

CITY OF ST. ANSGAR, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2004

- Prepared By -

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CITY OF ST. ANSGAR, IOWA

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OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
(Before January 2004)		
Marion Neeley	Mayor	January 2004
Marvin Kofoot	Mayor Pro Tem	January 2006
Christopher Maiers	Council Member	January 2004
Paul Groth	Council Member	January 2006
David Juhl	Council Member	January 2004
Eric Krahenbuhl	Council Member	January 2004
Diane Collier	City Clerk	Indefinite
Donna Rachut	Treasurer	Indefinite
Patrick Rourick	Attorney	Indefinite
(After January 2004)		
William Squier	Mayor	January 2006
David Tollefson	Mayor Pro Tem	January 2008
Joe Beyer	Council Member	January 2008
Marvin Kofoot	Council Member	January 2006
Paul Groth	Council Member	January 2006
Robert Glassel	Council Member	January 2008
Diane Collier	City Clerk	Indefinite
Donna Rachut	Treasurer	Indefinite
Patrick Rourick	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

I 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 St. Ansgar, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of City of St. Ansgar's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, I was unable to satisfy myself as to the distribution of the total fund balance at July 1, 2003.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to verify the distribution by fund of the total fund balance at July 1, 2003, as discussed in the preceding paragraph, the aforementioned financial statements present fairly, in all material respects, the respective cash basis financial position of governmental activities, the business type activities, and the aggregate remaining fund information of the City of St. Ansgar as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting as described in Note 1.

As described in Note 10, during the year ended June 30, 2004, the City 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 the State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences.

In accordance with Government Auditing Standards, I have also issued my report dated August 4, 2004 on my consideration of the City of St. Ansgar's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations and contracts. 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 my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 25 through 27 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of St. Ansgar's basic financial statements. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

August 4, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of St. Ansgar provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

Revenues of the City's governmental activities decreased 11%, or approximately \$107,000 from fiscal 2003 to fiscal 2004. Property tax decreased approximately \$5,000 and intergovernmental revenues decreased \$73,000.

Disbursements decreased 22%, or approximately \$212,000, in fiscal 2004 from fiscal 2003. Public safety, culture and recreation and community and economic development disbursements decreased approximately \$23,000, \$260,001 and \$123,000, respectively.

The City's total cash basis net assets increased 40%, or approximately \$259,000, from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities increased approximately \$180,000 and the assets of the business type activities increased by approximately \$79,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

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Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

Basis of Accounting

The city maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the city as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the 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 the City's programs.

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The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the city's various functions.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing from \$431,000 to \$611,000. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities
(Expressed in Thousands)

	<u>Year ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 130	\$ 127
Operating grants, contributions and restricted interest	87	144
General receipts:		
Property tax	505	510
Local option sales tax	64	83
Grants and contributions not restricted to specific purposes	-	17
Unrestricted investment earnings	7	9
Other general receipts	38	48
Transfers, net	92	69
Total receipts and transfers	<u>\$ 923</u>	<u>\$1,007</u>
Disbursements:		
Public safety	\$ 77	\$ 100
Public works	123	115
Health and social services	-	1
Culture and recreation	218	479
Community and economic development	6	129
General government	60	106
Debt service	230	25
Capital projects	29	-
Total disbursements	<u>\$ 743</u>	<u>\$ 955</u>
Increase in cash basis net assets	\$ 180	\$ 52
Cash basis net assets beginning of year	<u>431</u>	<u>379</u>
Cash basis net assets end of year	<u>\$ 611</u>	<u>\$ 431</u>

The City's total receipts for governmental activities decreased by 8%, or \$84,000. The total cost of all programs and services decreased by approximately \$212,000, or 22%, with no new programs added this year. The significant decrease in receipts was primarily the result of grant proceeds received in 2003.

The cost of all governmental activities this year was \$743,000 compared to \$955,000 last year. However, as shown in the Statement of Activities and Net Assets on pages 10-13, the amount taxpayers ultimately financed for these activities was only \$706,000 because some of the cost was paid by those directly benefited from the programs (\$129,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$87,000). Overall, the City's governmental activities receipts, including governmental aid and fees for service, decreased in 2004 from approximately \$270,000 to approximately \$217,000, principally due to receiving grant proceeds in 2003. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$505,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities
(Expressed in Thousands)

