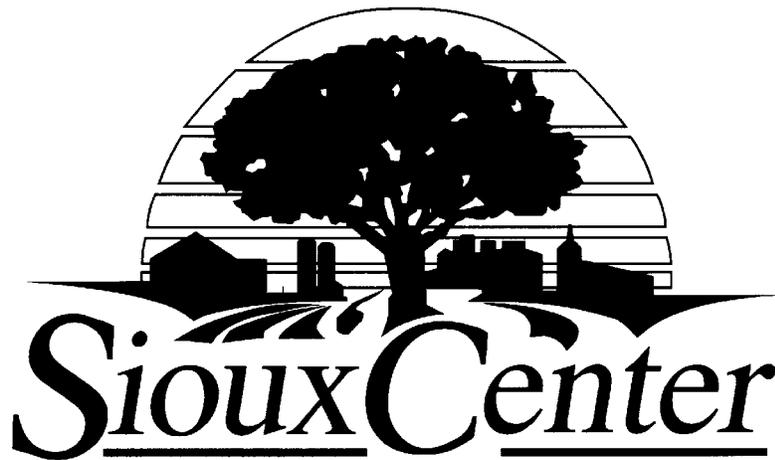


City of Sioux Center, Iowa



Annual Financial Report

For the fiscal year ended June 30, 2004

Prepared by:
Finance Department
Eldon Westra, City Treasurer

CITY OF SIOUX CENTER, IOWA

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CITY OF SIOUX CENTER, IOWA

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CITY OF SIOUX CENTER, IOWA

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dennis Walstra	Mayor	Jan 2008
Gene Kruse	Council Member	Jan 2008
Scott Te Stroete	Council Member	Jan 2006
Perry Van Gorp	Council Member	Jan 2008
Randy Vreugdenhil	Council Member	Jan 2006
W. Dale Den Herder	Council Member	Jan 2006
Harold Schiebout	City Manager	Jan 2005
Eldon Westra	Clerk/Manager	Jan 2005
Brian Van Engen	Attorney	Jan 2005

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

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

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

In our opinion, the financial statements referred to above the present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sioux Center, Iowa at June 30, 2004, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with U.S. generally accepted accounting principles.

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

In accordance with Government Auditing Standards, we have also issued our reports dated November 30, 2004 on our consideration of City of Sioux Center, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those report are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 13 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary

information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise City of Sioux Center, Iowa basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in pages 43 to 48, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Sioux Center, Iowa
November 30, 2004

CITY OF SIOUX CENTER, IOWA

Statement of Net Assets
June 30, 2004

<u>Assets</u>	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Cash and Pooled Investments	\$3,707,509	\$4,957,681	\$8,665,190
Receivables (net of allowance for uncollectibles)			
Taxes	315		315
Special Assessments	280,240		280,240
Accounts	423,048	1,367,465	1,790,513
Notes		157,881	157,881
Accrued Interest	1,969	23,745	25,714
Due from Other Funds	240,135		240,135
Due from Other Governments	82,722		82,722
Advances from Other Funds	81,465	158,020	239,485
Inventory		700,228	700,228
Prepaid Expenses	116,330	65,273	181,603
Restricted Assets:			
Customer Deposits		24,007	24,007
USDA Reserve		531,195	531,195
Nonoperating Properties - Land		1,735,705	1,735,705
Investment in Joint Venture		1,696,051	1,696,051
Deferred Bond Issue Costs	32,764	50,392	83,156
Bond Discounts	19,496	34,507	54,003
Capital Assets (Net of Accumulated Depreciation)	<u>23,349,465</u>	<u>20,693,748</u>	<u>44,043,213</u>
Total Assets	<u>\$28,335,458</u>	<u>\$32,195,898</u>	<u>\$60,531,356</u>
 <u>Liabilities and Net Assets</u>			
<u>Liabilities</u>			
Accounts Payable	\$459,248	\$1,151,860	\$1,611,108
Accrued Interest Payable	16,575	99,357	115,932
Other Accrued Expenses	51,985		51,985
Payable from Restricted Assets - Customer Deposits		24,007	24,007
Due to Other Funds	239,905		239,905
Deferred Revenue:			
Succeeding Year Property Tax	280,555		280,555
Compensated Absences	66,572	49,985	116,557
Noncurrent Liabilities:			
Due within one Year	329,981	546,970	876,951
Due in more than one Year	<u>3,244,055</u>	<u>8,220,664</u>	<u>11,464,719</u>
Total Liabilities	<u>4,688,876</u>	<u>10,092,843</u>	<u>14,781,719</u>
 <u>Net Assets</u>			
Investment in Capital Assets, net of Related Debt	19,775,429	11,087,401	30,862,830
Restricted:			
Library Estate	35,281		35,281
Debt Service	7,637	531,195	538,832
Unrestricted	<u>3,828,235</u>	<u>10,484,459</u>	<u>14,312,694</u>
Total Net Assets	<u>23,646,582</u>	<u>22,103,055</u>	<u>45,749,637</u>
Total Liabilities and Net Assets	<u>\$28,335,458</u>	<u>\$32,195,898</u>	<u>\$60,531,356</u>

See notes to financial statements.

CITY OF SIOUX CENTER, IOWA

Statement of Activities
Year ended June 30, 2004

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	<u>Expenses</u>	Charges	Operating	Capital	Primary Government		
		for Services	Grants and Contributions	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities
Governmental activities:							
Public safety	\$697,459	\$40,260			\$(657,199)		\$(657,199)
Public works	957,142	264,375	\$503,193		(189,574)		(189,574)
Culture and recreation	2,081,506	663,424	38,809		(1,379,273)		(1,379,273)
Community & economic development	173,930	46,506	35,000		(92,424)		(92,424)
General government	500,723	42,970			(457,753)		(457,753)
Interest on long-term debt	210,963				(210,963)		(210,963)
Capital Projects				<u>\$1,893,626</u>	<u>1,893,626</u>		<u>1,893,626</u>
Total governmental activities	<u>4,621,723</u>	<u>1,057,535</u>	<u>577,002</u>	<u>1,893,626</u>	<u>(1,093,560)</u>		<u>(1,093,560)</u>
Business-type activities:							
Centre Mall	779,335	398,036				\$(381,299)	(381,299)
Water	862,799	1,013,677				150,878	150,878
Sewer	1,092,388	747,228				(345,130)	(345,130)
Electric	4,493,596	4,936,376				442,780	442,780
Gas	<u>6,526,642</u>	<u>6,880,803</u>				<u>354,161</u>	<u>354,161</u>
Total business-type activities	<u>13,754,760</u>	<u>13,976,150</u>				<u>221,390</u>	<u>221,390</u>
Total primary government	<u>\$18,376,483</u>	<u>\$15,033,685</u>	<u>\$577,002</u>	<u>\$1,893,626</u>	<u>\$(1,093,560)</u>	<u>\$221,390</u>	<u>\$(872,170)</u>
General revenues:							
Property tax levied for:							
General purposes					\$1,055,681		\$1,055,681
Community center					16,538		16,538
Trust and agency					364,252		364,252
Tax increment financing					1,044,906		1,044,906
Debt service					96,360		96,360
Local option sales tax					442,959		442,959
Grants/contributions not restricted to specific programs					51,505		51,505
Unrestricted investment earnings					50,096	\$101,172	151,268
Miscellaneous					923,680	122,046	1,045,726
Gain/Loss of sale of capital assets						(145,316)	(145,316)
Transfers					<u>(20,427)</u>	<u>20,427</u>	
Total general revenues and transfers					<u>4,025,550</u>	<u>98,329</u>	<u>4,123,879</u>
Change in net assets					2,931,990	319,719	3,251,709
Net assets -- beginning					<u>20,714,592</u>	<u>21,783,336</u>	<u>42,497,928</u>
Net assets -- ending					<u>\$23,646,582</u>	<u>\$22,103,055</u>	<u>\$45,749,637</u>

See notes to financial statements.

