



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE October 31, 2003

Contact: Andy Nielsen
515/281-5515

Auditor of State David A. Vaudt today released an audit report on the City of Hiawatha, Iowa.

The City's receipts totaled \$6,593,035 for the year ended June 30, 2003, an 18 percent increase from 2002. The receipts included \$1,918,938 in property tax, \$1,505,996 in tax increment financing collections, \$643,001 from the state, \$35,989 from the federal government and \$83,275 in interest on investments. The City also received \$2,952,362 in general obligation note proceeds that are reported as other financing sources.

Disbursements for the year totaled \$6,768,665, a less than one percent increase from the prior year, and included \$1,752,589 for debt service, \$1,327,192 for business type activities and \$802,089 for public safety.

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

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CITY OF HIAWATHA
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2003

Table of Contents

			<u>Page</u>
Officials			3
Independent Auditor's Report			5-6
Financial Statements:	<u>Exhibit</u>		
Combined Statement of Cash Transactions – All Fund Types and the Discretely Presented Component Unit	A		8-9
Comparison of Receipts, Disbursements and Changes in Balances – Actual to Budget	B		10-11
Statement of Indebtedness	C		12-13
Notes to Financial Statements			14-20
Supplemental Information:	<u>Schedule</u>		
Combining and Individual Schedules of Cash Transactions:			
General Fund	1		23-25
Special Revenue Funds	2		26-31
Debt Service Fund	3		32
Capital Projects Funds	4		34-35
Enterprise Funds	5		36-37
Internal Service Fund	6		38
Expendable Trust Fund	7		39
Component Unit – Waterworks Enterprise Funds	8		40-41
Bond and Note Maturities	9		42-43
Comparison of Taxes and Intergovernmental Receipts	10		44
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting			45-46
Schedule of Findings			47-49
Staff			50

City of Hiawatha

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Thomas C. Patterson	Mayor	Jan 2004
Gary Schwab Steve Armbrecht (Appointed)	Mayor Pro Tem Mayor Pro Tem	Resigned Jan 2004
Dave Decoste (Appointed) Stan Cadwallader Thomas A. Theis Steve Waller	Council Member Council Member Council Member Council Member	Nov 2003 Jan 2004 Jan 2006 Jan 2006
Joseph R. Smith	City Administrator	Resigned
Laurie A. Hebl	Finance Director	Indefinite
Linda J. Bendixen	City Clerk	Indefinite
Randal Scholer	City Attorney	Indefinite
James Lavenz Sandy Brewer Darryl Bradley Richard Larson (Chairperson) Charlie Fridal	Water Board Trustee Water Board Trustee Water Board Trustee Water Board Trustee Water Board Trustee	Jan 2004 Jan 2005 Jan 2006 Jan 2007 Jan 2009
Carl Ransford	Water Superintendent	Indefinite
Debra Larson	Billing Clerk	Indefinite
Sara Ries	Assistant Billing Clerk	Indefinite

City of Hiawatha



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the City of Hiawatha, Iowa, as of and for the year ended June 30, 2003. These financial statements are the responsibility of the City of Hiawatha's management. Our responsibility is to express an opinion 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 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.

As discussed in note 14, the City of Hiawatha intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the fiscal year ending June 30, 2004. The effects of these statements are expected to significantly impact the presentation of the City's financial statements and related notes in the year of implementation. The revised requirements will include an analytical overview of the City's financial activities in the Management's Discussion and Analysis introduction to the financial statements.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the funds of the City of Hiawatha as of and for the year ended June 30, 2003, and its indebtedness at June 30, 2003, on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 28, 2003 on our consideration of the City of Hiawatha's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. 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, 2002 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Warren Jenkins". The signature is written in a cursive style with a large, looping initial "W".

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

August 28, 2003

Financial Statements

City of Hiawatha

Combined Statement of Cash Transactions

All Fund Types and the Discretely Presented Component Unit

Year ended June 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Receipts:				
Property tax	\$ 1,308,255	106,958	503,725	-
Tax increment financing collections	-	1,505,996	-	-
Other city tax	126,426	5,114	18,123	535,991
Licenses and permits	130,544	-	-	-
Use of money and property	25,226	9,207	3,923	21,548
Intergovernmental	199,704	527,557	-	-
Charges for service	42,332	-	-	-
Special assessments	-	-	101,715	-
Miscellaneous	77,619	-	3,935	17,496
Total receipts	1,910,106	2,154,832	631,421	575,035
Disbursements:				
Public safety	731,531	70,544	-	14
Public works	35,248	377,554	-	-
Culture and recreation	347,440	21,665	-	3,610
Community and economic development	18,979	705,710	-	6,930
General government	573,297	26,065	-	-
Debt service	-	-	1,752,589	-
Capital projects	65,000	35,000	-	670,297
Business type activities	-	-	-	-
Total disbursements	1,771,495	1,236,538	1,752,589	680,851
Excess (deficiency) of receipts over (under) disbursements	138,611	918,294	(1,121,168)	(105,816)
Other financing sources (uses):				
Sale of general obligation notes (net of \$22,638 discount)	-	-	471,042	2,481,320
Operating transfers in	-	-	629,837	-
Operating transfers out	(56,534)	(639,065)	-	(26,463)
Transfers from component unit	-	-	65,798	-
Transfers to primary government	-	-	-	-
Total other financing sources (uses)	(56,534)	(639,065)	1,166,677	2,454,857
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	82,077	279,229	45,509	2,349,041
Balance beginning of year	963,727	861,349	66,615	909,576
Balance end of year	\$ 1,045,804	1,140,578	112,124	3,258,617

See notes to financial statements.