	Year ended June 30,	
	2004	2003
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 123	\$ 110
Sewer	183	164
Acorn Park golf	156	143
Capital grants, contributions and restricted interest	54	-
General receipts:		
Unrestricted interest on investments	2	6
Bond proceeds	-	515
Other general receipts	19	26
Total receipts	\$ 537	\$ 964
Disbursements and transfers:		
Water	\$ 91	\$ 105
Sewer	119	1,021
Acorn Park golf	155	169
Transfers	93	69
Total disbursements and transfers	\$ 458	\$1,364
Increase (decrease) in cash balance	\$ 79	\$ (400)
Cash basis net assets beginning of year	217	617
Cash basis net assets end of year	\$ 296	\$ 217

Total business type activities receipts for the fiscal year were \$537,000 compared to \$964,000 last year. This significant decrease was due primarily to the receipt of \$515,000 in sewer construction general revenue bond proceeds in 2003. The cash balance increased by approximately \$79,000 from the prior year. Total disbursements and transfers for the fiscal year decreased by 66% to a total of \$458,000 because of the sewer project in 2003.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of St. Ansgar completed the year, its governmental funds reported a combined fund balance of \$611,000, an increase of more than \$180,000 above last year's total of \$431,000. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance increased \$10,000 from the prior year to \$164,000.

The Local Option Sales Tax Fund cash balance decreased by \$28,000 to \$104,000 during the fiscal year. This decrease was attributable to approximately \$19,000 less local option sales tax received this fiscal year. Local option sales tax revenues decreased due to three retail businesses closing. Receipts decreased almost \$900 per month with the closings. The city intends to use this money for park and recreation financing.

The Tax Increment Financing Fund was established in the previous fiscal year to account for urban renewal projects within the City's business district. At the end of the fiscal year, the cash balance was \$246,000, an increase of \$171,000 from the previous year. With advance knowledge that the city would be partnering with Mitchell County Regional Health Care in the construction of a new medical facility and parking lot in the FY 2004-05 year, the Tax Increment Finance Fund cash balance was allowed to grow to assist with the purchase of land, demolition of buildings and drainage work that will need to be done in the area.

The Debt Service Fund cash balance decreased by less than \$1,000 to \$4,000 during the fiscal year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance increased by \$26,000 to \$126,000, due primarily to an increase in the sale of water.

The Sewer Fund cash balance decreased by \$13,000 to \$69,000, due primarily to the increase in debt service payments.

The Acorn Park Golf Fund cash balance increased by \$66,000 to \$101,000, due primarily to an increase in charges for services.

DEBT ADMINISTRATION

At June 30, 2004, the City had approximately \$1,213,000 in bonds and other long-term debt, compared to approximately \$1,394,000 last year, as shown on the following page.

Outstanding Debt at Year-End
(Expressed in Thousands)

	June 30,	
	2004	2003
General obligation bonds	\$ 280	\$ 340
Urban renewal tax increment financing revenue bonds	10	13
Revenue note	687	750
Other	236	291
Total	<u>\$ 1,213</u>	<u>\$ 1,394</u>

The City did not incur any new debt during 2004. Principal and interest payments were made as scheduled. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$280,000 is significantly below its constitutional debt limit of \$1,350,000. The City intends to call the general obligation bonds on the call date which is June 1, 2008.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of St. Ansgar elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. Two of the three retail businesses closed during the 2004 fiscal year have since been sold and reopened.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact, Diane Collier, City Clerk, City of St. Ansgar.

CITY OF ST. ANSGAR, IOWA
 STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

	<u>Disbursements</u>	<u>Program Receipts</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public Safety	\$ 76,671	\$ 8,671	\$ -	\$ -
Public works	123,489	41,606	85,869	-
Culture and recreation	217,680	76,145	1,545	-
Community and economic development	5,715	-	-	-
General government	60,031	3,335	-	-
Debt service	229,969	-	-	-
Capital projects	<u>29,680</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental Activities	<u>\$ 743,235</u>	<u>\$ 129,757</u>	<u>\$ 87,414</u>	<u>\$ -</u>
Business type activities:				
Water	\$ 91,483	\$ 123,370	\$ 351	\$ -
Sewer	118,530	183,005	-	-
Acorn park golf	<u>154,818</u>	<u>133,588</u>	<u>21,535</u>	<u>-</u>
Total business type activities	<u>\$ 364,831</u>	<u>\$ 439,963</u>	<u>\$ 21,886</u>	<u>\$ -</u>
Total	<u>\$1,108,066</u>	<u>\$ 569,720</u>	<u>\$ 109,300</u>	<u>\$ -</u>

(continued)

**Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (68,000)	\$ -	\$ (68,000)
3,986	-	3,986
(139,990)	-	(139,990)
(5,715)	-	(5,715)
(56,696)	-	(56,696)
(229,969)	-	(229,969)
<u>(29,680)</u>	<u>-</u>	<u>(29,680)</u>
\$ (526,064)	\$ -	\$ (526,064)
\$ -	\$ 32,238	\$ 32,238
-	64,475	64,475
<u>-</u>	<u>305</u>	<u>305</u>
\$ -	\$ 97,018	\$ 97,018
\$ (526,064)	\$ 97,018	\$ (429,046)

	<u>Program Receipts</u>		
	<u>Charges</u>	<u>Operating Grants,</u>	<u>Capital Grants,</u>
	<u>for</u>	<u>and Restricted</u>	<u>and Restricted</u>
<u>Disbursements</u>	<u>Service</u>	<u>Interest</u>	<u>Interest</u>
General Receipts:			
Property tax levied for:			
General purposes			
Tax increment financing			
Debt service			
Local option sales tax			
Grants and contributions not restricted to specific purpose			
Unrestricted interest on investments			
Miscellaneous			
Transfers			
 Total general receipts and transfers			
 Change in cash basis net assets			
 Cash basis net assets beginning of year, as restated			
 Cash basis net assets end of year			
Cash Basis Net Assets			
Restricted:			
Debt service			
Unrestricted			
 Total cash basis net assets			

See Notes to Financial Statements.

**Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 187,665	\$ -	\$ 187,665
317,715	-	317,715
77	-	77
64,284	-	64,284
-	54,475	54,475
7,231	2,225	9,456
36,772	17,801	54,573
<u>92,642</u>	<u>(92,642)</u>	<u>-</u>
<u>\$ 706,386</u>	<u>\$ (18,141)</u>	<u>\$ 688,245</u>
\$ 180,322	\$ 78,877	\$ 259,199
<u>431,158</u>	<u>217,200</u>	<u>648,358</u>
<u>\$ 611,480</u>	<u>\$ 296,077</u>	<u>\$ 907,557</u>
\$ 4,056	\$ -	\$ 4,056
<u>607,424</u>	<u>296,077</u>	<u>903,501</u>
<u>\$ 611,480</u>	<u>\$ 296,077</u>	<u>\$ 907,557</u>

CITY OF ST. ANSGAR, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Special Revenue</u>	
		<u>Local Option Sales Tax</u>	<u>Tax Increment Financing</u>
RECEIPTS:			
Property tax	\$ 158,503	\$ -	\$ -
Tax increment financing collections	-	-	317,715
Other city tax	-	64,284	-
Use of money and property	3,872	1,246	1,992
Licenses and permits	3,335	-	-
Intergovernmental	43,443	-	-
Charges for service	41,606	54,028	-
Miscellaneous	13,708	4,340	5,834
Total receipts	<u>\$ 264,467</u>	<u>\$ 123,898</u>	<u>\$ 325,541</u>
DISBURSEMENTS:			
Operating:			
Public Safety	\$ 62,530	\$ -	\$ -
Public works	63,448	-	-
Culture and recreation	93,156	115,785	-
Community and economic development	4,788	-	-
General government	53,450	-	879
Debt service	4,220	-	4,040
Capital projects	-	-	26,775
Total disbursements	<u>\$ 281,592</u>	<u>\$ 115,785</u>	<u>\$ 31,694</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (17,125)</u>	<u>\$ 8,113</u>	<u>\$ 293,847</u>
Other financing sources (uses):			
Operating transfers in	\$ 26,820	\$ -	\$ -
Operating transfers out	-	(36,465)	(122,121)
Total other financing sources (uses)	<u>\$ 26,820</u>	<u>\$ (36,465)</u>	<u>\$ (122,121)</u>
Net change in cash balances	\$ 9,695	\$ (28,352)	\$ 171,726
Cash balances beginning of year	<u>153,887</u>	<u>132,354</u>	<u>74,101</u>
Cash balances end of year	<u>\$ 163,582</u>	<u>\$ 104,002</u>	<u>\$ 245,827</u>

(continued)