CITY OF SIOUX CENTER, IOWA

Balance Sheet Governmental Funds June 30, 2004

	<u>General</u>	<u>Capital Project All Seasons Center</u>	<u>Debt Service</u>	<u>Nonmajor Capital Project</u>	<u>Nonmajor Special Revenue</u>	<u>Total Governmental</u>
Assets						
Cash and Pooled Investments	\$1,643,127	\$112,801	\$7,407	\$300,405	\$1,224,170	\$3,287,910
Receivables:						
Taxes	315					315
Special Assessments	201,316					201,316
Accounts	90,826			250,078		340,904
Accrued Interest	1,403				16	1,419
Due from Other Funds	7,500		230		232,405	240,135
Due from Other Governments	3,323				72,900	76,223
Advances to Other Funds	81,465					81,465
Prepaid Expenses	<u>1,752</u>					<u>1,752</u>
Total Assets	<u>2,031,027</u>	<u>112,801</u>	<u>7,637</u>	<u>550,483</u>	<u>1,529,491</u>	<u>4,231,439</u>
Liabilities						
Accounts Payable	209,478	74,300		67,367	15,989	367,134
Due to Other Government Funds				232,405		232,405
Deferred Revenue:						
Succeeding Year Property Tax	201,631					201,631
Compensated Absences	<u>63,920</u>					<u>63,920</u>
Total Liabilities	<u>475,029</u>	<u>74,300</u>	<u> </u>	<u>299,772</u>	<u>15,989</u>	<u>865,090</u>
Fund Balances						
Fund Balance:						
Advances to Other Funds	81,465					81,465
Prepaid Expenditures	1,752					1,752
Library Estate	35,281					35,281
Debt Service			7,637			7,637
Other Purpose	<u>1,437,500</u>	<u>38,501</u>	<u> </u>	<u>250,711</u>	<u>1,513,502</u>	<u>3,240,214</u>
Total Fund Balance	<u>\$1,555,998</u>	<u>\$38,501</u>	<u>\$7,637</u>	<u>\$250,711</u>	<u>\$1,513,502</u>	<u>\$3,366,349</u>

See notes to financial statements.

CITY OF SIOUX CENTER, IOWA

Reconciliation of the Balance Sheet-
Governmental Funds to the Statement of Net Assets
June 30, 2004

Total governmental fund balances \$3,366,349

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets (including infrastructure) is \$30,267,477 and the accumulated depreciation is \$6,918,012. 23,349,465

The unamortized portion of prepaid items are not current financial resources and, therefore, are not reported in the funds. 114,578

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 390,226

Long-term liabilities, including bonds payable, accrued interest payable and other related accounts, are not due and payable in the current period and therefore are not reported in the governmental funds. (3,574,036)

Net assets of governmental activities \$23,646,582

See notes to financial statements.

CITY OF SIOUX CENTER, IOWA

Statement of Revenues and Expenditures Governmental Funds Year ended June 30, 2004

	<u>General</u>	<u>Capital Project All Seasons Center</u>	<u>Debt Service</u>	<u>Nonmajor Capital Project</u>	<u>Special Revenue</u>	<u>Total Governmental</u>
Revenues:						
Property Taxes	\$1,067,483		\$96,360		\$377,740	\$1,541,583
TIF Revenue					1,031,418	1,031,418
Other City Taxes	11,942				435,753	447,695
Special Assessments	18,129		7,800	\$60,540		86,469
Licenses and Permits	76,817					76,817
Intergovernmental	89,540	\$50,000		1,066,434	538,193	1,744,167
Charges for Services	631,281					631,281
Miscellaneous	241,639	96,066	45,148	408,686		1,655,539
Use of Money and Property	110,448		10,083		8,562	129,093
Total Revenues	<u>2,247,279</u>	<u>1,010,066</u>	<u>159,391</u>	<u>1,535,660</u>	<u>2,391,666</u>	<u>7,344,062</u>
Expenditures:						
Public Safety:						
Police	526,540					526,540
Fire	104,916					104,916
Ambulance	4,325					4,325
Animal Control	1,095					1,095
Total Public Safety	<u>636,876</u>					<u>636,876</u>
Public Works:						
Street Maintenance	85,137				94,033	179,170
Street Administration	31,844					31,844
Street Lighting	39,641					39,641
Traffic Safety	9,553					9,553
Snow Removal	73,776					73,776
Street Cleaning	48,081					48,081
Airport	60,121					60,121
Solid Waste	182,987					182,987
Total Public Works	<u>531,140</u>				<u>94,033</u>	<u>625,173</u>
Culture and Recreation:						
Museum	16,010					16,010
Parks	151,651					151,651
Sandy Hollow	43,775					43,775
Arts & Crafts	59,965					59,965
Annual Events	9,968					9,968
Recreation	92,451					92,451
Senior Center	133,760					133,760
Library	355,714					355,714
Senior Citizen Transportation	28,705					28,705
All Seasons Center	818,568					818,568
Community Center	16,310					16,310
Athletic Field	118,813					118,813
Total Culture and Recreation	<u>1,845,690</u>					<u>1,845,690</u>
Community and Economic Development:						
Beautification	6,496					6,496
Industrial Development	60,719					60,719
Zoning	28,723					28,723
Affordable Housing	14,850				62,000	76,850
Total Community and Economic Development	<u>110,788</u>				<u>62,000</u>	<u>172,788</u>
General Government						
Executive Administration	306,161					306,161
Financial Administration	78,360					78,360
City Hall	98,860					98,860
General Government	<u>483,381</u>					<u>483,381</u>
Debt Service:						
Total Expenditures	<u>3,607,875</u>	<u>1,115,595</u>	<u>1,099,441</u>	<u>1,054,184</u>	<u>156,033</u>	<u>7,033,128</u>
Capital Projects:						
Excess (Deficiency) of Revenues Over Expenditures	(1,360,596)	(105,529)	(940,050)	481,476	2,235,633	310,934
Other Financing Sources (Uses):						
Operating Transfers From Other Funds	1,813,553	400,000	324,807			2,538,360
Operating Transfers To Other Funds	(553,921)				(2,004,866)	(2,558,787)
Total Other Financing Sources (Uses)	<u>1,259,632</u>	<u>400,000</u>	<u>324,807</u>		<u>(2,004,866)</u>	<u>(20,427)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$(100,964)</u>	<u>\$294,471</u>	<u>\$(615,243)</u>	<u>\$481,476</u>	<u>\$230,767</u>	<u>\$290,507</u>

See notes to financial statements.

CITY OF SIOUX CENTER, IOWA

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds to the Statement of Activities
Year ended June 30, 2004

Net change in fund balances - Total governmental funds \$290,507

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life the assets. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$2,294,208	
Depreciation expense	(723,108)	1,571,100

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

884,877

Interest expenditures in governmental funds include interest that becomes legally payable, but interest expense in the Statement of Activities includes accrued interest payable, premium amortization, and deferred bond issue cost amortization, as follows:

Interest on long-term debt	\$3,601	
Bond issue amortization	(4,461)	
Bond discount amortization	(1,775)	(2,635)

Prepaid expenses in the governmental funds have been recorded as expenditures when paid. However, the statement of activities will report these items as expenditures in the period that the corresponding net asset is exhausted.

