.55-4.3%	June 1, 2016	250,000-350,000	2,945,000	2,945,000
						<u>\$ 6,085,000</u>

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

Note 5 - CHANGES IN LONG-TERM LIABILITIES – (Continued)

A summary of the annual revenue note principal and interest requirements to maturity is as follows:

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 170,000	\$ 284,690	\$ 454,690
2006	200,000	276,105	476,105
2007	460,000	265,805	725,805
2008	485,000	248,405	733,405
2009	500,000	228,698	728,698
2010-2014	2,895,000	783,942	3,678,942
2015-2016	1,375,000	106,703	1,481,703
Total	<u>\$ 6,085,000</u>	<u>\$ 2,194,348</u>	<u>\$ 8,279,348</u>

Bank Loans:

In FY02, the City borrowed \$180,000 for Wee Care Child Care for improvements to the leased portion of the community center. The City will make payments on this loan at the same terms as the Wee Care schedule of payments to the City as scheduled in Note 11.

In May 2003, the Hospital took out a note from Farmers State Bank in Hawarden for \$25,000 to be used for the purchase of property and equipment. The note has an interest rate of 4.5% and will be repaid over three years in monthly installments of \$743 beginning June 28, 2004.

Annual debt service requirements related to the Notes are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 7,993	\$ 932	\$ 8,925
2006	8,360	565	8,925
2007	7,999	182	8,181
	<u>\$ 24,352</u>	<u>\$ 1,679</u>	<u>\$ 26,031</u>

Capital Lease:

The Hospital has entered into a capital lease agreement to acquire medical equipment at a cost of \$176,534. The liability under the capital lease is due in monthly installments of \$2,555, including interest at a rate of 6.1%.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 27,371	\$ 3,289	\$ 30,660
2006	29,081	1,579	30,660
2007	10,092	182	10,274
	<u>\$ 66,544</u>	<u>\$ 5,050</u>	<u>\$ 71,594</u>

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

Note 6 - INTERFUND TRANSFERS

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 255,000
	Employee Benefit Levy	88,800
	Capital Projects	10,000
	Enterprise (Electric, Gas, Telephone)	352,000
		<u>705,800</u>
Debt Service	Special Revenue:	
	Tax Increment Financing Revenues	94,948
		<u>94,948</u>
Capital Projects:	General:	30,100
	Enterprise:	
	Electric	150,000
	Gas	30,000
	Capital Projects	136,000
		<u>346,100</u>
Special Revenue TIF	Enterprise:	
	Electric	146,000
		<u>146,000</u>
Enterprise (Electric)	Enterprise:	
	Gas	50,000
	Special Revenue	
	Tax Increment Financing Revenues	15,000
		<u>15,000</u>
Total		<u>\$ 1,357,848</u>

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

Note 7 - 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.

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

Note 7 - INTERFUND RECEIVABLES/PAYABLES – (Continued)

The detail of short-term interfund receivables and payables at June 30, 2004 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Road Use Tax	\$ 44,677
Enterprise	Enterprise:	
Sewer	Gas	47,225
Electric	Water	7,324
Wastewater	Gas	35,329
Telephone	Gas	40,406
Telephone	Cable	56,947
Wastewater	Water	81,349
Gas	Electric	133,250
Internal Service: Capital Equipment	Enterprise: Electric	11,649
		<u>\$ 458,156</u>

The detail of long-term advances to and from other funds at June 30, 2004 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise	Special Revenue:	
Electric	Tax Increment Financing	<u>\$ 78,718</u>

Note 8 - PENSION AND RETIREMENT FUND COMMITMENTS

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% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.04% and 9.07%, respectively.

Contribution requirements are established by state statute. The City contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$60,479, \$64,606 and \$65,307, respectively, equal to the required contributions for each year.

In addition the Hawarden Municipal Hospital contributed the following amounts for the year ended June 30, 2004, 2003, and 2002, respectively, \$65,100, \$67,757 and \$69,077. These amounts also equal the required annual contributions.

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

Note 8 - PENSION AND RETIREMENT FUND COMMITMENTS – (Continued)

Police Pension - The City maintains a single-employer, defined benefit pension plan (police retirement system), which was organized under Chapter 410 of the Code of Iowa. Police personnel who were in the employ of the City prior to July 1, 1971, are eligible to participate in the plan. Any eligible participant may be entitled to benefits if such member has served 22 years or more and shall have reached the age of 50 years; or who shall, while a member of the department, become mentally or physically permanently disabled while performing his duties. The salary benefit is equal to one-half the amount of salary received by him monthly at the date he actually retires from the department. Benefits are increased subsequent to retirement by 50% of any increase in the pension benefits for the rank at which the member retired. In the event of the death of a retired participant, the benefit paid to a surviving spouse is reduced to 50% of the retiree's benefit. Presently, the City has only one nonactive employee who qualifies as a participant because of employment prior to July 1, 1971, as well as the surviving spouse of a retired policeman who is presently receiving benefits under the plan. The payroll for employees covered by the system was \$0- and the City's total payroll for the police department was \$175,742.