<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 77	\$ 29,162	\$ 187,742
-	-	317,715
-	-	64,284
61	60	7,231
-	-	3,335
-	85,869	129,312
-	-	95,634
-	1,780	25,662
<u>\$ 138</u>	<u>\$ 116,871</u>	<u>\$ 830,915</u>
\$ -	\$ 14,141	\$ 76,671
-	60,041	123,489
-	8,739	217,680
-	48	5,715
-	6,581	60,031
221,709	-	229,969
-	2,905	29,680
<u>\$ 221,709</u>	<u>\$ 92,455</u>	<u>\$ 743,235</u>
<u>\$ (221,571)</u>	<u>\$ 24,416</u>	<u>\$ 87,680</u>
\$ 221,209	\$ 3,203	\$ 251,232
-	(4)	(158,590)
<u>\$ 221,209</u>	<u>\$ 3,199</u>	<u>\$ 92,642</u>
\$ (362)	\$ 27,615	\$ 180,322
<u>4,418</u>	<u>66,398</u>	<u>431,158</u>
<u><u>\$ 4,056</u></u>	<u><u>\$ 94,013</u></u>	<u><u>\$ 611,480</u></u>

CITY OF ST. ANSGAR, IOWA
 STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
 GOVERNMENTAL FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Special Revenue</u>	
		<u>Local Option Sales Tax</u>	<u>Tax Increment Financing</u>
Cash Basis Fund Balances:			
Reserved:			
Debt service	\$ -	\$ -	\$ -
Unreserved:			
General fund	163,582	-	-
Special revenue funds	-	104,002	245,827
Capital project funds	-	-	-
Permanent fund	-	-	-
	<hr/>	<hr/>	<hr/>
Total cash basis fund balances	<u>\$ 163,582</u>	<u>\$ 104,002</u>	<u>\$ 245,827</u>

See Notes to Financial Statements.

<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 4,056	\$ -	\$ 4,056
-	-	163,582
-	51,622	401,451
-	302	302
<u>-</u>	<u>42,089</u>	<u>42,089</u>
<u>\$ 4,056</u>	<u>\$ 94,013</u>	<u>\$ 611,480</u>

CITY OF ST. ANSGAR, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

	<u>Enterprise Funds</u>			<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	<u>Acorn Park Golf</u>	
Operating receipts:				
Use of money and property	\$ -	\$ -	\$ 14,455	\$ 14,455
Charges for service	123,370	183,005	133,588	439,963
Miscellaneous	<u>351</u>	<u>-</u>	<u>7,080</u>	<u>7,431</u>
Total operating receipts	\$ 123,721	\$ 183,005	\$ 155,123	\$ 461,849
Operating disbursements:				
Business type activities	<u>91,483</u>	<u>118,530</u>	<u>148,761</u>	<u>358,774</u>
Excess of operating receipts over operating disbursements	<u>\$ 32,238</u>	<u>\$ 64,475</u>	<u>\$ 6,362</u>	<u>\$ 103,075</u>
Non-operating receipts (disbursements):				
Interest on investments	\$ 1,592	\$ 510	\$ 123	\$ 2,225
Miscellaneous	5,235	1,011	66,030	72,276
Debt service	<u>-</u>	<u>-</u>	<u>(6,057)</u>	<u>(6,057)</u>
Total non-operating receipts (disbursements)	<u>\$ 6,827</u>	<u>\$ 1,521</u>	<u>\$ 60,096</u>	<u>\$ 68,444</u>
Excess of receipts over disbursements	\$ 39,065	\$ 65,996	\$ 66,458	\$ 171,519
Operating transfers out	<u>(13,408)</u>	<u>(79,234)</u>	<u>-</u>	<u>(92,642)</u>
Net change in cash balances	\$ 25,657	\$ (13,238)	\$ 66,458	\$ 78,877
Cash balances beginning of year	<u>99,867</u>	<u>82,641</u>	<u>34,692</u>	<u>217,200</u>
Cash balances end of year	<u>\$ 125,524</u>	<u>\$ 69,403</u>	<u>\$ 101,150</u>	<u>\$ 296,077</u>
Cash Basis Fund Balances				
Unreserved	<u>\$ 125,524</u>	<u>\$ 69,403</u>	<u>\$ 101,150</u>	<u>\$ 296,077</u>

See Notes to Financial Statements.

CITY OF ST. ANSGAR, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(1) Summary of Significant Accounting Policies

The City of St. Ansgar is a political subdivision of the State of Iowa located in Mitchell County. It was first incorporated in 1876 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

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

Jointly Governed Organizations - The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the Mitchell County Assessor's Conference Board, Mitchell County E-911 Board and St. Ansgar Rescue.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

CITY OF ST. ANSGAR, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(1) Summary of Significant Accounting Policies - continued

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

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

CITY OF ST. ANSGAR, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(1) Summary of Significant Accounting Policies - continued

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Acorn Park Golf accounts for the operation of the City's golf course and club house.