Proprietary Fund Types		Fiduciary	Total Primary		Total
Enterprise	Internal	Fund Type	Government	Component	Reporting Entity
	Service	Trust	(Memorandum	Unit	(Memorandum
			Only)		Only)
-	-	-	1,918,938	-	1,918,938
-	-	-	1,505,996	-	1,505,996
-	-	-	685,654	-	685,654
-	-	-	130,544	-	130,544
5,546	3,626	149	69,225	30,424	99,649
-	-	-	727,261	-	727,261
324,459	-	-	366,791	892,696	1,259,487
-	-	-	101,715	-	101,715
-	-	-	99,050	64,741	163,791
330,005	3,626	149	5,605,174	987,861	6,593,035
-	-	-	802,089	-	802,089
-	-	-	412,802	-	412,802
-	-	-	372,715	-	372,715
-	-	-	731,619	-	731,619
-	-	-	599,362	-	599,362
-	-	-	1,752,589	-	1,752,589
-	-	-	770,297	-	770,297
283,951	36,846	-	320,797	1,006,395	1,327,192
283,951	36,846	-	5,762,270	1,006,395	6,768,665
46,054	(33,220)	149	(157,096)	(18,534)	(175,630)
-	-	-	2,952,362	-	2,952,362
2,351	96,725	-	728,913	-	728,913
(6,851)	-	-	(728,913)	-	(728,913)
-	13,688	-	79,486	-	79,486
-	-	-	-	(79,486)	(79,486)
(4,500)	110,413	-	3,031,848	(79,486)	2,952,362
41,554	77,193	149	2,874,752	(98,020)	2,776,732
541,733	346,320	15,951	3,705,271	638,145	4,343,416
583,287	423,513	16,100	6,580,023	540,125	7,120,148

City of Hiawatha

Comparison of Receipts, Disbursements and Changes in Balances -

Actual to Budget

Year ended June 30, 2003

		Less Items not required to be		
	Actual	Budgeted	Net	
Receipts:				
Property tax	\$ 1,918,938	-	1,918,938	
Tax increment financing collections	1,505,996	-	1,505,996	
Other city tax	685,654	-	685,654	
Licenses and permits	130,544	-	130,544	
Use of money and property	99,649	-	99,649	
Intergovernmental	727,261	-	727,261	
Charges for service	1,259,487	364,425	895,062	
Special assessments	101,715	-	101,715	
Miscellaneous	163,791	573	163,218	
Total receipts	<u>6,593,035</u>	<u>364,998</u>	<u>6,228,037</u>	
Disbursements:				
Public safety	802,089	-	802,089	
Public works	412,802	-	412,802	
Culture and recreation	372,715	-	372,715	
Community and economic development	731,619	-	731,619	
General government	599,362	-	599,362	
Debt service	1,752,589	-	1,752,589	
Capital projects	770,297	-	770,297	
Business type activities	1,327,192	366,821	960,371	
Total disbursements	<u>6,768,665</u>	<u>366,821</u>	<u>6,401,844</u>	
Deficiency of receipts under disbursements	(175,630)	(1,823)	(173,807)	
Other financing sources, net	<u>2,952,362</u>	-	<u>2,952,362</u>	
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,776,732	(1,823)	2,778,555	
Balance beginning of year	<u>4,343,416</u>	<u>3,709</u>	<u>4,339,707</u>	
Balance end of year	<u>\$ 7,120,148</u>	<u>1,886</u>	<u>7,118,262</u>	

See notes to financial statements.

Budget	Variance Favorable (Unfavorable)	Actual as % of Amended Budget
1,914,229	4,709	99%
1,381,125	124,871	109%
542,292	143,362	126%
194,700	(64,156)	67%
56,400	43,249	132%
912,355	(185,094)	80%
900,400	(5,338)	99%
101,714	1	100%
104,710	58,508	156%
<u>6,107,925</u>	<u>120,112</u>	<u>108%</u>
852,813	50,724	94%
478,325	65,523	86%
398,365	25,650	94%
744,811	13,192	98%
704,700	105,338	85%
1,780,242	27,653	98%
1,234,500	464,203	62%
1,078,512	118,141	89%
<u>7,272,268</u>	<u>870,424</u>	<u>88%</u>
(1,164,343)		
<u>2,475,000</u>		
1,310,657		
<u>4,343,416</u>		
<u>5,654,073</u>		

City of Hiawatha
Statement of Indebtedness
Year ended June 30, 2003

Obligation	Date of Issue	Interest Rates
General obligation notes:		
Capital loan note series 1992	Jan 24, 1993	5.60-5.80%
Street and fire equipment Capital loan	Mar 3, 1994	4.60-4.75
Capital loan	Oct 1, 1994	5.45-5.65
Capital loan	Sep 1, 1995	7.05-7.20
Capital loan note series 1996A	Jan 1, 1996	4.75-5.05
Capital loan note series 1996B	Jan 1, 1996	7.30-7.90
Capital loan note - Library - series 1997B	Dec 1, 1997	4.65
Capital loan note series 1998	Jun 15, 1998	4.10-4.45
Capital loan note series 2001	Jun 15, 2001	3.90-4.60
Capital loan note series 2002	Jul 1, 2002	2.20-4.20
Capital loan note series 2003	Apr 1, 2003	1.50-3.55
Total		
General obligation bonds:		
General obligation bond series 1997A	Mar 1, 1997	4.30-4.50%
General obligation bond series 1998A	Dec 1, 1998	3.75-4.20
Municipal equipment and improvements	Jun 1, 2000	5.55-5.65
Total		
Revenue notes:		
Sewer	Feb 1, 1992	5.10-7.00%

See notes to financial statements.