(28,717)

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.

199,678

Change in net assets of governmental activities \$2,914,810

See notes to financial statements.

CITY OF SIOUX CENTER, IOWA

Statement of Net Assets - Proprietary Funds Year ended June 30, 2004

	<u>Electric</u>	<u>Natural Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Centre Mall</u>	<u>Totals</u>	<u>Internal Services Fund</u>
ASSETS							
Current Assets							
Cash and Pooled Investments	\$2,548,826	\$745,220	\$444,598	\$995,919	\$223,118	\$4,957,681	\$367,435
Receivables:							
Accounts	421,784	781,001	87,838	76,585	257	1,367,465	54,220
Notes	157,881					157,881	
Accrued Interest	12,242	637	9,286	1,571	9	23,745	550
Due from Other Funds							2,000
Due from Other Governments							6,499
Advances to Other Funds	396,155	215,703	27,129	27,991		666,978	
Inventory	422,105	193,815	84,308			700,228	
Prepaid Expenses	<u>14,917</u>	<u>9,412</u>	<u>14,203</u>	<u>15,324</u>	<u>11,417</u>	<u>65,273</u>	
Total Current Assets	<u>3,973,910</u>	<u>1,945,788</u>	<u>667,362</u>	<u>1,117,390</u>	<u>234,801</u>	<u>7,939,251</u>	<u>430,704</u>
Noncurrent Assets							
Nonoperating Properties-Land	1,527,927	207,778				1,735,705	
Investment in Joint Venture	1,696,051					1,696,051	
Deferred Bond Issue Costs			20,887	2,599	26,906	50,392	
Bond Discounts			17,185	3,385	13,937	34,507	
Restricted Cash:							
Customer Deposits	8,573	10,724	4,710			24,007	
USDA Reserve Account			531,195			531,195	
Capital Assets (net of depreciation)	<u>5,145,188</u>	<u>1,476,829</u>	<u>6,310,107</u>	<u>3,455,150</u>	<u>4,306,474</u>	<u>20,693,748</u>	
Total Noncurrent Assets	<u>8,377,739</u>	<u>1,695,331</u>	<u>6,884,084</u>	<u>3,461,134</u>	<u>4,347,317</u>	<u>24,765,607</u>	
Total Assets	<u>12,351,649</u>	<u>3,641,119</u>	<u>7,551,446</u>	<u>4,578,524</u>	<u>4,582,118</u>	<u>32,704,856</u>	<u>430,704</u>
LIABILITIES							
Current Liabilities							
Accounts Payable	577,607	451,177	25,113	56,907	41,056	1,151,860	66,011
Accrued Interest Payable			30,636	8,483	60,238	99,357	
Compensated Absences Payable	15,192	11,242	7,523	10,281	5,747	49,985	2,652
Deposits	8,573	10,724	4,710			24,007	
Due to Other Funds							7,500
Bonds, notes, and loans payable			<u>116,982</u>	<u>144,989</u>	<u>285,000</u>	<u>546,971</u>	
Total Current Liabilities	<u>601,372</u>	<u>473,143</u>	<u>184,964</u>	<u>220,660</u>	<u>392,041</u>	<u>1,872,180</u>	<u>76,163</u>
Noncurrent Liabilities							
Advances to Other Funds					487,850	478,850	260,593
Bonds, notes and loans payable			<u>3,671,941</u>	<u>1,913,722</u>	<u>2,635,000</u>	<u>8,220,663</u>	
Total Noncurrent Liabilities			<u>3,671,941</u>	<u>1,913,722</u>	<u>3,122,850</u>	<u>8,708,513</u>	<u>260,593</u>
Total Liabilities	<u>601,372</u>	<u>473,143</u>	<u>3,856,905</u>	<u>2,134,382</u>	<u>3,514,891</u>	<u>10,580,693</u>	<u>336,756</u>
NET ASSETS:							
Invested in capital assets, net of related debt	5,145,188	1,476,829	2,376,444	1,396,439	1,386,474	11,781,374	
Restricted for Debt Service			531,195			531,195	
Unrestricted	<u>6,605,089</u>	<u>1,691,147</u>	<u>786,902</u>	<u>1,047,703</u>	<u>(319,247)</u>	<u>10,505,567</u>	<u>93,948</u>
Total Net Assets	<u>\$11,750,277</u>	<u>\$3,167,976</u>	<u>\$3,694,541</u>	<u>\$2,444,142</u>	<u>\$1,067,227</u>	<u>\$22,124,163</u>	<u>\$93,948</u>

Some amounts reported for business-type activities in the Statement of Net Assets are different because certain Internal Service Fund assets and liabilities are included with business-type activities

(21,108)

Net assets of business-type activities

\$22,103,055

See notes to financial statements.

CITY OF SIOUX CENTER, IOWA

Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Fund Year ended June 30, 2004

	Electric	Natural Gas	Water	Sewer	Centre Mall	Totals 2004	Governmental Activities - Internal Service Funds
Operating Revenues							
Charges for Services	\$4,921,612	\$6,878,736	\$1,011,016	\$746,450	\$397,342	\$13,955,156	\$570,499
Earnings from Joint Venture	31,131					31,131	
Miscellaneous	16,559	2,067	2,661	808	694	22,790	51,319
Total Operating Revenues	<u>4,969,302</u>	<u>6,880,803</u>	<u>1,013,677</u>	<u>747,258</u>	<u>398,036</u>	<u>14,009,076</u>	<u>621,818</u>
Operating Expenses							
Personal Services	320,118	221,434	222,716	280,612	164,552	1,209,432	
Utilities	11,960	11,664	54,820	76,387	40,412	195,244	
Repairs and Maintenance	145,657	67,151	125,735	111,903	29,336	479,782	
Taxes	12,675	4,709			162,114	179,498	
Other Supplies	10,408	10,243		9,153	1,207	31,011	
Insurance Expenses	19,712	18,000	20,114	18,310	12,488	88,624	
Depreciation and Amortization	528,426	98,731	217,362	490,571	144,561	1,479,654	
Legal and Professional	6,070	5,766	7,243	6,713	6,036	31,828	
Advertising	51,093	26,151			33,483	110,727	
Miscellaneous	36,667	31,066	19,046	2,974	10,590	100,343	675,104
Resale Purchases	3,344,915	6,027,887				9,372,802	
Total Operating Expenses	<u>4,487,701</u>	<u>6,522,794</u>	<u>667,036</u>	<u>996,623</u>	<u>604,779</u>	<u>13,278,933</u>	<u>675,704</u>
Total Operating Income (Loss)	481,601	358,009	346,641	(249,365)	(206,743)	730,143	(53,286)
Nonoperating Revenues (Expenses)							
Interest and Investment Revenue	54,583	8,594	19,298	17,086	1,611	101,172	1,778
Gain (Loss) on Sale of Assets	(45,135)			(7,147)	(93,034)	(145,316)	
Land Rental	73,438	15,682				89,120	
Interest Expense			(191,980)	(91,966)	(170,773)	(454,719)	
Total Nonoperating Revenue (Expenses)	<u>82,886</u>	<u>24,276</u>	<u>(172,682)</u>	<u>(82,027)</u>	<u>(262,196)</u>	<u>(409,743)</u>	<u>1,778</u>
Income (Loss) Before Contributions and transfers	564,487	382,285	173,959	(331,392)	(468,939)	320,400	(51,508)
Transfers In					857,390	857,390	
Transfers Out	(513,635)	(280,000)	(43,328)			(836,963)	
Change in Net Assets	50,852	102,285	130,631	(331,392)	388,451	594,090	
Total Net Assets - Beginning	<u>11,699,425</u>	<u>3,065,691</u>	<u>3,563,910</u>	<u>2,775,534</u>	<u>678,776</u>	<u>21,783,336</u>	<u>145,456</u>
Total Net Assets - Ending	<u>\$11,750,277</u>	<u>\$3,167,976</u>	<u>\$3,694,541</u>	<u>\$2,441,142</u>	<u>\$1,067,227</u>	<u>\$22,124,163</u>	<u>\$93,948</u>