C. Measurement Focus and Basis of Accounting

The City of St. Ansgar maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

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

(2) Cash and Investments

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

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.

CITY OF ST. ANSGAR, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(3) Long-Term Debt

Bonds and Notes

Annual debt service requirements to maturity for general obligations bonds, urban renewal tax increment financing notes and Revenue notes are as follows:

Year Ending June 30,	<u>General Obligation Bonds</u>		<u>Urban Renewal Tax Increment Financing Note</u>		<u>Revenue Notes</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 65,000	\$ 12,195	\$ 3,473	\$ 566	\$ 70,000	\$ 30,613	\$138,473	\$ 43,374
2006	70,000	9,465	3,689	350	71,000	27,550	144,689	37,365
2007	70,000	6,455	2,208	150	79,000	24,420	151,208	31,025
2008	75,000	3,375	586	31	80,000	20,917	155,586	24,323
2009	-	-	-	-	82,000	17,303	82,000	17,303
2010-2015	-	-	-	-	305,000	30,967	305,000	30,967
Total	<u>\$280,000</u>	<u>\$ 31,490</u>	<u>\$ 9,956</u>	<u>\$ 1,097</u>	<u>\$687,000</u>	<u>\$151,770</u>	<u>\$976,956</u>	<u>\$184,357</u>

The urban renewal tax increment financing notes were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The debt is payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing notes shall be expended only for the purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City, however the debt is subject to the constitutional debt limitation of the City.

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

- (a) The notes will only be redeemed from the future earnings of the enterprise activities and local option sales tax revenue and note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate sewer revenue and local option sales note sinking accounts for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers shall be made to sewer revenue and local option sales note reserve accounts until the required balances are accumulated. The sewer revenue note reserve account is restricted for the purpose of paying for unusual or extraordinary maintenance, repairs, renewals and replacements to the system and when necessary for the purpose of making payments of principal and interest. The local option sales note reserve account is restricted for the purpose of paying principal and interest due on the local option sales notes when sufficient money is not available in the sinking account.

CITY OF ST. ANSGAR, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2004

(3) **Long-Term Debt** - continued

Notes Payable

The REC note payable has a balance of \$235,821 at June 30, 2004. Principal payments of \$47,164 are due annually. The loan is non-interest bearing, with the final payment due August 3, 2008.

(4) **Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. Contribution requirements are established by State statute. The City's contribution to IPERS for the year ended June 30, 2004 was \$11,960, which was equal to the required contribution for the year.

(5) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, comp time and sick leave hours for subsequent use. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable, comp time payable, and sick leave payable to employees at June 30, 2004, primarily relating to the General Fund, is \$8,139. This liability has been computed based on rates of pay as of June 30, 2004.

(6) **Deficit Fund Balances**

The Special Revenue Fund, Employee Benefits Account had a deficit balance of \$153 at June 30, 2004. The deficit balance was a result costs incurred prior to availability of funds. The deficits will be eliminated upon receipt of property taxes.

(7) **Commitments**

At June 30, 2004, the following construction commitment had been made:

<u>Project</u>	<u>Total Contract</u>	<u>Costs Incurred to Date</u>
Water tower repainting	\$ 13,300	\$ -

CITY OF ST. ANSGAR, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2004

(8) 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:	
	Employee Benefits	\$ 4
	Enterprise:	
	Water	13,408
	Sewer	13,408
		<u>\$ 26,820</u>
Debt Service	Special Revenue:	
	Tax increment financing	\$ 121,818
	Local option sales tax	36,465
	Enterprise:	
	Sewer	62,926
		<u>\$ 221,209</u>
Capital project	Special Revenue:	
	Tax increment financing	\$ 303
	Enterprise:	
	Sewer	2,900
		<u>\$ 3,203</u>
Total		<u>\$ 251,232</u>

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

(9) 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.

(10) Accounting Change and Restatements

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, 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 a government-wide financial statement 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 statement reports the City's governmental and business type activities.