	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$	400,000	100,000	-	100,000	-	5,700
	500,000	125,000	-	125,000	-	5,863
	600,000	180,000	-	180,000	-	9,990
	705,000	300,000	-	70,000	230,000	21,385
	650,000	295,000	-	295,000	-	14,473
	135,000	60,000	-	15,000	45,000	4,567
	110,000	25,000	-	25,000	-	1,163
	1,200,000	785,000	-	115,000	670,000	33,685
	995,000	920,000	-	85,000	835,000	39,137
	995,000	-	995,000	80,000	915,000	31,643
	1,980,000	-	1,980,000	-	1,980,000	-
		\$ 2,790,000	2,975,000	1,090,000	4,675,000	167,606
\$	1,300,000	725,000	-	130,000	595,000	32,495
	1,200,000	885,000	-	115,000	770,000	35,900
	1,300,000	1,095,000	-	115,000	980,000	60,938
		\$ 2,705,000	-	360,000	2,345,000	129,333
\$	200,000	25,000	-	25,000	-	1,550

City of Hiawatha

Notes to Financial Statements

June 30, 2003

(1) Summary of Significant Accounting Policies

The City of Hiawatha is a political subdivision of the State of Iowa located in Linn County. It was first incorporated in 1950 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, culture and recreation, community and economic development, general governmental and business type activities.

A. Reporting Entity

For financial reporting purposes, the City of Hiawatha has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Hiawatha (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Certain disclosures about the discretely presented component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the Hiawatha Waterworks' office.

Discretely Presented Component Unit

The Hiawatha Waterworks is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

The Hiawatha Waterworks was established to operate the City's waterworks facilities. The Waterworks is governed by a five member board of trustees appointed by the Mayor and approved by the City Council. Title to all property of the Waterworks is held in the name of the City. A financial benefit/burden relationship exists between the City and the Waterworks in that the City is authorized by statute to issue general obligation debt for a City utility and may certify taxes for the payment of the debt. The Waterworks is presented as a proprietary fund type.

Jointly Governed Organizations

The City also 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 following boards and commissions: Linn County Assessor's Conference Board, Linn County Emergency Management Commission, Linn County Joint E911 Service Board, Bluestem Solid Waste Agency, and Linn County Regional Planning Commission.

B. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and balances. The various funds and their designated purposes are as follows:

Governmental Funds

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

Special Revenue Funds - The Special Revenue Funds are utilized to account for receipts derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

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

Capital Projects Funds - The Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

Proprietary Funds

Enterprise Funds - The Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

Internal Service Fund - The Internal Service Fund is utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

Fiduciary Funds

Trust Fund - The Expendable Trust Fund is utilized to account for monies and properties received and held by the City in a trustee capacity.

C. Basis of Accounting

The City of Hiawatha 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.

D. Budgets and Budgetary Accounting

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

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

E. Total (Memorandum Only)

The total column on the combined statement of cash transactions is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2003 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.

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$6,435,000 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Indebtedness

Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Notes		General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 705,000	164,666	380,000	112,755	1,085,000	277,421
2005	685,000	142,906	390,000	95,045	1,075,000	237,951
2006	655,000	119,959	405,000	76,783	1,060,000	196,742
2007	485,000	96,091	430,000	57,755	915,000	153,846
2008	505,000	79,346	280,000	37,456	785,000	116,802
2009	375,000	61,010	295,000	23,805	670,000	84,815
2010	390,000	47,727	165,000	9,322	555,000	57,049
2011	405,000	33,202	-	-	405,000	33,202
2012	290,000	17,210	-	-	290,000	17,210
2013	180,000	6,390	-	-	180,000	6,390
Total	\$ 4,675,000	768,507	2,345,000	412,921	7,020,000	1,181,428

During the year ended June 30, 2003, the City issued \$2,975,000 in general obligation notes and retired \$1,475,000 of notes and bonds.

Refunding of General Obligation Capital Notes

On April 1, 2003, the City issued \$1,980,000 in general obligation capital loan notes with an average interest rate of 3.022%, of which \$480,000 was used to advance refund \$480,000 of general obligation notes dated January 24, 1993, March 3, 1994, October 1, 1994 and January 1, 1996.

The refunding resulted in an aggregate debt service reduction of \$21,279 over the next three years.

(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 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 salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.04% and 9.07%, respectively. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2003, 2002 and 2001 were \$67,874, \$65,829, and \$57,702, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, compensatory and sick leave hours for subsequent use or for payment upon termination, retirement or death. Sick leave is payable when used or upon voluntary termination or retirement for accumulations in excess of 720 hours. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2003, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 59,000
Sick leave	22,000
Compensatory time	<u>1,100</u>
Total	<u>\$ 82,100</u>

This liability has been computed based on rates of pay in effect at June 30, 2003.

(6) Construction Contracts

The City entered into various construction contracts during the year. Unpaid contract commitments as of June 30, 2003 totaled \$1,582,766, which will be paid as work on the projects progresses.