The amount shown below as the Actuarial Accrued Liability is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. This measure is the actuarial present value of credited projected benefits and is intended to (1) help users assess the system's funding status on a going-concern basis, (2) assess progress being made in accumulating sufficient assets to pay benefits when due, and (3) allow for comparisons among public employee retirement plans. The net pension obligation was determined as part of an actuarial valuation of the plan as of July 1, 2002.

Net Pension Obligation

Retirees and Beneficiaries Currently Receiving Benefits	\$ 202,747
Net Assets Available for Benefits at Market.....	\$ 3,399

There were no current year member contributions. Eligible participants were required to contribute annually an amount equal to 1% of current annual salary, or approximately \$200 per year. The City has chosen to fund the plan on a pay-as-you-go basis under which contributions to the plan above and beyond employee contributions are made at the same time and in the same amounts as benefit payments and expenses become due.

This method has been selected since no future entrants to the plan will occur because of the eligibility employment date. Presently, the total annual liability for pension benefits is approximately \$20,000 per year which the City feels can be funded on a pay-as-you-go basis through property tax levies since no funding of future benefits will be necessary due to a closed group situation which will result in no new participants.

The unfunded actuarial present value of credited projected benefits is \$202,747.

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

Note 8 - PENSION AND RETIREMENT FUND COMMITMENTS – (Continued)

The unfunded actuarial present value of credited projected benefits is not recorded as a liability of the City. The City's contribution for the year was \$25,442 as required by the pay-as-you-go method of funding. This \$25,442 was paid by the City as required. The amount was not actuarially determined.

Three-year trend information is as follows:

	June 30, <u>2004</u>	June 30, <u>2003</u>	June 30 <u>2002</u>
Net assets available for benefits as a percentage of the net pension obligation applicable to the City's employees	1.70%	1.90%	3.48%
Unfunded net pension obligation as a percentage of the City's annual covered pay-roll	N/A	N/A	N/A
City's contributions to the pension plan as a percentage of annual covered payroll	N/A	N/A	N/A

This is a closed system with all active members retired. Taxes are levied to sufficiently compensate the retired members involved in this system.

Ten-year historical trend information is presented in the required supplementary information. This trend information provides information about accumulating assets to pay benefits when due.

Note 9 - RISK FINANCING

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the 2003-04 fiscal year the City has elected to purchase commercial insurance to cover against the risk of loss. There have been no settlements that exceeded insurance coverage during the last three fiscal years.

Note 10 - POSTCLOSURE COSTS

The City's landfill site has been closed since 1986 but state and federal laws and regulations require the City perform certain maintenance and monitoring functions at the site for 30 years after closure. The long-term postclosure costs recorded in the Solid Waste Utility of \$7,480 represents the estimated postclosure costs related to the landfill. These amounts are based on what it would cost to perform all postclosure care during the year ended June 30, 2004. Actual costs may be higher due to inflation, changes in technology, changes in regulations, or unexpected test results.

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

Note 11 - NOTES RECEIVABLE

In FY99, the City advanced the municipal hospital \$400,000 for construction of emergency wing and additional outpatient services. The note bore interest at variable rates between 4.15% - 4.35%. The final payment of \$85,000 was made in fiscal year 2004.

In fiscal year 2002, the City advance Wee Care Child Care \$180,000 for improvements to leased portion of community center. The note bears interest at 5.85% with payments as follows:

<u>Fiscal Year</u>	<u>Principal</u>
2005	\$ 5,498
2006	5,828
2007	6,178
2008	6,526
2009	6,942
2010-2014	41,469
2015-2019	55,526
2020-2023	41,980
Total Note Receivable	<u>\$ 169,947</u>

Note 12 - RELATED PARTY TRANSACTIONS

Hawarden Mercy Medical Clinic

The Hawarden Community Hospital and Mercy Medical Services each have a 50% sponsorship interest in the Hawarden Mercy Medical Clinic (Clinic) located adjacent to the Hospital. Each party provides facilities, equipment and/or personnel to operate the Clinic, and shares equally in revenues and expenses. The Hospital's share of the Clinic's 2004 and 2003 operating losses was \$134,589 and \$102,793, respectively and is included in joint venture gain (loss), net in the accompanying statements of revenue and expenses.

In addition, the Hospital receives monthly rent from the Clinic with rental income totaling \$28,560 and \$30,450 for the years ended June 30, 2004 and 2003, respectively, and is included in other revenue.