Required Supplementary Information

CITY OF ST. ANSGAR, IOWA
 BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS
 AND CHANGES IN BALANCES
 BUDGET AND ACTUAL (CASH BASIS) - ALL
 GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2004

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds Not Required <u>To Be Budgeted</u>
RECEIPTS:			
Property tax	\$ 187,742	\$ -	\$ -
Tax increment financing collections	317,715	-	-
Other city tax	64,284	-	-
Licenses and permits	3,335	-	-
Use of money and property	7,231	16,680	-
Intergovernmental	129,312	-	-
Charges for service	95,634	439,963	-
Miscellaneous	25,662	79,707	-
Total receipts	<u>\$ 830,915</u>	<u>\$ 536,350</u>	<u>\$ -</u>
DISBURSEMENTS:			
Public safety	\$ 76,671	\$ -	\$ -
Public works	123,489	-	-
Health and social services	-	-	-
Culture and recreation	217,680	-	-
Community and economic development	5,715	-	-
General government	60,031	-	-
Debt service	229,969	-	-
Capital projects	29,680	-	-
Business activities	-	364,831	-
Total disbursements	<u>\$ 743,235</u>	<u>\$ 364,831</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 87,680	\$ 171,519	\$ -
Other financing sources, net	<u>92,642</u>	<u>(92,642)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements	\$ 180,322	\$ 78,877	\$ -
Balance beginning of year	<u>431,158</u>	<u>217,200</u>	<u>-</u>
Balance end of year	<u>\$ 611,480</u>	<u>\$ 296,077</u>	<u>\$ -</u>

See Accompanying Independent Auditor's Report.

<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 187,742	\$ 180,132	\$ 180,132	\$ 7,610
317,715	336,872	336,872	(19,157)
64,284	81,783	81,783	(17,499)
3,335	2,390	2,390	945
23,911	35,664	35,664	(11,753)
129,312	141,477	141,477	(12,165)
535,597	370,859	370,859	164,738
105,369	90,784	90,784	14,585
<u>\$1,367,265</u>	<u>\$1,239,961</u>	<u>\$1,239,961</u>	<u>\$ 127,304</u>
\$ 76,671	\$ 106,133	\$ 106,133	\$ 29,462
123,489	142,129	142,129	18,640
-	600	600	600
217,680	283,912	283,912	66,232
5,715	78,817	78,817	73,102
60,031	60,989	60,989	958
229,969	125,858	125,858	(104,111)
29,680	-	-	(29,680)
364,831	523,595	523,595	158,764
<u>\$1,108,066</u>	<u>\$1,322,033</u>	<u>\$1,322,033</u>	<u>\$ 213,967</u>
\$ 259,199	\$ (82,072)	\$ (82,072)	\$ (341,271)
<u>-</u>	<u>1,350</u>	<u>1,350</u>	<u>(1,350)</u>
\$ 259,199	\$ (80,722)	\$ (80,722)	\$ 339,921
<u>648,358</u>	<u>1,045,027</u>	<u>1,045,027</u>	<u>(396,669)</u>
<u>\$ 907,557</u>	<u>\$ 964,305</u>	<u>\$ 964,305</u>	<u>\$ (56,748)</u>

CITY OF ST. ANSGAR, IOWA
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 cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary 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 activities and nonprogram. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, there were no budget amendments.

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

Other Supplementary Information

CITY OF ST. ANSGAR, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	<u>Special Revenue</u>	
	<u>Road Use Tax</u>	<u>Employee Benefit</u>
RECEIPTS:		
Property tax	\$ -	\$ 29,162
Use of money and property	-	56
Intergovernmental	85,869	-
Miscellaneous	-	235
Total receipts	<u>\$ 85,869</u>	<u>\$ 29,453</u>
DISBURSEMENTS:		
Operating:		
Public safety	\$ -	\$ 14,141
Public works	59,948	93
Culture and recreation	-	8,739
Community and economic development	-	48
General government	-	6,581
Capital projects	-	-
Total disbursements	<u>\$ 59,948</u>	<u>\$ 29,602</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 25,921</u>	<u>\$ (149)</u>
Other financing sources (uses):		
Operating transfers in	\$ -	\$ -
Operating transfers out	-	(4)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (4)</u>
Net change in cash balances	\$ 25,921	\$ (153)
Cash balances beginning of year	<u>25,854</u>	<u>-</u>
Cash balances end of year	<u>\$ 51,775</u>	<u>\$ (153)</u>
Cash Basis Fund Balances:		
Unreserved:		
Special revenue funds	\$ 51,775	\$ (153)
Capital project funds	-	-
Permanent fund	-	-
Total cash basis fund balances	<u>\$ 51,775</u>	<u>\$ (153)</u>

See Accompanying Independent Auditor's Report.