On February 14, 1996, the City entered into a 28E Agreement with the City of Cedar Rapids and Linn County, Iowa for the purpose of roadway construction on Blairs Ferry Road N.E. from Miller Road to 12th Avenue. The project will be financed with 80% federal aid surface transportation program and 20% local match. On February 23, 1999 a contract was approved for \$3,197,494. The City's portion of this contract is \$313,413. As of June 30, 2003, City payments of \$129,399 have been made. The City has a remaining liability of \$184,014 at June 30, 2003.

On August 7, 2002, the City entered into a 28E Agreement with the City of Cedar Rapids for the purpose of rehabilitating the concrete pavement and placing new asphalt on Blairs Ferry Road N.E. between I-380 and Center Point Road N.E. The project, including engineering and construction, totals \$250,000, with 60% due from the City of Cedar Rapids and 40% due from the City of Hiawatha. As of June 30, 2003, no payments have been made. The City will use available local sources to pay for the project costs when completed.

(7) Commitments

The City has entered into 23 tax increment financing agreements. The City agreed to assist in urban renewal projects by rebating incremental taxes paid by the participating companies with respect to the improvements set forth in the urban renewal plan. The incremental taxes to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated for a period of five years beginning with the tax year in which the property taxes on the completed value of the improvements are first paid. The total amount that will be rebated in any fiscal year for the 23 increment financing agreements is not to exceed \$832,895. The actual amount rebated during the year ended June 30, 2003 was \$705,710.

(8) Sewer Maintenance Agreement

The City entered into an agreement with the City of Cedar Rapids to discharge all waste collected in its sanitary sewer maintenance system into the City of Cedar Rapids' interceptor for treatment. The City of Hiawatha agreed to share the operation, maintenance, and construction costs of the water pollution control facility of the City of Cedar Rapids. The City of Hiawatha's share of the operation and maintenance costs for the year ended June 30, 2003 totaled \$208,188.

(9) Community Economic Betterment Account (CEBA) Loan

On May 20, 1999, the City requested \$75,000 from the Iowa Department of Economic Development under a CEBA loan agreement. A forgivable loan agreement for \$37,500 has been executed among the Department, the City of Hiawatha and Metal Fabricators Company, Inc. The City's liability for repayment of this note to the Department is limited to its good faith enforcement of the security interest which secures its loan. The loan balance as of June 30, 2003 is \$3,750.

(10) Industrial Development Revenue Bonds

The City has issued a total of \$2,142,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$1,954,490 is outstanding at June 30, 2003. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

(11) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 475 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2003 were \$54,065.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2003, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all liability claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a liability claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

(12) Solid Waste Agreement

On October 19, 1994, the City entered into a 28E Agreement with Cedar Rapids/Linn County Solid Waste Agency, d/b/a Bluestem Solid Waste Agency, to be an associate member of the agency. Bluestem Solid Waste Agency was created under Iowa Code Chapter 28E by the City of Cedar Rapids and Linn County to provide for the proper and efficient management and disposal of solid waste. The 28E Agreement between the City of Cedar Rapids and Linn County became fully operative on July 1, 1994 and shall continue until June 30, 2044. At termination, each member and associate member shall make such guarantees as are necessary to facilitate closure of all solid waste disposal sites. All solid waste fees are collected by private solid waste handlers who are licensed by the City.

(13) Fire Pumper/Tanker Truck Purchase

On May 21, 2003, the City approved the purchase of a fire pumper/tanker vehicle at a cost of \$375,464. The vehicle will be paid for upon delivery with local available sources.

(14) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the fiscal year ending June 30, 2004. The effects are expected to significantly impact the presentation of governmental financial statements in the year of implementation. The revised minimum reporting requirements include Management's Discussion and Analysis to introduce the financial statements and to provide an analytical overview of the City's financial activities.

Supplemental Information

City of Hiawatha

City of Hiawatha
 Schedule of Cash Transactions
 General Fund
 Year ended June 30, 2003

Receipts:	
Property tax	\$ 1,308,255
Other City tax:	
Cable franchise fee	63,927
Mobile home tax	24,121
Utility tax replacement excise tax	38,378
	<u>126,426</u>
Licenses and permits:	
Liquor	3,306
Cigarette	525
Building	125,551
Other	1,162
	<u>130,544</u>
Use of money and property:	
Interest on investments	12,252
Community center rent	12,974
	<u>25,226</u>
Intergovernmental:	
Enrich Iowa library grant	3,030
State allocation	61,788
Bank franchise tax	14,136
Library assistance from Linn County	48,271
Library open access	26,350
FEMA Reimbursement	35,989
STEP grant and work study	10,140
	<u>199,704</u>
Charges for service:	
Storm sewer utility	42,332
Miscellaneous:	
Court fines and police reports	36,870
Refunds and reimbursements	8,495
Fines and fees	18,264
Park land development fees	9,696
Miscellaneous	4,294
	<u>77,619</u>
Total receipts	<u>1,910,106</u>
Disbursements:	
Public safety:	
Police operations/crime prevention:	
Personal services	427,441
Services and commodities	42,692
Capital outlay	7,134
	<u>477,267</u>

Schedule 1

City of Hiawatha
Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

Disbursements (continued):	
Public safety:	
Fire department:	
Personal services	19,145
Services and commodities	110,184
	<u>129,329</u>
Building inspections:	
Personal services	98,265
Services and commodities	19,807
Capital outlay	855
	<u>118,927</u>
Animal control:	
Contractual services	6,008
	<u>731,531</u>
Public works:	
Storm sewer:	
Personal services	2,450
Contractual services	5,874
	<u>8,324</u>
Transit subsidy:	
Contractual services	26,924
	<u>35,248</u>
Culture and recreation:	
Library services:	
Personal services	152,855
Services and commodities	58,362
Capital outlay	33,322
	<u>244,539</u>
Parks:	
Personal services	18,463
Services and commodities	55,034
Capital outlay	9,795
	<u>83,292</u>
Recreation:	
Personal services	6,294
Services and commodities	3,446
	<u>9,740</u>
Community center, zoo, and marina	
Personal services	1,578
Services and commodities	8,291
	<u>9,869</u>
	<u>347,440</u>