Some amounts reported for business-type activities in the Statement of Net Assets are different because certain Internal Service Fund assets and liabilities are included with business-type activities

(21,108)

Change in net assets of business-type enterprises

\$22,103,055

See notes to financial statements

CITY OF SIOUX CENTER, IOWA

Statement of Cash Flows - Proprietary Funds Year ended June 30, 2004

	Business Type Activities					Total	Governmental Activities - Internal Service Funds
	Electric	Natural Gas	Water	Sewer	Centre Mall		
Cash Flows from Operating Activities							
Received from customers	\$4,829,492	\$6,774,024	\$1,006,861	\$783,652	\$397,085	\$13,791,114	\$493,617
Payments to suppliers for goods & services	(3,438,797)	(6,195,234)	(210,663)	(192,047)	(225,265)	(10,262,006)	(588,417)
Payments to employers for services	(320,818)	(220,410)	(221,420)	281,573	(164,421)	(1,208,642)	_____
Net cash provided (used) by operating activities	<u>1,069,877</u>	<u>358,380</u>	<u>574,778</u>	<u>245,995</u>	<u>7,399</u>	<u>2,320,466</u>	<u>(94,800)</u>
Cash Flows from Noncapital Financing Activities							
Operating subsidies & transfers to other funds	(513,635)	(280,000)	(43,328)		857,390	20,427	_____
Due from (to) other funds							8,500
Advances from (to) other funds	120,000	80,000	_____	_____	(200,000)	_____	_____
Net cash provided (used) by noncapital financing activities	<u>(393,635)</u>	<u>(200,000)</u>	<u>(43,328)</u>	_____	<u>657,390</u>	<u>20,427</u>	<u>8,500</u>
Cash Flows from Capital & Related Financing Activities							
Acquisition & construction of capital assets	(160,192)	(70,319)	(165,379)	(138,241)	(123,084)	(657,215)	_____
Principal paid on debt			(110,323)	(139,138)	(280,000)	(529,461)	_____
Bonds Costs			2,262	764	6,596	9,622	_____
Investment in joint venture	(29,265)					29,265	_____
Investment in nonoperating properties	(92,080)	_____	_____	_____	_____	(92,080)	_____
Net cash provided (used) by capital & related financing activities	<u>(38,847)</u>	<u>(70,319)</u>	<u>(273,440)</u>	<u>(276,615)</u>	<u>(396,488)</u>	<u>(1,055,709)</u>	_____
Cash Flows from Investing Activities							
Purchase of investment securities	(5,245,800)	(2,100,000)	(1,535,000)	(2,790,707)	(100,000)	(11,771,507)	_____
Proceeds from sale of investment securities	5,245,800	2,100,000	1,535,000	2,790,707		11,771,507	_____
Interest & dividends on investments	54,583	8,594	19,298	17,086	1,611	101,172	1,778
Other nonoperating revenues (expenses)	28,303	15,682	(191,980)	(99,113)	(263,807)	(510,915)	_____
Net cash provided (used) by investing activities	<u>82,886</u>	<u>24,276</u>	<u>(172,682)</u>	<u>(82,027)</u>	<u>(262,196)</u>	<u>(409,743)</u>	<u>1,778</u>
Net increase (decrease) in cash & cash equivalents	<u>720,281</u>	<u>112,337</u>	<u>85,328</u>	<u>(48,610)</u>	<u>6,105</u>	<u>875,441</u>	<u>(84,522)</u>
Balances - beginning of the year	<u>1,837,118</u>	<u>643,607</u>	<u>895,175</u>	<u>1,044,529</u>	<u>217,013</u>	<u>4,637,442</u>	<u>451,957</u>
Balances - end of the year	<u>\$2,557,399</u>	<u>\$755,944</u>	<u>\$980,503</u>	<u>\$995,919</u>	<u>\$223,118</u>	<u>\$5,512,883</u>	<u>\$367,435</u>

See notes to financial statements.

CITY OF SIOUX CENTER, IOWA

Statement of Cash Flows - Proprietary Funds Year ended June 30, 2004

	Business Type Activities					Total	Governmental Activities - Internal Service Funds
	Electric	Natural Gas	Water	Sewer	Centre Mall		
Reconciliation of operating income (loss) to net cash provided (used) by operating activities							
Operating income (loss)	\$481,601	\$358,009	\$346,641	\$(249,365)	\$(206,743)	\$730,143	\$(53,286)
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation & amortization expense	463,138	98,731	217,362	490,571	144,561	1,414,363	
Increase (Decrease) in assets:							
Receivables, net	(157,034)	(104,693)	(5,885)	36,502	(249)	(231,359)	(31,464)
Due from other governments						62	
Inventories	(15,895)	(57,954)	4,086			(69,763)	
Prepaid expenses	(232)	(349)	1,125	(2,179)	(951)	(2,586)	
(Increase) Decrease in liabilities:							
Accounts payable	296,629	60,591	9,647	34,785	30,713	432,365	(10,888)
Accrued expenses	1,670	4,045	1,802	(282)	40,068	47,303	776
Total adjustments	588,276	371	228,137	559,397	214,142	1,590,323	(41,514)
Net cash provided (used) by operating activities	<u>\$1,069,877</u>	<u>\$358,380</u>	<u>\$574,778</u>	<u>\$310,032</u>	<u>\$7,399</u>	<u>\$2,320,466</u>	<u>\$94,800</u>
Reconciliation of Cash & Cash Equivalents to the Balance Sheet							
Cash & Pooled Investments	\$2,548,826	\$745,220	\$444,598	\$995,919	\$223,118	\$4,957,681	\$367,435
Restricted Cash	8,573	10,724	535,905			555,202	
	<u>\$2,557,399</u>	<u>\$755,944</u>	<u>\$980,503</u>	<u>\$995,919</u>	<u>\$223,118</u>	<u>\$5,512,883</u>	<u>\$367,435</u>

See notes to financial statements.

CITY OF SIOUX CENTER, IOWA

Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2004

Assets

Cash and Pooled Investments	\$52,164
Receivable:	
Special Assessments	78,924
Accounts	<u>27,924</u>
Total Assets	<u>\$159,012</u>

Liabilities

Accounts Payable	\$26,103
Due to Other Funds	2,000
Accrued Expenses	51,985
Deferred Revenue	<u>78,924</u>
Total Liabilities	<u>\$159,012</u>

Net Assets

See notes to financial statements.

CITY OF SIOUX CENTER, IOWA

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

The City of Sioux Center, Iowa is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the City Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides electric, natural gas, water and sewer utilities, and a municipal shopping mall for its citizens.