Capital Projects	Permanent		Total
	Cemetery Care	Perpetual	
\$ -	\$ -		\$ 29,162
4	-		60
-	-		82,869
-	1,545		1,780
<u>\$ 4</u>	<u>\$ 1,545</u>		<u>\$ 116,871</u>
\$ -	\$ -		\$ 14,141
-	-		60,041
-	-		8,739
-	-		48
-	-		6,581
2,905	-		2,905
<u>\$ 2,905</u>	<u>\$ -</u>		<u>\$ 92,455</u>
<u>\$ (2,901)</u>	<u>\$ 1,545</u>		<u>\$ 24,416</u>
\$ 3,203	\$ -		\$ 3,203
-	-		(4)
<u>\$ 3,203</u>	<u>\$ -</u>		<u>\$ 3,199</u>
\$ 302	\$ 1,545		\$ 27,615
-	40,544		66,398
<u>\$ 302</u>	<u>\$ 42,089</u>		<u>\$ 94,013</u>
\$ -	\$ -		\$ 51,622
302	-		302
-	42,089		42,089
<u>\$ 302</u>	<u>\$ 42,089</u>		<u>\$ 94,013</u>

CITY OF ST. ANSGAR, IOWA
 SCHEDULE OF INDEBTEDNESS
 YEAR ENDED JUNE 30, 2004

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds:			
Aquatics	06/01/01	4.00-4.50%	\$400,000
Revenue Notes:			
Aquatics local option	06/01/01	4.30-5.20%	\$280,000
Sewer lagoon	04/11/03	4.25	515,000
Urban Renewal Tax Increment:			
Wold TIF Loan	08/13/96	6.00%	\$ 25,000
Schulz TIF Loan	03/10/98	7.00	4,385
IDED Loan:			
RC 2004 Loan	10/01/93	1.00%	\$ 20,041
REC Loan:			
Heartland Power Coop	08/03/00	0.00%	\$337,313
Bank Loans:			
Acorn Park Equipment	10/07/97	7.00%	\$ 24,100
Total indebtedness			

See Accompanying Independent Auditor's Report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 340,000	-	\$ 60,000	\$ 280,000	\$ 14,655	\$ -
\$ 235,000	\$ -	\$ 25,000	\$ 210,000	\$ 11,465	\$ -
515,000	-	38,000	477,000	24,923	-
<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ 63,000</u>	<u>\$ 687,000</u>	<u>\$ 36,388</u>	<u>\$ -</u>
\$ 10,659	\$ -	\$ 2,824	\$ 7,835	\$ 598	\$ -
2,566	-	445	2,121	172	-
<u>\$ 13,225</u>	<u>\$ -</u>	<u>\$ 3,269</u>	<u>\$ 9,956</u>	<u>\$ 770</u>	<u>\$ -</u>
\$ 3,424	\$ -	\$ 3,424	\$ -	\$ 34	\$ -
<u>\$ 282,985</u>	<u>\$ -</u>	<u>\$ 47,164</u>	<u>\$ 235,821</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,651	\$ -	\$ 4,651	\$ -	\$ 201	\$ -
<u>\$1,394,285</u>	<u>\$ -</u>	<u>\$181,508</u>	<u>\$1,212,777</u>	<u>\$ 52,048</u>	<u>\$ -</u>

CITY OF ST. ANSGAR, IOWA
BOND AND NOTE MATURITIES
JUNE 30, 2004

Year Ending June 30,	GENERAL OBLIGATION BONDS AQUATICS	
	Issued June 1, 2001	
	Interest	
	Rates	Amount
2005	4.20%	\$ 65,000
2006	4.30	70,000
2007	4.40	70,000
2008	4.50	75,000
Total		<u>\$280,000</u>

Year Ending June 30,	URBAN RENEWAL TAX INCREMENT FINANCING NOTES				
	Wold TIF Loan Issued August 13, 1996		Schulz TIF Loan Issued March 10, 1998		
	Interest		Interest		
	Rates	Amount	Rates	Amount	Total
2005	6.00%	\$ 2,996	7.00%	\$ 477	\$ 3,473
2006	6.00	3,178	7.00	511	3,689
2007	6.00	1,661	7.00	547	2,208
2008	-	-	7.00	586	586
Total		<u>\$ 7,835</u>		<u>\$ 2,121</u>	<u>\$ 9,956</u>

Year Ending June 30,	Revenue Notes				
	Aquatics Local Option Issued June 1, 2001		Sewer Lagoon Issued April 11, 2003		
	Interest		Interest		
	Rates	Amount	Rates	Amount	Total
2005	4.60%	\$ 25,000	4.25%	\$ 45,000	\$ 70,000
2006	4.70	25,000	4.25	46,000	71,000
2007	4.80	30,000	4.25	49,000	79,000
2008	4.90	30,000	4.25	50,000	80,000
2009	5.00	30,000	4.25	52,000	82,000
2010	5.10	35,000	4.25	55,000	90,000
2011	5.20	35,000	4.25	57,000	92,000
2012	-	-	4.25	60,000	60,000
2013	-	-	4.25	63,000	63,000
Total		<u>\$210,000</u>		<u>\$477,000</u>	<u>\$ 687,000</u>