City of Hiawatha
 Schedule of Cash Transactions
 General Fund
 Year ended June 30, 2003

Disbursements (continued)	
Community and economic development:	
Economic development:	
Services and commodities	8,524
Planning and zoning:	
Services and commodities	10,455
	<u>18,979</u>
General government:	
Mayor, council, city manager	
Personal services	81,818
Services and commodities	33,476
Capital outlay	410
	<u>115,704</u>
Clerk, treasurer and financial administration:	
Personal services	96,089
Services and commodities	14,127
	<u>110,216</u>
Culture and recreation:	
Legal services and city attorney:	
Contractual services	116,804
City hall and general buildings:	
Personal services	67,483
Services and commodities	157,058
Capital outlay	6,032
	<u>230,573</u>
	<u>573,297</u>
Capital projects:	
Storm sewer:	
Contractual services	65,000
Total disbursements	<u>1,771,495</u>
Excess of receipts over disbursements	<u>138,611</u>
Other financing uses:	
Operating transfers out:	
Debt Service	(16,359)
Internal Service:	
Equipment Rental Reserve	(40,175)
Total other financing uses	<u>(56,534)</u>
Excess of receipts over disbursements and other financing uses	82,077
Balance beginning of year	<u>963,727</u>
Balance end of year	<u>\$ 1,045,804</u>

See accompanying independent auditor's report.

City of Hiawatha
Combining Schedule of Cash Transactions
Special Revenue Funds
Year ended June 30, 2003

	Road Use Tax	Urban Renewal Tax Increment
Receipts:		
Property tax	\$ -	-
Tax increment financing collections	-	1,505,996
Other city tax:		
Utility tax replacement excise tax	-	-
Mobile home tax	-	-
Use of money and property:		
Interest on investments	-	9,207
Intergovernmental:		
Road use tax allocation	527,557	-
Total receipts	527,557	1,515,203
Disbursements:		
Public safety:		
Police operations/crime prevention:		
Personal services	-	-
Fire department:		
Personal services	-	-
Building inspections:		
Personal services	-	-
Public works:		
Roads, bridges, and sidewalks:		
Personal services	152,974	-
Services and commodities	133,028	-
Capital outlay	6,144	-
	292,146	-
Street lighting:		
Contractual services	52,289	-
Snow removal:		
Personal services	7,121	-
Services and commodities	12,326	-
	19,447	-

Employee Benefits	Police Forfeiture	Total
106,958	-	106,958
-	-	1,505,996
3,139	-	3,139
1,975	-	1,975
5,114	-	5,114
-	-	9,207
-	-	527,557
112,072	-	2,154,832
58,800	-	58,800
1,219	-	1,219
10,525	-	10,525
70,544	-	70,544
-	-	152,974
-	-	133,028
-	-	6,144
-	-	292,146
-	-	52,289
-	-	7,121
-	-	12,326
-	-	19,447

City of Hiawatha
Combining Schedule of Cash Transactions
Special Revenue Funds
Year ended June 30, 2003

	Road Use Tax	Urban Renewal Tax Increment
Disbursements (continued):		
Public works:		
Street cleaning:		
Services and commodities	13,344	-
Storm sewer:		
Personal services	-	-
	377,226	-
Culture and recreation:		
Library services:		
Personal services	-	-
Parks:		
Personal services	-	-
Community center, zoo and marina:		
Personal services	-	-
	-	-
Community and economic development:		
Economic development:		
Contractual services	-	705,710
	-	705,710
General government:		
Mayor, council and city manager:		
Personal services	-	-
Clerk, treasurer and financial administration:		
Personal services	-	-
City hall and general buildings:		
Personal services	-	-
	-	-
Capital projects:		
Contractual services	35,000	-
	35,000	-
Total disbursements	412,226	705,710

Employee Benefits	Police Forfeiture	Total
-	-	13,344
328	-	328
328	-	377,554
18,504	-	18,504
2,953	-	2,953
208	-	208
21,665	-	21,665
-	-	705,710
9,510	-	9,510
11,293	-	11,293
5,262	-	5,262
26,065	-	26,065
-	-	35,000
118,602	-	1,236,538

City of Hiawatha
Combining Schedule of Cash Transactions
Special Revenue Funds
Year ended June 30, 2003

	Road Use Tax	Urban Renewal Tax Increment
Excess (deficiency) of receipts over (under) disbursements	115,331	809,493
Other financing uses:		
Operating transfers out:		
Debt Service	-	(587,015)
Internal Service:		
Equipment Rental Reserve	(52,050)	-
Total other financing uses	(52,050)	(587,015)
Excess (deficiency) of receipts over (under) disbursements and other financing uses	63,281	222,478
Balance beginning of year	206,907	645,127
Balance end of year	<u>\$ 270,188</u>	<u>867,605</u>

See accompanying independent auditor's report.