Mercy Accounts Payable includes amounts due Mercy Medical Services and Mercy Medical Center related to the Hospital's portion of financial support for the Hawarden Mercy Medical Clinic and other professional and management fees. Mercy accounts payable as of June 30, 2004 and 2003 is summarized as follows:

	2004	2003
Mercy Medical Services for share of		
Hawarden Mercy Medical Clinic operating support	\$ 364,698	\$ 441,480
Mercy Medical Center for professional and		
Management services	176,491	186,064
	<u>\$ 541,189</u>	<u>\$ 627,544</u>

Note 13 - CONSTRUCTION COMMITMENT

The City has entered into a contract for work to the Community Center for a total of \$1,379,162. As of June 30, 2004, costs of \$157,921 had been incurred against the contract. The balance remaining at June 30, 2004 of \$1,221,241 will be paid as work on the project progresses.

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

Note 14 - RESERVES

The following schedule reflects all reservations of fund balances as presented in the fund level statements:

	<u>Debt Service</u>	<u>Endowments/ Library</u>	<u>Advances</u>	<u>Total</u>
Special Revenue				
TIF			\$ 69,021	\$ 69,021
Debt Service	\$ 16,337			16,337
Permanent Fund				
Marie Gregg/Vipond Trust		176,424		176,424
Total Reserves of Fund Balances	<u>\$ 16,337</u>	<u>\$ 176,424</u>	<u>\$ 69,021</u>	<u>\$ 261,782</u>

Note 15 - LEASES WITH RELATED PARTIES

The Telephone Fund leases certain assets from the Electric Fund. The lease includes fiber optic cable and other assets associated with providing telecommunications utility. The lease provides for annual payments of \$145,354 with no set minimum lease term.

Note 16 - ACCOUNTING CHANGE AND RESTATEMENT

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – Management’s Discussion and Analysis – for the State and local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include 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 funds are presented in total in one column.

The government-wide financial statements report the City’s governmental and business type 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.

Beginning capital assets for governmental activities of \$5,975,735 were restated to \$5,604,193, net of accumulated depreciation of \$3,585,704. The restatement resulted from adding infrastructure assets and removing capital assets below the new capitalization policy threshold.

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

Note 16 - ACCOUNTING CHANGE AND RESTATEMENT (CONTINUED)

The effects of the accounting change and other restatement are summarized as follows:

Primary Government:	<u>Total</u>
Governmental Activities:	
Net assets June 30, 2003, as previously reported	\$ 2,731,160
GASB 34 Adjustments:	
Capital Assets, Net of Accumulated Depreciation of \$3,281,363	5,908,534
Long-Term Liabilities	(1,610,000)
Internal Service Fund Balance	1,093,736
Deferred Revenue	(13,623)
Deferral of Long-Term Assets	19,955
Interest Payable	<u>(14,025)</u>
Net Assets July 1, 2003, as restated	<u>\$ 8,115,737</u>

CITY OF HAWARDEN, IOWA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET
 AND ACTUAL, GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS - CASH BASIS
 Year Ended June 30, 2004

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Amended		
Revenue:				
Taxes	\$ 323,120	\$ 323,120	\$ 319,187	\$ (3,933)
Special Assessments	10,943	10,943	6,969	(3,974)
Licenses and Permits	19,500	19,500	20,784	1,284
Intergovernmental Revenue	104,213	104,213	44,893	(59,320)
Charges for Fees and Services	116,500	146,500	181,163	34,663
Fines and Forfeits	-	-	10,582	10,582
Refunds/Reimbursements	29,300	29,300	51,383	22,083
Use of Money and Property	30,555	30,555	16,942	(13,613)
Interest	-	-	5,961	5,961
Miscellaneous	-	-	4,838	4,838
Total Revenue	634,131	664,131	662,702	(1,429)
Expenditures:				
Public Safety	413,250	434,250	401,683	32,567
Public Works	334,500	334,500	290,241	44,259
Culture and Recreation	417,050	423,950	362,110	61,840
Community and Economic Development	62,500	62,500	39,868	22,632
General Government	130,200	130,200	103,096	27,104
Capital Projects	-	-	-	-
Total Expenditures	1,357,500	1,385,400	1,196,998	188,402
Excess (deficiency) of revenues over expenditures	(723,369)	(721,269)	(534,296)	186,973
Other financing sources (uses):				
Proceeds from Bond	-	-	-	-
Interfund Transfers In	670,800	670,800	705,800	35,000
Interfund Transfers Out	(186,000)	(186,000)	(30,100)	155,900
Total other financing sources (uses)	556,900	484,800	675,700	190,900
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (166,469)	\$ (236,469)	141,404	\$ 377,873
Fund balances-beginning of year			317,228	
Fund balances- end of year			\$ 458,632	