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:

I have audited the financial statements of the City of St. Ansgar, Iowa, as of and for the year ended June 30, 2004, and have issued my report thereon dated August 4, 2004. My report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed a qualified opinion since I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2003. Except as noted in the Independent Auditor's Report, I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

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 my audit of the financial statements of the City. Since my 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 audit statutory comments have all been resolved except items IV-B-04 and IV-I-04.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of St. Ansgar's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

However, I noted one matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. A reportable condition involves matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the City of St. Ansgar's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part II of the accompanying Schedule of Findings.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of St. Ansgar and other parties to whom the City of St. Ansgar may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of St. Ansgar during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

August 4, 2004

CITY OF ST. ANSGAR, IOWA
Schedule of Findings
Year Ended June 30, 2004

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

- (a) A qualified opinion was issued on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, since I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2003.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements, which was a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-04 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that certain accounting functions are not properly segregated

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and make changes to improve internal control where possible.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Part III: Findings and Questioned Costs for Federal Awards:

Not applicable

CITY OF ST. ANSGAR, IOWA
Schedule of Findings
Year Ended June 30, 2004

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-04 Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amount stated in the resolution was exceeded during the year ended June 30, 2004.
- Recommendation - A new resolution should be approved in an amount sufficient to cover anticipated deposits for all depositories.
- Response - We will review our current resolution and make change as necessary.
- Conclusion - Response accepted.
- IV-B-04 Certified Budget - Disbursements during the year ended June 30, 2004, exceeded the amounts budgeted in the debt service and capital project functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.
- Recommendation - The budget should have been amended in accordance with Chapter 384.14 of the Code of Iowa before disbursements were allowed to exceed the budget.
- Response - We will do this in the future.
- Conclusion - Response accepted.
- IV-C-04 Questionable Disbursements - No disbursements were noted that I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-D-04 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted. No travel advances to City officials or employees were noted.
- IV-E-04 Business Transactions - No business transactions between the City and City officials or employees were noted.
- IV-F-04 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-G-04 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

CITY OF ST. ANSGAR, IOWA
Schedule of Findings
Year Ended June 30, 2004

Part IV: Other Findings Related to Statutory Reporting: - continued

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's investment policy were noted.

IV-I-04 Financial Condition - The Special Revenue Fund, Employee Benefits Account had a deficit balance at June 30, 2004 of \$153.

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

Response - The deficits will be eliminated.

Conclusion - Response accepted.

St. Ansgar Enterprise
St. Ansgar, IA 50472

N E W S R E L E A S E

FOR RELEASE October 5, 2004

Larry Pump, CPA, Charles City, Iowa, today released an audit report on the City of St. Ansgar for the year ended June 30, 2004.

The City has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

Larry Pump, CPA reported that the City's receipts totaled \$1,367,265 for the year ended June 30, 2004. The receipts included \$187,742 in property taxes, \$317,715 from tax increment financing, \$569,720 from charges for service, \$109,300 from operating grants, contributions and restricted interest, \$64,284 from local option sales tax, \$9,456 from unrestricted investment earnings and \$109,048 from other general receipts.

Disbursements for the year totaled \$1,108,066. The disbursements included \$123,489 for public works, \$217,680 for culture and recreation, \$229,969 for debt service and \$364,831 for business type activities.

A copy of the audit report is available for review in the office of the Auditor of State and the City Clerk's office.

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September 29, 2004

Diane Collier, City Clerk
City of St. Ansgar
111 S. Mitchell
St. Ansgar, IA 50472

Dear Diane:

Enclosed you will find eight of the City's copies of the audit report. I will bring the rest of them with me next Monday night.

Please call if you have any questions.

Sincerely,

Larry Pump, CPA

jlp
Enclosures

October 5, 2004

Office of Auditor of State
State of Iowa
State Capitol Building
Des Moines, IA 50319-0004

RE: Audit of the City of St. Ansgar for the fiscal year ended June 30, 2004

Gentlemen:

I have enclosed a copy of the news release, a copy of my bill to the City, and two copies of the Audit Report. I will appreciate your comments and suggestions.

Sincerely yours,

Larry Pump, CPA

jlp
Enclosures

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