The City's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, City of Sioux Center, Iowa has included all funds, organizations, agencies, boards and commissions. 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 would cause the financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Government-wide Financial Statements - The statement of net assets and the statement of activities report information on all the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions; these are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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 that are attributed 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 provision or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

CITY OF SIOUX CENTER, IOWA

Notes to Financial Statements

June 30, 2004

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and agency funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are 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 expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

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

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

Additionally, the City reports the following major proprietary funds:

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

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

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

Sewer Utility - The sewer utility accounts for the operation of a municipally owned sewage collection and treatment facility, which provides services to the residents of the City.

Centre Mall - The Centre Mall fund accounts for the operation of a municipally owned shopping mall which provides retailers with store space pursuant to a lease agreement.

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

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

CITY OF SIOUX CENTER, IOWA

Notes to Financial Statements

June 30, 2004

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and agency fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the agency have been satisfied.

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's considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the combined balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most City funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value.

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

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

CITY OF SIOUX CENTER, IOWA

Notes to Financial Statements

June 30, 2004

Property tax receivable is recognized in these funds on the lien date. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified 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 in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred 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 revenue recognized in these funds become due and receivable in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget adopted by the City Council in March 2004.

Interest and Penalty on Property Tax Receivable - Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from and Due to Other Funds - 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, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method.

Capital Assets - Capital assets, which include land, buildings, improvements, equipment, and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the governmentwide statement of net assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the City with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Infrastructure	\$50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

CITY OF SIOUX CENTER, IOWA

Notes to Financial Statements

June 30, 2004

Property and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Buildings	40-50
Building Improvements	25-50
Infrastructure	30-50
Equipment	3-20
Vehicles	3-10

Deferred Payments - 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 represent 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 property or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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 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 primarily by the General Fund.

Long-term liabilities - In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

E. Budgets and Budgetary Accounting

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

CITY OF SIOUX CENTER, IOWA

Notes to Financial Statements

June 30, 2004

Formal and legal budgetary control is based upon ten major classes of disbursements, known as functions, not by fund or fund type. These functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type activities and non-program.

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

(2) Cash and Pooled Investments

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

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

The City's investments are categorized to give an indication of the level of risk assumed by the City's at year end. The City's investments are all Category 1, which means that the investments are insured or registered or the securities are held by the City or its agent in the City's name.

The City's investments at June 30, 2004 are as follows:

<u>Type</u>	<u>Fair Value</u>
Perfected Repurchase Agreements	\$6,964,709

(3) Due From and Due to Other Funds

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

<u>Due to Other Fund</u>	<u>Due From Other Fund</u>	<u>Amount</u>
Agency - Sales Tax	Internal Service - Revolving	\$2,000
Capital Project - 20th St.	Special Revenue - Road Use	206,309
Capital Project - 12th St. NE	Special Revenue - Road Use	26,096
Internal Service - Insurance	General	7,500
Total		<u>\$241,905</u>

These balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

CITY OF SIOUX CENTER, IOWA

Notes to Financial Statements

June 30, 2004

(4) Long Term Advances

As of June 30, 2004 long term advances were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General	Internal Service Agency - Equipment Revolving	\$76,863
Proprietary - Electric	Internal Service Agency - Equipment Revolving	103,445
Proprietary - Gas	Internal Service Agency - Equipment Revolving	20,563
Proprietary - Water	Internal Service Agency - Equipment Revolving	27,129
Proprietary - Sewer	Internal Service Agency - Equipment Revolving	27,991
Proprietary - Electric	Proprietary - Centre Mall	292,710
Proprietary - Gas	Proprietary - Centre Mall	195,140
General - Taxi	Internal Service Agency - Equipment Revolving	192
General - Community Center	Internal Service Agency - Equipment Revolving	391
General - Athletic Fund	Internal Service Agency - Equipment Revolving	<u>4,019</u>
Total		<u>\$748,443</u>

(5) Capital Assets

A summary of changes in capital assets is as follows:

Primary Government:

	Balance July 1, <u>2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2004</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$460,920			\$460,920
Construction in progress	<u>8,501,821</u>	<u>\$270,128</u>	<u>\$8,441,779</u>	<u>330,170</u>
Total capital assets not being depreciated	<u>8,962,741</u>	<u>270,128</u>	<u>8,441,779</u>	<u>791,090</u>
Capital assets being depreciated:				
Buildings	2,444,197	9,265,568	520,008	11,189,757
Improvements	2,409,643	23,482		2,433,125
Equipment	2,688,862	609,527	220,558	3,077,876
Infrastructure	<u>12,209,270</u>	<u>566,360</u>		<u>12,775,360</u>
Total capital assets being depreciated	<u>19,751,972</u>	<u>10,464,981</u>	<u>740,566</u>	<u>29,476,387</u>
Less Accumulated Depreciation for:				
Buildings	1,246,306	163,924	299,005	1,111,226
Improvements	1,524,952	120,231		1,645,183
Equipment	1,713,006	183,435	191,484	1,704,957
Infrastructure	<u>2,201,129</u>	<u>255,517</u>		<u>2,456,646</u>
Total Accumulated Depreciation	<u>6,685,393</u>	<u>723,108</u>	<u>490,488</u>	<u>6,918,012</u>
Total capital assets being depreciated, net	<u>13,066,579</u>	<u>9,741,874</u>	<u>250,078</u>	<u>22,558,375</u>
Governmental activities capital assets, net	<u>\$22,029,320</u>	<u>\$10,012,002</u>	<u>\$8,691,856</u>	<u>\$23,349,465</u>

CITY OF SIOUX CENTER, IOWA

Notes to Financial Statements
June 30, 2004

	Balance July 1, <u>2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2004</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$382,900			\$382,900
Construction in Progress	<u>972</u>	<u>\$195,095</u>	<u>\$972</u>	<u>195,095</u>
Total capital assets not being depreciated	<u>383,872</u>	<u>195,095</u>	<u>972</u>	<u>577,995</u>
Capital assets being depreciated:				
Buildings	6,246,968	213,049	144,916	6,315,101
Improvements	357,748			357,748
Equipment	1,442,493	79,644	14,165	1,507,972
Utility Plant	<u>31,453,545</u>	<u>291,674</u>	<u>116,421</u>	<u>31,628,797</u>
Total capital assets being depreciated	<u>39,500,754</u>	<u>584,366</u>	<u>275,502</u>	<u>39,809,618</u>
Less: Accumulated Depreciation	<u>18,433,730</u>	<u>1,535,637</u>	<u>275,502</u>	<u>19,693,865</u>
Total capital assets being depreciated, net	<u>21,067,024</u>	<u>(951,271)</u>	_____	<u>\$20,115,753</u>
Business-type activities capital assets, net	<u>\$21,450,896</u>	<u>\$(756,176)</u>	<u>\$972</u>	<u>\$20,693,748</u>

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

Governmental Activities:

Public Safety	\$66,813
Public Works	361,528
Culture and Recreation	274,344
General Government	<u>20,423</u>

Total depreciation expense - governmental activities \$723,108

Business-Type Activities

Electric	\$463,138
Natural Gas	98,731
Water	217,362
Sewer	490,571
Centre Mall	<u>144,561</u>

Total depreciation expense - business-type activities \$1,414,363

CITY OF SIOUX CENTER, IOWA

Notes to Financial Statements
June 30, 2004

Reconciliation of Investment in Capital Assets:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Land	\$460,920	\$382,900
Construction in Progress	330,170	195,095
Capital Assets (net of accumulated depreciation)	22,558,375	20,115,753
Less: General Obligation Bonds Payable	(4,020,390)	(3,265,000)
Revenue Bonds	_____	<u>(5,176,281)</u>
Investment in Capital Assets, Net of Related Debt	<u>\$19,329,075</u>	<u>\$12,252,467</u>

(6) Investment in Joint Venture

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 power source to 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 26.90 percent share of the venture with twelve other cities sharing in their ownership at varying percentages. The City's investment in the joint venture is accounted for by the equity method in the Electric Fund. Separately issued audited financial statements of the Associated are available from Missouri Basin Municipal Electric Cooperative Association.