<u>Capital Project Community Center</u>			
<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Original</u>	<u>Amended</u>		
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
15,000	15,000	-	(15,000)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	13,774	13,774
10,000	10,000	31,895	21,895
<u>25,000</u>	<u>25,000</u>	<u>45,669</u>	<u>20,669</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
1,510,000	1,510,000	251,255	(1,258,745)
<u>1,510,000</u>	<u>1,510,000</u>	<u>251,255</u>	<u>(1,258,745)</u>
<u>(1,485,000)</u>	<u>(1,485,000)</u>	<u>(205,586)</u>	<u>1,279,414</u>
950,000	950,000	-	(950,000)
400,000	400,000	280,000	(120,000)
-	-	-	-
<u>1,350,000</u>	<u>1,350,000</u>	<u>280,000</u>	<u>(1,070,000)</u>
<u>\$ (135,000)</u>	<u>\$ (135,000)</u>	<u>74,414</u>	<u>\$ 209,414</u>
		<u>1,192,319</u>	
		<u>\$ 1,266,733</u>	

Continued

CITY OF HAWARDEN, IOWA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET
 AND ACTUAL, GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS - CASH BASIS - (Continued)
 Year Ended June 30, 2004

	Debt Service			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Amended		
Revenue:				
Taxes	\$ 101,380	\$ 101,380	\$ 100,949	\$ (431)
Intergovernmental Revenue	-	-	88,998	88,998
Miscellaneous	-	-	15,294	15,294
Use of Money and Property	1,500	1,500	609	(891)
Charges for Fees and Services	15,295	15,295	-	(15,295)
Total Revenue	118,175	118,175	205,850	87,675
Expenditures:				
Community and Economic Development	-	-	-	-
Capital Projects	-	-	209,894	(209,894)
Debt Service	295,191	295,191	78,003	217,188
Total Expenditures	295,191	295,191	287,897	7,294
Excess (deficiency) of revenues over expenditures	(177,016)	(177,016)	(82,047)	94,969
Other financing sources (uses):				
Interfund Transfers In	183,646	183,646	94,948	(88,698)
Interfund Transfers Out	-	-	-	-
Total other financing sources (uses)	183,646	183,646	94,948	(88,698)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ 6,630	\$ 6,630	12,901	\$ 6,271
Fund balances-beginning of year			3,436	
Fund balances- end of year			\$ 16,337	

TIF				
Budgeted Amounts			Actual	Variance with Final Budget Positive (Negative)
Original	Amended			
\$ 197,525	\$ 197,525	\$ 210,248	\$ 12,723	
-	-	-	-	-
2,320	2,320	2,123	(197)	
-	-	-	-	-
<u>199,845</u>	<u>199,845</u>	<u>212,371</u>	<u>12,526</u>	
420,904	420,904	244,845	176,059	
-	-	-	-	-
<u>420,904</u>	<u>420,904</u>	<u>244,845</u>	<u>176,059</u>	
<u>(221,059)</u>	<u>(221,059)</u>	<u>(32,474)</u>	<u>188,585</u>	
171,000	171,000	161,000	(10,000)	
-	-	(94,948)	(94,948)	
<u>171,000</u>	<u>171,000</u>	<u>66,052</u>	<u>(104,948)</u>	
<u>\$ (50,059)</u>	<u>\$ (50,059)</u>	<u>33,578</u>	<u>\$ 83,637</u>	
		<u>35,443</u>		
		<u>\$ 69,021</u>		

CITY OF HAWARDEN, IOWA
Required Supplementary Information – Budgetary Reporting
June 30, 2004

Iowa Budget law requires the adoption of legal budgets for expenditures (expenses) on a program basis. The programs 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. Although the budget document presents program expenditures (expenses) by fund, the legal level of control is at the aggregated program level, not at the fund level. For example, all budget categories of a particular fund may be exceeded so long as total budgeted program expenditures (expenses) are not exceeded on a "city-wide" basis. Program expenditures (expenses) required to be budgeted include expenditures for the general fund, special revenue funds, debt service fund, capital project funds, permanent fund, and proprietary fund types (including internal service). Legally adopted budgets may be prepared on a cash basis or on a basis consistent with U.S. generally accepted accounting principles.

The City follows these procedures in establishing the budget data reflected in the financial statement.

1. At least six weeks prior to March 15, the City Clerk submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to March 15, the budget is legally enacted through passage of a resolution.
4. Amendments to the budget are considered and reviewed throughout the fiscal year. Amendments are subject to departmental review and by justification to the City Clerk. The budget is formally amended by City Council resolution. Public hearings on budget amendments are conducted if the amendment is at the program level. The original budget plus subsequent amendments constitute the annual appropriated budget. There are no other appropriations of budget that occur. During the year, the budget was amended to increase expenditures as follows:

	Original Budget	Amendment	Amended Budget
Public Safety	\$ 438,750	\$ 21,000	\$ 459,750
Public Works	344,500	50,000	394,500
Health and Social Services	175,509	-	175,509
Culture and Recreation	425,550	6,900	432,450
Community and Economic Development	252,991	-	252,991
General Government	130,200	-	130,200
Debt Service	352,547	-	352,547
Capital Projects	1,552,000	-	1,552,000
Business Type Activities	9,190,703	328,000	9,518,703
Transfer Out	1,650,746	88,000	1,738,746

CITY OF HAWARDEN, IOWA
Required Supplementary Information – Budgetary Reporting
June 30, 2004

5. Legally adopted budgets are prepared on a program basis for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Project Funds and the Permanent Fund on a basis consistent with generally accepted accounting principles and reflect the annual appropriation resolutions adopted by the City Council.