<u>Employee</u> <u>Benefits</u>	<u>Police</u> <u>Forfeiture</u>	<u>Total</u>
(6,530)	-	918,294
-	-	(587,015)
-	-	(52,050)
-	-	(639,065)
(6,530)	-	279,229
9,177	138	861,349
2,647	138	1,140,578

Schedule 3

City of Hiawatha
Schedule of Cash Transactions
Debt Service Fund
Year ended June 30, 2003

Receipts:	
Property tax	\$ 503,725
Other city tax:	
Mobile home tax	6,978
Utility tax replacement excise tax	11,145
	<u>18,123</u>
Use of money and property:	
Interest on investments	<u>3,923</u>
Special assessments	<u>101,715</u>
Miscellaneous:	
Accrued interest on sale of general obligation notes	<u>3,935</u>
Total receipts	<u>631,421</u>
Disbursements:	
Debt service:	
Principal redeemed	1,450,000
Interest paid	296,939
Administrative fees	5,650
Total disbursements	<u>1,752,589</u>
Deficiency of receipts under disbursements	<u>(1,121,168)</u>
Other financing sources:	
General obligation note proceeds (net of \$3,612 discount)	471,042
Operating transfers in:	
General:	
General	16,359
Special Revenue:	
Urban Renewal Tax Increment	587,015
Capital Projects:	
Library	26,463
	<u>1,100,879</u>
Transfers from component unit:	
Waterworks Enterprise Fund:	
Water	65,798
Total other financing sources	<u>1,166,677</u>
Excess of receipts and other financing sources over disbursements	45,509
Balance beginning of year	<u>66,615</u>
Balance end of year	<u>\$ 112,124</u>

See accompanying independent auditor's report.

City of Hiawatha

Schedule 4

City of Hiawatha
Combining Schedule of Cash Transactions
Capital Projects Funds
Year ended June 30, 2003

	Projects	Tax Increment Financing Project	Library	Local Option Sales Tax	Total
Receipts:					
Other City tax:					
Local option sales tax	\$ -	-	-	535,991	535,991
Use of money and property:					
Interest on investments	7,847	6,048	336	3,917	18,148
Property rent	3,400	-	-	-	3,400
	<u>11,247</u>	<u>6,048</u>	<u>336</u>	<u>3,917</u>	<u>21,548</u>
Miscellaneous:					
Accrued interest on sale of general obligation notes	216	647	-	-	863
Sales tax refund	3,759	12,874	-	-	16,633
	<u>3,975</u>	<u>13,521</u>	<u>-</u>	<u>-</u>	<u>17,496</u>
Total receipts	<u>15,222</u>	<u>19,569</u>	<u>336</u>	<u>539,908</u>	<u>575,035</u>
Disbursements:					
Public safety:					
Fire department:					
Services and commodities	14	-	-	-	14
Culture and recreation:					
Parks:					
Services and commodities	-	3,610	-	-	3,610
Community and economic development:					
Economic development:					
Services and commodities	-	6,930	-	-	6,930
Capital projects:					
Services and commodities	299,306	247,231	-	123,760	670,297
Total disbursements	<u>299,320</u>	<u>257,771</u>	<u>-</u>	<u>123,760</u>	<u>680,851</u>

City of Hiawatha
Combining Schedule of Cash Transactions
Capital Projects Funds
Year ended June 30, 2003

	Projects	Tax Increment Financing Project	Library	Local Option Sales Tax	Total
Excess (deficiency) of receipts over (under) disbursements	(284,098)	(238,202)	336	416,148	(105,816)
Other financing sources (uses):					
General obligation note proceeds (net of \$19,026 discount)	1,110,999	1,370,321	-	-	2,481,320
Operating transfers out:					
Debt Service	-	-	(26,463)	-	(26,463)
Total other financing sources (uses)	1,110,999	1,370,321	(26,463)	-	2,454,857
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	826,901	1,132,119	(26,127)	416,148	2,349,041
Balance beginning of year	687,151	20,118	43,696	158,611	909,576
Balance end of year	<u>\$ 1,514,052</u>	<u>1,152,237</u>	<u>17,569</u>	<u>574,759</u>	<u>3,258,617</u>

See accompanying independent auditor's report.

City of Hiawatha
Combining Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2003

	Sewer Revenue	Sewer Operation and Main- tenance
Receipts:		
Use of money and property:		
Interest on investments	\$ 5,546	-
Charges for service:		
Sewer rental fees	324,459	-
Total receipts	330,005	-
Disbursements:		
Business type activities:		
Sewer and sewer disposal:		
Personal services	5,279	-
Services and commodities	251,672	-
Debt service:		
Principal redeemed	25,000	-
Interest paid	1,550	-
Administrative fees	450	-
Total disbursements	283,951	-
Excess of receipts over disbursements	46,054	-
Other financing sources (uses):		
Operating transfers in (out):		
Enterprise:		
Sewer Revenue	-	(101)
Sewer Sinking	2,250	-
Sewer Operation and Maintenance	101	-
Internal Service:		
Equipment Rental Reserve	(4,500)	-
Total other financing sources (uses)	(2,149)	(101)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	43,905	(101)
Balance beginning of year	507,382	101
Balance end of year	\$ 551,287	-

See accompanying independent auditor's report.