(7) Changes in Long-Term Liabilities

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

	<u>General Obligation</u>	<u>Revenue</u>	<u>Total</u>
Bonds Payable - July 1, 2003	\$8,399,809	\$5,356,198	\$13,756,007
Bonds Issued			
Bonds Retired	(1,234,419)	(179,917)	(1,414,336)
Bonds Payable - June 30, 2004	<u>\$7,165,390</u>	<u>\$5,176,281</u>	<u>\$12,341,671</u>

Details of above general obligations and special assessment bonds payable at June 30, 2004 are as follows:

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2004</u>
General Obligation						
Vision Iowa Loan	2003	1.5-3.25%	2014	\$21,808-28,454	\$250,000	\$250,000
DOT Rise Loan	1997	5.00%	2005	23,173	118,500	20,390
General Obligation	2000	5.20-6.60%	2012	20,000-120,000	975,000	870,000
General Obligation	2001	4.4647%	2012	58,132-83,710	702,235	583,645
General Obligation	2002	4.00-5.00%	2021	55,000-95,000	1,315,000	1,225,000
Refunding Bonds-A	2003	1.2-3.0%	2010	140,000-160,000	1,050,000	910,000
Refunding Bonds-B	2003	1.5-3.25%	2010	85,000-95,000	625,000	625,000
Centre Mall	1998	4.50-4.90%	2018	70,000-150,000	1,835,000	1,540,000
Centre Mall	2000	5.10-5.70%	2011	50,000-80,000	690,000	470,000
Water Utility	2001	4.4647%	2012	20,582-29,638	248,630	206,643
Sewer Utility	2001	4.4647%	2012	46,286-66,652	559,135	464,712
Total					<u>\$8,368,500</u>	<u>\$7,165,390</u>

CITY OF SIOUX CENTER, IOWA

Notes to Financial Statements
June 30, 2004

	Date of <u>Issue</u>	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2004
Revenue:						
Sewer	1995	3.74%	2017	\$39,000-79,000	\$1,140,000	\$832,000
Sewer	1995	4.54%	2034	25,000-425,000	1,024,000	762,000
Water	1998	4.1-5.3%	2018	60,000-130,000	1,600,000	1,350,000
USDA, Rural Development	1999	5.0%	2039	21,367-134,623	<u>2,300,000</u>	<u>2,232,281</u>
Total Revenue					<u>\$6,064,000</u>	<u>\$5,176,281</u>
Special Assessment	1997	6.25%	2006	\$60,000	<u>\$540,000</u>	<u>\$120,000</u>

The General Obligation Bonds are to be retired through property tax levies. Revenue Bonds and Notes Payable are to be retired through Enterprise Fund Revenues. Special assessments are to be retired through special assessment tax levies. The City is not obligated for special assessment debt.

The annual requirements to amortize all debt outstanding as of June 30, 2004, are as follows:

Year Ending <u>June 30</u>	General Obligation <u>Principal</u>	Interest on General Obligation Debt	Revenue Bond <u>Principal</u>	Interest on Revenue Bonds	<u>Total</u>
2005	\$687,198	\$301,380	\$189,753	\$245,081	\$1,423,412
2006	687,462	276,335	199,991	236,787	1,400,575
2007	718,136	251,589	205,290	227,968	1,402,983
2008	748,830	224,583	216,655	218,842	1,408,910
2009	784,545	195,188	227,087	209,162	1,415,982
Thereafter	<u>3,539,219</u>	<u>726,537</u>	<u>4,137,505</u>	<u>2,470,298</u>	<u>10,873,559</u>
	<u>\$7,165,390</u>	<u>\$1,975,612</u>	<u>\$5,176,281</u>	<u>\$3,608,138</u>	<u>\$17,925,421</u>

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages are 5.93% and 8.90% respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$227,264, \$212,324, and \$198,664, respectively, equal to the required contributions for each year.

9) Major Customers

During the year ended June 30, 2004, charges for services provided by the natural gas utility of the City to Siouxland Energy was \$3,292,394 or 48% of total natural gas revenues. Total charges to Sioux Preme Egg for sewer services for the year was \$80,886 or 11% of total sewer revenues.

CITY OF SIOUX CENTER, IOWA

Notes to Financial Statements

June 30, 2004

(10) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Related Party Transactions

The City had business transactions between the City and City officials, totaling \$5,809 in goods and \$68,317 in interest income during the year ended June 30, 2004.

(12) Employee Health Insurance Plan

The Employee Group Health Fund was established to account for the partial self funding of the City's health insurance benefit plan. The plan is funded by both employee and City contributions and is administered through a service agreement with Standard Life Insurance. The agreement is subject to automatic renewal provision. The City assumes liability for claims up to the individual stop loss limitation of \$15,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Sioux Center Health Care Plan are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Standard Life Insurance from the Sioux Center Health Care Plan. The City records the plan assets and related liabilities of the Sioux Center Health Care Plan as Internal Service Fund. The City's contribution to the fund for the year ended June 30, 2004 was \$554,326.

Amounts payable from the Sioux Center Health Care Plan at June 30, 2004 total \$77,577, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims. That reserve was \$77,577 at June 30, 2004 and is reported as a designation of the Sioux Center Health Care Plan retained earnings. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims at July 1, 2003	\$52,950
Incurred claims (including claims incurred but not reported at June 30, 2004):	
Provision for current-year events where the City has retained risk of loss	474,712
Total incurred claims	<u>\$474,712</u>
Payments:	
Claims attributable to current-year events where the City has retained risk of loss	450,085
Total payments	<u>\$450,085</u>
Unpaid claims at June 30, 2004	<u>\$77,577</u>

CITY OF SIOUX CENTER, IOWA

Notes to Financial Statements
June 30, 2004

(13) Accounting Change

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absence liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statements Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences were implemented during fiscal year 2003. The statements create new basic financial statements for reporting the City's financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor special revenue funds are presented in total in one column.

(14) Deficit Fund Balance

The Capital Projects Funds 20th Street NE and 12th Street NE had a deficit balance of \$272,541 at June 30, 2004. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of state grant monies, and property assessments.