6. Unexpended appropriations lapse at the end of each fiscal year.

Aggregation of Program Expenditures/Expenses for Governmental, Proprietary and Permanent Fund Types is shown below to demonstrate legal compliance with budget:

CITY OF HAWARDEN, IOWA
Required Supplementary Information – Budgetary Reporting
June 30, 2004

	Governmental Fund Types	Proprietary Fund Types
Revenues:		
Taxes.....	\$ 744,387	
Licenses and Permits	20,784	
Intergovernmental	533,101	
Charges for Services.....	181,163	\$ 4,840,484
Fines and Forfeits.....	10,582	
Interest on Investments	39,903	82,931
Revenue from Use of Property.....	16,942	158,872
Special Assessments	6,969	
Contributions	81,104	
Reimbursements.....	85,757	
Contributed Capital.....		11,101
Miscellaneous.....	52,362	56,970
Total Revenue	<u>1,773,054</u>	<u>5,150,358</u>
Expenditures:		
Public Safety	426,983	
Public Works	338,838	
Health and Social Services	191,576	
Culture and Recreation	367,119	
Community and Economic Development.....	284,713	
General Government.....	103,096	
Debt Service.....	81,476	
Capital Projects	555,971	
Business Type Activities		5,073,235
Total Expenditures/Expenses.....	<u>2,349,772</u>	<u>5,073,235</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(576,718)</u>	<u>77,123</u>
Other Financing Sources (Uses):		
Operating Transfers from Other Funds.....	1,307,848	50,000
Operating Transfers to Other Funds	(614,848)	(743,000)
Proceeds from Debt		
Total Other Financing Sources (Uses).....	<u>693,000</u>	<u>(693,000)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures/Expenses and Other (Uses)	116,282	(615,877)
Fund Balance/Retained Earnings at Beginning of Year .	2,731,160	6,410,520
Fund Balance/Retained Earnings at End of Year	<u>\$ 2,847,442</u>	<u>\$ 5,794,643</u>

CITY OF HAWARDEN, IOWA
Required Supplementary Information – Budgetary Reporting
June 30, 2004

Primary Government Total	Hawarden Community Hospital	Reporting Entity Total	Adopted Budget	Variance Favorable (Unfavorable)
\$ 744,387		\$ 744,387	\$ 732,941	\$ 11,446
20,784		20,784	19,500	1,284
533,101		533,101	563,740	(30,639)
5,021,647	\$ 3,695,934	8,717,581	10,052,542	(1,334,961)
10,582		10,582		10,582
122,834	9,662	132,496		132,496
175,814		175,814	53,620	122,194
6,969		6,969	10,943	(3,974)
81,104		81,104		81,104
85,757		85,757		85,757
11,101		11,101		11,101
109,332	180,528	289,860	137,267	152,593
<u>6,923,412</u>	<u>3,886,124</u>	<u>10,809,536</u>	<u>11,570,553</u>	<u>(761,017)</u>
426,983		426,983	459,750	32,767
338,838		338,838	394,500	55,662
191,576		191,576	175,509	(16,067)
367,119		367,119	432,450	65,331
284,713		284,713	252,991	(31,722)
103,096		103,096	130,200	27,104
81,476		81,476	352,547	271,071
555,971		555,971	1,552,000	996,029
5,073,235	3,728,052	8,801,287	9,518,703	717,416
<u>7,423,007</u>	<u>3,728,052</u>	<u>11,151,059</u>	<u>13,268,650</u>	<u>2,117,591</u>
(499,595)	158,072	(341,523)	(1,698,097)	1,356,574
1,357,848		1,357,848	1,738,746	(380,898)
(1,357,848)		(1,357,848)	(1,738,746)	380,898
			950,000	(950,000)
<u>-</u>	<u>-</u>	<u>-</u>	<u>950,000</u>	<u>(950,000)</u>
(499,595)	158,072	(341,523)	(748,097)	406,574
9,141,680	1,461,266	10,602,946	11,696,682	-
<u>\$ 8,642,085</u>	<u>\$ 1,619,338</u>	<u>\$ 10,261,423</u>	<u>\$ 10,948,585</u>	<u>\$ 406,574</u>