Sewer Sinking	Sewer Reserve	Sewer Improvement	Total
-	-	-	5,546
-	-	-	324,459
-	-	-	330,005
-	-	-	5,279
-	-	-	251,672
-	-	-	25,000
-	-	-	1,550
-	-	-	450
-	-	-	283,951
-	-	-	46,054
(2,250)	-	-	(2,351)
-	-	-	2,250
-	-	-	101
-	-	-	(4,500)
(2,250)	-	-	(4,500)
(2,250)	-	-	41,554
2,250	20,000	12,000	541,733
-	20,000	12,000	583,287

Schedule 6

City of Hiawatha
Schedule of Cash Transactions
Internal Service Fund
Year ended June 30, 2003

	<u>Equipment Rental Reserve</u>
Receipts:	
Use of money and property:	
Interest on investments	\$ 3,626
Disbursements:	
Business type activities:	
Capital outlay	<u>36,846</u>
Deficiency of receipts under disbursements	<u>(33,220)</u>
Other financing sources:	
Operating transfers in:	
General	40,175
Special Revenue:	
Road Use Tax	52,050
Enterprise:	
Sewer Revenue	<u>4,500</u>
	96,725
Transfers from component unit:	
Waterworks Enterprise Fund:	
Water	<u>13,688</u>
Total other financing sources	<u>110,413</u>
Excess of receipts and other financing sources over disbursements	77,193
Balance beginning of year	<u>346,320</u>
Balance end of year	<u><u>\$ 423,513</u></u>

See accompanying independent auditor's report.

City of Hiawatha
Schedule of Cash Transactions
Expendable Trust Fund
Year ended June 30, 2003

	<u>Fire Department Trust</u>
Receipts:	
Use of money and property:	
Interest on investments	\$ 149
Disbursements:	
None	<u> -</u>
Excess of receipts over disbursements	149
Balance beginning of year	<u>15,951</u>
Balance end of year	<u><u>\$ 16,100</u></u>

See accompanying independent auditor's report.

Schedule 8

City of Hiawatha
Combining Schedule of Cash Transactions
Component Unit – Waterworks Enterprise Funds
Year ended June 30, 2003

	Water	Capital Improve- ments	Meter Deposit	City Utilities	Total
Receipts:					
Use of money and property:					
Interest on investments	\$ 17,414	12,495	515	-	30,424
Charges for service:					
Sale of water	522,013	-	-	-	522,013
Sewer rental fees	-	-	-	321,976	321,976
Storm water fees	-	-	-	42,432	42,432
Miscellaneous	6,258	-	-	17	6,275
	<u>528,271</u>	<u>-</u>	<u>-</u>	<u>364,425</u>	<u>892,696</u>
Miscellaneous:					
Penalties	11,575	-	-	361	11,936
Projects	-	26	-	-	26
Sales tax collected	31,267	-	-	212	31,479
Customer deposits	5,500	-	15,800	-	21,300
	<u>48,342</u>	<u>26</u>	<u>15,800</u>	<u>573</u>	<u>64,741</u>
Total receipts	<u>594,027</u>	<u>12,521</u>	<u>16,315</u>	<u>364,998</u>	<u>987,861</u>
Disbursements:					
Business type activities:					
Personal services	222,457	-	-	-	222,457
Contractual services	143,102	-	6,722	-	149,824
Remittance of sewer rental and storm water fees	-	-	-	366,821	366,821
Commodities	33,267	-	-	-	33,267
Capital outlay	75,997	158,029	-	-	234,026
Total disbursements	<u>474,823</u>	<u>158,029</u>	<u>6,722</u>	<u>366,821</u>	<u>1,006,395</u>
Excess (deficiency) of receipts over (under) disbursements	<u>119,204</u>	<u>(145,508)</u>	<u>9,593</u>	<u>(1,823)</u>	<u>(18,534)</u>

City of Hiawatha
Combining Schedule of Cash Transactions
Component Unit - Waterworks Enterprise Funds
Year ended June 30, 2003

	Water	Capital Improve- ments	Meter Deposit	City Utilities	Total
Other financing uses:					
Operating transfers out:					
Transfers to primary government:					
Internal Service:					
Equipment Rental Reserve	(13,688)	-	-	-	(13,688)
Debt Service	(65,798)	-	-	-	(65,798)
	(79,486)	-	-	-	(79,486)
Excess (deficiency) of receipts over (under) disbursements and other financing uses	39,718	(145,508)	9,593	(1,823)	(98,020)
Balance beginning of year	378,864	229,370	26,202	3,709	638,145
Balance end of year	\$ 418,582	83,862	35,795	1,886	540,125

See accompanying independent auditor's report.

City of Hiawatha
Bond and Note Maturities
June 30, 2003

Year Ending June 30,	General Obligation Notes							
	Capital Loan		Capital Loan		Capital Loan		Capital Loan	
	Issued Sep 1, 1995		Series 1996B		Series 1998		Series 2001	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2004	7.10%	\$ 70,000	7.50%	\$ 15,000	4.20%	\$ 120,000	4.00%	\$ 90,000
2005	7.15	80,000	7.75	15,000	4.25	130,000	4.05	95,000
2006	7.20	80,000	7.90	15,000	4.30	135,000	4.10	95,000
2007		-		-	4.35	140,000	4.20	100,000
2008		-		-	4.45	145,000	4.30	105,000
2009		-		-		-	4.40	110,000
2010		-		-		-	4.50	115,000
2011		-		-		-	4.60	125,000
2012		-		-		-		-
2013		-		-		-		-
Total		<u>\$ 230,000</u>		<u>\$ 45,000</u>		<u>\$ 670,000</u>		<u>\$ 835,000</u>

Year Ending June 30,	General Obligation Bonds							Total
	General Obligation Bonds		General Obligation Bonds		Municipal Equipment and Improvements			
	Issued Mar 1, 1997		Issued Dec 1, 1998		Issued Jun 1, 2000			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2004	4.50%	\$ 140,000	3.95%	\$ 120,000	5.55%	\$ 120,000	\$ 380,000	
2005	4.50	145,000	4.00	120,000	5.55	125,000	390,000	
2006	4.50	150,000	4.05	125,000	5.55	130,000	405,000	
2007	4.50	160,000	4.10	130,000	5.55	140,000	430,000	
2008		-	4.15	135,000	5.55	145,000	280,000	
2009		-	4.20	140,000	5.55	155,000	295,000	
2010		-		-	5.65	165,000	165,000	
Total		<u>\$ 595,000</u>		<u>\$ 770,000</u>		<u>\$ 980,000</u>	<u>\$ 2,345,000</u>	

See accompanying independent auditor's report.