Required Supplementary Information

CITY OF SIOUX CENTER, IOWA

Required Supplementary Information
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
 Year ended June 30, 2004

	Governmental Fund Types <u>Actual</u>	Proprietary Fund Type <u>Actual</u>	Less Funds not Required to be Budgeted	<u>Net</u>	<u>Budgeted Amounts</u>		Final to Actual Variance - Positive (Negative)
					<u>Original</u>	<u>Final</u>	
Receipts:							
Property Tax	\$1,541,583			\$1,541,583	\$1,544,678	\$1,544,678	\$(3,095)
Tax increment financing collections	1,031,418			1,031,418	934,570	934,570	96,848
Other city tax	447,695			447,695	398,200	398,200	49,495
License and permits	76,817			76,817	67,740	67,740	9,077
Use of money and property	129,093	\$44,976		174,069	328,275	314,525	(140,456)
Intergovernmental	1,744,167			1,744,167	1,226,615	1,724,617	19,550
Charges for service	631,281	13,955,155		14,586,436	14,730,828	15,230,988	(644,552)
Special assessments	86,469			86,469	81,695	143,325	(56,856)
Miscellaneous	<u>1,655,539</u>	<u>53,921</u>		<u>1,709,460</u>	<u>1,310,366</u>	<u>2,199,918</u>	<u>(490,458)</u>
Total receipts	7,344,062	14,054,052		21,398,114	20,622,967	22,558,561	(1,160,447)
Disbursements:							
Public safety	636,876			636,876	688,565	688,565	(51,689)
Public works	625,173			625,173	1,076,285	1,094,895	(469,722)
Culture and recreations	1,845,690			1,845,690	1,831,087	2,098,712	(253,022)
Community and economic development	172,788			172,788	172,920	172,920	(132)
General government	483,381			483,381	520,715	521,095	(37,714)
Debt service	1,099,441			1,099,441	528,820	1,155,883	(56,442)
Capital projects	2,169,779			2,169,779	1,291,090	2,641,761	(471,982)
Business-type		<u>13,733,652</u>		<u>13,733,652</u>	<u>14,030,095</u>	<u>14,366,982</u>	<u>(633,330)</u>
Total disbursements	7,033,168	13,733,652		20,766,780	20,139,577	22,740,813	(1,974,033)
Excess of receipts over disbursements	310,934	320,400		631,334	483,390	(182,252)	813,586
Other financing sources, net	<u>(20,427)</u>	<u>273,690</u>		<u>253,263</u>			<u>253,263</u>
Excess of receipts and other financing sources over disbursements and other financing uses	<u>\$290,507</u>	<u>\$594,090</u>		<u>\$884,597</u>	<u>\$483,390</u>	<u>\$(182,252)</u>	<u>\$1,066,849</u>

See accompanying independent auditor's report.

CITY OF SIOUX CENTER, IOWA

Required Supplementary Information
Notes to Required Supplementary Information - Budgetary Reporting
June 30, 2004

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type and non-program. Function disbursements required to be budgeted include disbursements for the general fund, special revenue fund, debt service fund, capital projects funds and permanent funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, budget amendment increased budgeted disbursements by \$336,887. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted.

Other Supplementary Information

CITY OF SIOUX CENTER, IOWA

Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2004

<u>Assets</u>	<u>Road Use Tax</u>	<u>TIF/ SSMID</u>	<u>Trust & Agency</u>	<u>Task Force</u>	<u>LHAP</u>	<u>Totals</u>
Cash and Cash Equivalents	\$1,101,672	\$1,000	\$97,641	\$2,659	\$20,647	\$1,224,170
Interest Receivable			16			16
Due from Other Governments	39,806	108	1,127			72,900
Due from Other Funds	<u>232,405</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>232,405</u>
 Total Assets	 <u>\$1,373,883</u>	 <u>\$1,108</u>	 <u>\$98,784</u>	 <u>\$2,659</u>	 <u>\$20,647</u>	 <u>\$1,529,491</u>
 <u>Liabilities</u>						
Accounts Payable	\$15,989					\$15,989
Deferred Revenue	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
 Total Liabilities	 <u>15,989</u>	 <u> </u>	 <u> </u>	 <u> </u>	 <u> </u>	 <u>15,989</u>
 <u>Fund Balance</u>						
Unreserved-Undesignated	<u>1,357,894</u>	<u>\$1,108</u>	<u>\$98,784</u>	<u>\$2,659</u>	<u>\$20,647</u>	<u>1,513,502</u>
 Total Liabilities & Fund Balance	 <u>\$1,373,883</u>	 <u>\$1,108</u>	 <u>\$98,784</u>	 <u>\$2,659</u>	 <u>\$20,647</u>	 <u>\$1,529,491</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SIOUX CENTER, IOWA

Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2004

<u>Assets</u>	<u>Road Use</u>	<u>TIF/ SSMID</u>	<u>Trust & Agency</u>	<u>Task Force</u>	<u>LHAP</u>	<u>Totals</u>
Revenues:	<u>Tax</u>					
Property Taxes		\$13,488	\$364,252			\$377,740
TIF Revenue		1,031,418				1,031,418
Intergovernmental	\$503,193				\$35,000	538,193
Use of Money and Property	<u> </u>	<u>5,781</u>	<u>1,028</u>	<u> </u>	<u> </u>	<u>6,809</u>
 Total Revenues	 <u>503,193</u>	 <u>1,050,687</u>	 <u>365,280</u>	 <u> </u>	 <u>35,000</u>	 <u>1,954,160</u>
 Expenditures:						
Current Operating:						
Public Works	94,033					94,033
Community and Economic Development	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>62,000</u>	<u>62,000</u>
 Total Expenditures	 <u>94,033</u>	 <u> </u>	 <u> </u>	 <u> </u>	 <u>62,000</u>	 <u>156,033</u>
 Excess (Deficiency) of Revenues Over Expenditures	 409,160	 1,050,687	 365,280		 (27,000)	 1,798,127
 Other Financing (Uses)						
Operating Transfers to Other Funds	(100,000)	(1,135,790)	(384,076)			(1,619,866)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
 Excess (Deficiency) of Revenues Over Expenditures and Other Uses	 309,160	 (85,103)	 (18,796)		 (27,000)	 178,261
 Fund Balances at Beginning of Year	 <u>1,048,734</u>	 <u>86,211</u>	 <u>117,580</u>	 <u>\$2,659</u>	 <u>27,551</u>	 <u>1,282,735</u>
 Fund Balances at End of Year	 <u>\$1,357,894</u>	 <u>\$1,108</u>	 <u>\$98,784</u>	 <u>\$2,659</u>	 <u>\$551</u>	 <u>\$1,460,996</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SIOUX CENTER, IOWA

Nonmajor Capital Projects Funds Combining Balance Sheet June 30, 2004

	<u>12th</u> <u>Street NE</u>	<u>Pella</u>	<u>20th</u> <u>Street NE</u>	<u>Airport</u> <u>Improvements</u>	<u>Library</u> <u>Fire</u>	<u>Totals</u>
<u>ASSETS</u>						
Cash and Cash Equivalents		\$96,869		\$18,373	\$185,163	\$300,405
Accounts Receivable	_____	_____	_____	_____	<u>250,078</u>	<u>250,078</u>
Total Assets	<u>_____</u>	<u>\$96,869</u>	<u>_____</u>	<u>\$18,373</u>	<u>\$435,241</u>	<u>\$550,483</u>
<u>LIABILITIES AND FUND BALANCE</u>						
<u>Liabilities</u>						
Accounts Payable	\$226		\$39,910	\$513	\$26,718	\$67,367
Due to Other Funds	<u>26,096</u>	_____	<u>206,309</u>	_____	_____	<u>232,405</u>
Total Liabilities	<u>26,322</u>	_____	<u>246,219</u>	<u>513</u>	<u>26,718</u>	<u>299,772</u>
Fund Balance (Deficit)						
Unreserved - Undesignated	<u>(26,322)</u>	<u>\$96,869</u>	<u>(246,219)</u>	<u>17,860</u>	<u>408,523</u>	<u>250,711</u>
Total Liabilities and Fund Balance	<u>_____</u>	<u>\$96,869</u>	<u>_____</u>	<u>\$18,373</u>	<u>\$435,241</u>	<u>\$550,483</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SIOUX CENTER, IOWA