**CITY OF HAWARDEN, IOWA
 COMBINING BALANCE SHEET
 Governmental Nonmajor Funds
 JUNE 30, 2004**

	Special Revenue Funds			Capital Projects	
	Road Use Tax	Employee Benefit Levy	Local Option Sales Tax	Capital Improve- ment	Swimming Pool Project
Assets					
Cash and Pooled Investments	\$ -	\$ 3,491	\$ -	\$ 57,834	\$ 648
Investments	100,000	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)					
Taxes	-	1,632	-	-	-
Subsequent Year Taxes	-	107,222	-	-	-
Accrued Interest	-	-	-	-	-
Due from Other Governmental Agencies	16,421	-	28,503	-	-
Total Assets	116,421	112,345	28,503	57,834	648
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	-	-	28,503	-	-
Due to Other Funds	44,677	-	-	-	-
Deferred Revenue - Subsequent Year Taxes	-	107,222	-	-	-
Total Liabilities	44,677	107,222	28,503	-	-
Fund Balances:					
Reserved for:					
Library Endowment	-	-	-	-	-
Unreserved	71,744	5,123	-	57,834	648
Total Fund Balances	71,744	5,123	-	57,834	648
Total Liabilities and Equity	\$ 116,421	\$ 112,345	\$ 28,503	\$ 57,834	\$ 648

CITY OF HAWARDEN, IOWA
 COMBINING BALANCE SHEET
 Governmental Nonmajor Funds
 JUNE 30, 2004

	Capital Projects				
	Capital Facilities Fund	Mapping	Contingency Fund	Public Works Shop	Low-Mod Income Project
Assets					
Cash and Pooled Investments	\$ 8,000	\$ 12,954	\$ 3,221	\$ 325,935	\$ 59,543
Investments	-	50,000	100,000	200,000	-
Receivables (Net, where applicable, of allowance for uncollectibles)					
Taxes	-	-	-	-	-
Subsequent Year Taxes	-	-	-	-	-
Accrued Interest	-	82	147	326	-
Due from Other Governmental Agencies	-	-	-	-	-
Total Assets	8,000	63,036	103,368	526,261	59,543
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	-	-	-	7,364	-
Due to Other Funds	-	-	-	-	-
Deferred Revenue - Subsequent Year Taxes	-	-	-	-	-
Total Liabilities	-	-	-	7,364	-
Fund Balances:					
Reserved for:					
Library Endowment	-	-	-	-	-
Unreserved	8,000	63,036	103,368	518,897	59,543
Total Fund Balances (Deficits)	8,000	63,036	103,368	518,897	59,543
Total Liabilities and Equity	\$ 8,000	\$ 63,036	\$ 103,368	\$ 526,261	\$ 59,543

(Continued)

CITY OF HAWARDEN, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
JUNE 30, 2004 (continued)

	<u>Permanent Fund</u>	<u>Total Governmental Nonmajor Funds</u>
	Marie Gregg/ Vipond Trust	
Assets		
Cash and Pooled Investments	\$ 44,982	\$ 516,608
Investments	130,934	580,934
Receivables (Net, where applicable, of allowance for uncollectibles)		
Taxes	-	1,632
Subsequent Year Taxes	-	107,222
Accrued Interest	508	1,063
Due from Other Governmental Agencies	-	44,924
Total Assets	<u>176,424</u>	<u>1,252,383</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	-	35,867
Due to Other Funds	-	44,677
Deferred Revenue - Subsequent Year Taxes	-	107,222
Total Liabilities	<u>-</u>	<u>187,766</u>
Fund Balances:		
Reserved for:		
Library Endowment	176,424	176,424
Unreserved	-	888,193
Total Fund Balances	<u>176,424</u>	<u>1,064,617</u>
Total Liabilities and Equity	<u>\$ 176,424</u>	<u>\$ 1,252,383</u>

CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
JUNE 30, 2004

	Special Revenue Funds			Capital Projects	
	Road Use Tax	Employee Benefit Levy	Local Option Sales Tax	Capital Improve- ment	Swimming Pool Project
Revenue:					
Taxes	\$ -	\$ 114,003	\$ -	\$ -	\$ -
Intergovernmental Revenue	207,634	-	191,576	-	-
Contributions	-	-	-	-	-
Refunds/Reimbursements	-	-	-	34,374	-
Interest	-	-	-	332	40
Miscellaneous	-	-	-	31,171	-
Total Revenue	<u>207,634</u>	<u>114,003</u>	<u>191,576</u>	<u>65,877</u>	<u>40</u>
Expenditures:					
Public Safety	-	25,300	-	-	-
Public Works	48,597	-	-	-	-
Health and Social Services	-	-	191,576	-	-
Culture and Recreation	-	-	-	-	-
Capital Projects	-	-	-	10,357	-
Debt Service	-	-	-	-	3,473
Total Expenditures	<u>48,597</u>	<u>25,300</u>	<u>191,576</u>	<u>10,357</u>	<u>3,473</u>
Excess (deficiency) of revenues over expenditures	<u>159,037</u>	<u>88,703</u>	<u>-</u>	<u>55,520</u>	<u>(3,433)</u>
Other financing sources (uses):					
Transfers In	-	-	-	-	-
Transfers Out	(255,000)	(88,800)	-	(28,000)	(2,000)
Total other financing sources (uses)	<u>(255,000)</u>	<u>(88,800)</u>	<u>-</u>	<u>(28,000)</u>	<u>(2,000)</u>
Net Change in Fund Balance	(95,963)	(97)	-	27,520	(5,433)
Fund balances (deficits) -beginning of year	<u>167,707</u>	<u>5,220</u>	<u>-</u>	<u>30,314</u>	<u>6,081</u>
Fund balances (deficits) - end of year	<u>\$ 71,744</u>	<u>\$ 5,123</u>	<u>\$ -</u>	<u>\$ 57,834</u>	<u>\$ 648</u>

CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
JUNE 30, 2004

	Capital Projects				
	Capital Facilities Fund	Mapping	Contingency Fund Project	Public Works Shop	Low-Mod Income Project
Revenue:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenue	-	-	-	-	-
Contributions	-	-	-	-	-
Refunds/Reimbursements	-	-	-	-	-
Interest	-	858	1,454	6,738	1,147
Miscellaneous	724	-	-	-	-
Total Revenue	<u>724</u>	<u>858</u>	<u>1,454</u>	<u>6,738</u>	<u>1,147</u>
Expenditures:					
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Health and Social Services	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Capital Projects	-	-	-	24,578	59,887
Debt Service	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,578</u>	<u>59,887</u>
Excess (deficiency) of revenues over expenditures	<u>724</u>	<u>858</u>	<u>1,454</u>	<u>(17,840)</u>	<u>(58,740)</u>
Other financing sources (uses):					
Transfers In	30,100	-	-	36,000	-
Transfers Out	(116,000)	-	-	-	-
Total other financing sources (uses)	<u>(85,900)</u>	<u>-</u>	<u>-</u>	<u>36,000</u>	<u>-</u>
Net Change in Fund Balance	(85,176)	858	1,454	18,160	(58,740)
Fund balances (deficits) -beginning of year	<u>93,176</u>	<u>62,178</u>	<u>101,914</u>	<u>500,737</u>	<u>118,283</u>
Fund balances (deficits) - end of year	<u>\$ 8,000</u>	<u>\$ 63,036</u>	<u>\$ 103,368</u>	<u>\$ 518,897</u>	<u>\$ 59,543</u>

(continued)

CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
JUNE 30, 2004 (continued)

	Permanent Fund Marie Gregg/ Vipond Trust	Total Governmental Nonmajor Funds
Revenue:		
Taxes	\$ -	\$ 114,003
Intergovernmental Revenue	-	399,210
Contributions	81,104	81,104
Refunds/Reimbursements	-	34,374
Interest	3,205	13,774
Miscellaneous	-	31,895
Total Revenue	<u>84,309</u>	<u>674,360</u>
Expenditures:		
Public Safety	-	25,300
Public Works	-	48,597
Health and Social Services	-	191,576
Culture and Recreation	5,009	5,009
Capital Projects	-	94,822
Debt Service	-	3,473
Total Expenditures	<u>5,009</u>	<u>368,777</u>
Excess (deficiency) of revenues over expenditures	<u>79,300</u>	<u>305,583</u>
Other financing sources (uses):		
Transfers In	-	66,100
Transfers Out	-	(489,800)
Total other financing sources (uses)	<u>-</u>	<u>(423,700)</u>
Net Change in Fund Balance	79,300	(118,117)
Fund balances (deficits) -beginning of year	<u>97,124</u>	<u>1,182,734</u>
Fund balances (deficits) - end of year	<u>\$ 176,424</u>	<u>\$ 1,064,617</u>

CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF NET ASSETS
Fiduciary Funds
JUNE 30, 2004

	Police Retirement	Agency Funds	Total
ASSETS			
Cash and Cash Equivalents	\$ 4,671	\$ 21,323	\$ 25,994
Total Assets	<u>4,671</u>	<u>21,323</u>	<u>25,994</u>
LIABILITIES			
Accounts Payable	1,272	3,023	4,295
Due to Other Governments	-	18,300	18,300
Total Liabilities	<u>1,272</u>	<u>21,323</u>	<u>22,595</u>
NET ASSETS			
Unrestricted	3,399	-	3,399
Total Net Assets	<u>\$ 3,399</u>	<u>\$ -</u>	<u>\$ 3,399</u>