General Obligation Notes					
Year Ending June 30,	Capital Loan Series 2002 Issued Jul 1, 2002		Capital Loan Series 2003 Issued Apr 1, 2003		Total
	Interest Rates	Amount	Interest Rates	Amount	
2004	2.50%	\$ 85,000	1.50%	\$ 325,000	\$ 705,000
2005	2.85	90,000	1.50	275,000	685,000
2006	3.15	95,000	1.80	235,000	655,000
2007	3.40	95,000	2.15	150,000	485,000
2008	3.65	100,000	2.40	155,000	505,000
2009	3.85	105,000	2.75	160,000	375,000
2010	4.00	110,000	3.00	165,000	390,000
2011	4.10	115,000	3.35	165,000	405,000
2012	4.20	120,000	3.40	170,000	290,000
2013		-	3.55	180,000	180,000
Total		<u>\$ 915,000</u>		<u>\$ 1,980,000</u>	<u>\$ 4,675,000</u>

Schedule 10

City of Hiawatha

Comparison of Tax and Intergovernmental Receipts

	Years ended June 30,			
	2003	2002	2001	2000
Property tax	\$ 1,918,938	1,733,509	1,632,072	1,510,892
Tax increment financing collections	1,505,996	1,111,366	960,756	771,784
Other City tax:				
Mobile home tax	33,074	35,318	34,413	37,015
Utility tax replacement excise tax	52,662	50,436	-	-
Local option sales tax	535,991	158,611	-	-
Cable franchise fee	63,927	58,951	56,698	-
	685,654	303,316	91,111	37,015
Intergovernmental:				
Road use tax allocation	527,557	519,033	463,000	450,756
State allocation	61,788	65,166	61,297	61,479
Grants	49,159	46,466	4,487	82,291
Bank franchise tax	14,136	2,448	6,949	5,180
Miscellaneous	74,621	64,707	77,026	44,382
	727,261	697,820	612,759	644,088
Total	\$ 4,837,849	3,846,011	3,296,698	2,963,779

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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 the City of Hiawatha, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated August 28, 2003. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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.

Compliance

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

Comments involving statutory and other legal matters about the City of Hiawatha's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

Internal Control Over Financial Reporting

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

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 Hiawatha and other parties to whom the City of Hiawatha may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Hiawatha 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.

A handwritten signature in black ink, reading "Warren Jenkins". The signature is written in a cursive style with a large, prominent initial "W".

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

August 28, 2003

City of Hiawatha
Schedule of Findings
Year ended June 30, 2003

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No material weaknesses in internal control over financial reporting were noted.

City of Hiawatha
Schedule of Findings
Year ended June 30, 2003

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories - A resolution naming official depositories has been adopted by the Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2003.
- (2) Certified Budget - Disbursements during the year ended June 30, 2003 did not exceed the amounts budgeted.
- (3) Questionable Disbursements - No disbursements 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.
- (4) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (5) Business Transactions - No business transactions between the City and City officials or employees were noted.
- (6) 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 ensure that coverage is adequate for current operations.
- (7) Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

Library minutes were not signed authenticating Library Board actions.

Recommendation - Library Board minutes should be signed to authenticate actions approved by the Board.

Response - The Finance Director will send a memorandum to the Library Board noting the Auditor's comment and recommendations.

Conclusion - Response acknowledged. Library Board minutes should be signed.

- (8) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (9) General Obligation Capital Loan Note Accrued Interest - Accrued interest of \$863 from the sale of the general obligation capital loan note Series 2002, dated July 1, 2002 was not posted to the Debt Service Fund as required by Section 5 of the resolution authorizing and providing for the note issuance.

Recommendation - A corrective transfer of \$216 from the Capital Projects Fund, Projects account and \$647 from the Capital Projects Fund, Tax Increment Financing Project account should be made to correct this matter.

City of Hiawatha

Schedule of Findings

Year ended June 30, 2003

Response – The Tax Increment Financing Project Fund and the Projects Fund will be adjusted. The Debt Service Fund will be adjusted a total of \$863. These journal entries will correct this matter in accordance with the Auditor's recommendation.

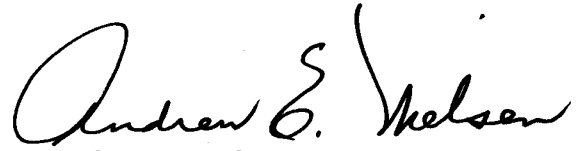
Conclusion – Response accepted.

City of Hiawatha

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager
John G. Vanis, CGFM, Senior Auditor
Kevin Riley, Staff Auditor
Corinne M. Widen, CPA, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and 'N'.

Andrew E. Nielsen, CPA
Deputy Auditor of State