Nonmajor Capital Projects Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2004

	<u>20th Street NE</u>	<u>Pella</u>	<u>12th Street NE</u>	<u>Airport Improvement</u>	<u>Library Fire</u>	<u>Total</u>
Revenues:						
Special Assessment	\$20,000	\$40,540				\$60,540
Use of Money and Property						
Intergovernmental		1,058,903		\$7,531		1,066,434
Miscellaneous					\$408,686	408,686
Total Revenues	<u>20,000</u>	<u>1,099,443</u>	<u> </u>	<u>7,531</u>	<u>408,686</u>	<u>1,535,660</u>
Expenditures:						
Capital Projects	<u>246,219</u>	<u>533,815</u>	<u>\$16,273</u>	<u>7,636</u>	<u>250,241</u>	<u>1,054,184</u>
Total Expenditures	<u>246,219</u>	<u>533,815</u>	<u>16,273</u>	<u>7,636</u>	<u>250,241</u>	<u>1,054,184</u>
(Deficiency) of Revenues						
Over Expenditures	(226,219)	565,628	(16,273)	(105)	158,445	481,476
Fund (Deficit) at Beginning						
of Year	<u> </u>	<u>(468,759)</u>	<u>(10,049)</u>	<u>17,965</u>	<u> </u>	<u>(460,843)</u>
Fund (Deficit) at End						
of Year	<u>\$ (226,219)</u>	<u>\$98,869</u>	<u>\$ (26,322)</u>	<u>\$17,860</u>	<u>\$158,445</u>	<u>\$20,633</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SIOUX CENTER, IOWA

Schedule of Receipts By Source and Disbursements By Function - All Governmental Fund Types

For the Last Four Years

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Receipts:				
Property taxes	\$1,541,583	\$1,475,319	\$1,327,614	\$1,192,500
Tax increment financing collections	1,031,418	731,104	887,467	672,685
Other city taxes	447,695	421,293	396,128	346,319
Licenses and permits	76,817	83,925	68,612	97,341
Use of money and property	129,093	147,703	190,742	220,915
Intergovernmental	1,744,167	4,548,531	1,282,167	805,094
Charges for service	631,281	307,936	254,608	335,039
Special assessments	86,469	152,031	122,790	234,935
Miscellaneous (including contributions)	<u>1,655,539</u>	<u>3,741,885</u>	<u>464,915</u>	<u>307,707</u>
Total	<u>\$7,344,062</u>	<u>\$11,609,727</u>	<u>\$4,995,043</u>	<u>\$4,212,535</u>
Disbursements				
Public safety	636,876	612,478	672,486	902,601
Public works	625,173	837,560	2,148,694	1,706,157
Culture & recreation	1,845,690	1,060,886	2,096,019	1,315,818
Community & economic development	172,788	174,244		
General government	483,381	452,608	450,883	435,869
Debt service	1,099,441	428,391		
Capital projects	<u>2,169,779</u>	<u>8,992,000</u>	_____	_____
Total	<u>\$7,033,128</u>	<u>\$12,558,167</u>	<u>\$5,368,082</u>	<u>\$4,360,445</u>

Notes revised disbursement categories in 2003.

The accompanying notes are an integral part of the financial statements.

CITY OF SIOUX CENTER, IOWA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

<u>Grantor Program</u>	<u>CFDA Number</u>	<u>Agency Pass-through Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Housing & Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/ State's Program			
Community Development Block Grants/ State's Program	14.228	99-PF-003	\$533,814
Total			<u>\$533,814</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Sioux Center and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Honorable Mayor and Members of the City Council:

We have audited the financial statements of City of Sioux Center, Iowa as of and for the year ended June 30, 2004, and have issued our report thereon dated November 30, 2004. We conducted our audit in accordance with generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Comments involving statutory and other legal matters about the City of Sioux Center, Iowa's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the City of Sioux Center, Iowa. Since our audit was based on tests and samples, not all transactions that might have 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 comment has been continued, see item IV-K-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Sioux Center, Iowa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the City of Sioux Center, Iowa's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and may not be detected within a timely period by

employees in the normal course of performing their assigned functions. Our considerations of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no material weaknesses in planning and performing the audit.

This report is intended for the information of the City of Sioux Center, Iowa, the federal awarding agency and other grantor agencies. However, this report is a matter of public record and its distribution is not limited.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of Sioux Center, Iowa during the course of our audit.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Sioux Center, Iowa
November 30, 2004

Independent Auditor's Report on Compliance
with Requirements Applicable to Each Major Program and Internal Control over Compliance

To the Honorable Mayor and Members of the City Council:

Compliance

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

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

In our opinion, the City complied in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

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

We noted no reportable conditions involving matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance, that, in our judgement, could adversely affect City of Sioux Center, Iowa's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants.

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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited any occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no material weaknesses in planning and performing the audit.

This report is intended for the information of the City of Sioux Center, Iowa, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Sioux Center, Iowa
November 30, 2004

CITY OF SIOUX CENTER, IOWA

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 found during the audit of the financial statements.
- c) The audit did not disclose any noncompliance which is material to the financial statements.
- d) No reportable conditions in internal control over major programs were found during the audit of the financial statements.
- e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f) The audit found no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a)
- g) Major programs were as follows: CFDA Number 14.228
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$500,000.
- i) City of Sioux Center, Iowa did not qualify as a low-risk auditee.

Part II: Findings Related to the General Purpose Financial Statements:

REPORTABLE CONDITIONS: NONE

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NONCOMPLIANCE: NONE

REPORTABLE CONDITIONS: NONE

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-04 Official Depositories - A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year.
- IV-B-04 Certified Budget - Total disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted.
- IV-C-04 Questionable Expenditures - No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-D-04 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

CITY OF SIOUX CENTER, IOWA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

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

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
W. Dale Den Herder, Council Member President of American State Bank	Interest Income	\$68,317
Dennis Walstra, Mayor Walstra Plumbing & Heating	Supplies	\$740
Randy Vreugdenhil, Council Member Hills Electronics	Computers and Supplies	\$5,069

In accordance with Chapter 362.5(2), the transaction with the bank does not appear to be a conflict of interest because American State Bank has been designated as a depository, paying agent, or for investment of funds. The transaction with Walstra Plumbing & Heating and Hills Electronics do not appear to represent a conflict of interest because competitive bidding was not required for amounts under \$25,000, in accordance with Iowa Code.

IV-F-04 Bond Coverages - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

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

IV-H-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 investment policy were noted.

IV-I-04 Revenue Bonds - The City has complied with the provisions of the revenue bond indentures which state that the bonds and interest are payable solely and only from the net earnings of the activities.

IV-J-04 Exemption from Federal Income Tax - The City of Sioux Center is a public municipality and is exempt from federal income taxes.

IV-K-04 Publication of Salaries - It was noted that salaries were not published.

Recommendation - Insure that annual salaries are published.

Response - Comment noted.

Conclusion - Response noted, auditor reiterated the State requirement should be followed.

CITY OF SIOUX CENTER, IOWA

Audit Staff

This audit was performed by:

Rex Knapp, CPA, Partner
Robert Kroese, CPA, Partner