CITY OF HAWARDEN, IOWA
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
Year Ended June 30, 2004

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<u>PAYROLL CLEARING</u>				
<u>Assets</u>				
Cash and Cash Equivalents	23,802	1,494,152	1,504,221	13,733
Total Assets	<u>23,802</u>	<u>1,494,152</u>	<u>1,504,221</u>	<u>13,733</u>
<u>Liabilities</u>				
Due to Other Governments	23,802	1,494,152	1,504,221	13,733
Total Liabilities	<u>23,802</u>	<u>1,494,152</u>	<u>1,504,221</u>	<u>13,733</u>
<u>FLEX SPENDING</u>				
<u>Assets</u>				
Cash and Cash Equivalents	-	23,734	20,711	3,023
Total Assets	<u>-</u>	<u>23,734</u>	<u>20,711</u>	<u>3,023</u>
<u>Liabilities</u>				
Accounts Payable	-	23,734	20,711	3,023
Total Liabilities	<u>-</u>	<u>23,734</u>	<u>20,711</u>	<u>3,023</u>
<u>COMMUNITY PROJECTS FUND</u>				
<u>Assets</u>				
Cash and Cash Equivalents	5,698	30,305	31,436	4,567
Total Assets	<u>5,698</u>	<u>30,305</u>	<u>31,436</u>	<u>4,567</u>
<u>Liabilities</u>				
Due to Other Governments	5,698	30,305	31,436	4,567
Total Liabilities	<u>5,698</u>	<u>30,305</u>	<u>31,436</u>	<u>4,567</u>
<u>ALL FIDUCIARY FUNDS TOTAL</u>				
<u>Assets</u>				
Cash and Cash Equivalents	29,500	1,548,191	1,556,368	21,323
Total Assets	<u>29,500</u>	<u>1,548,191</u>	<u>1,556,368</u>	<u>21,323</u>
<u>Liabilities</u>				
Accounts Payable	-	23,734	20,711	3,023
Due to Other Governments	29,500	1,524,457	1,535,657	18,300
Total Liabilities	<u>\$ 29,500</u>	<u>\$ 1,548,191</u>	<u>\$ 1,556,368</u>	<u>\$ 21,323</u>

CITY OF HAWARDEN
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the General Purpose Financial Statements

REPORTABLE CONDITIONS AND INSTANCES OF NON-COMPLIANCE:

No matters were reported.
There were no prior year audit findings.

Part III: Other Findings Related to Required Statutory Reporting

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

III-B-04 Certified Budget – Expenditures for the year ended June 30, 2004 exceeded amounts budgeted in the Health and Social Services, and Community and Economic Development areas.

Recommendation – The budget should be amended before expenditures are made from individual service areas. Because of the change in service areas during the year the over expenditure of various budget categories can be explained.

Response – Future budgets will be amended before expenditures are made as appropriate.

Conclusion – Response accepted.

III-C-04 Questionable Expenses – We noted no expenditures that we believe may constitute unlawful expenditures from public funds as defined in an Attorney General's opinion dated April 25, 1979.

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

CITY OF HAWARDEN
Schedule of Findings and Questioned Costs
Year Ended June 30, 2003

III-E-04 Business Transactions – The business transactions between the City and City officials and/or employees were noted during the year ended June 30, 2003.

<u>Name, Title and Business Connection</u>	<u>Transaction/Description</u>	<u>Amount</u>
Jeff Nohava, Councilperson and owner of Jeff's Roofing	Roof repairs	\$8,131
Willie Garret, Police officer and owner of A & W Lawn Care	Lawn treatments	\$1,058
Wanda Woodley, Councilperson and part owner of Fiesta Foods	Supplies	\$1,875

The transactions with Jeff Nohava occurred because the work was on a foam roof and Jeff's Roofing is the only company in Hawarden who works on roofs of that type. The transactions with Willie Garret occurred because there is no other source for lawn chemical applications in Hawarden. The total amount represents work done for several departments (e.g. Library, City) with different governing boards and appears reasonable.

III-F-04 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions.

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

III-H-04 Revenue Bonds – No violations of revenue bond resolutions were noted.

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

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

Honorable Members of the City Council
City of Hawarden, 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 HAWARDEN, IOWA as of and for the year ended June 30, 2004, which collectively comprise the City of Hawarden, Iowa's basic financial statements and have issued our report thereon dated August 26, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the financial statements of the Hawarden Municipal Hospital, which statements reflect total assets of \$2,664,561 and total operating revenues of \$3,695,934 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Hawarden Municipal Hospital, is based solely on the report of the other auditors.

Internal Control Over Financial Reporting:

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

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the City of Hawarden, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

This report is intended solely for the information and use of the City Council, management, federal awarding agencies and pass-through entities and 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 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.

Certified Public Accountants

August 26, 2004