



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

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Warren G. Jenkins, CPA
Chief Deputy Auditor of State

NEWS RELEASE

FOR RELEASE _____

Contact: Andy Nielsen
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Auditor of State Richard Johnson today released an audit report on the City of Hiawatha, Iowa.

Johnson reported that the City's receipts totaled \$5,570,459 for the year ended June 30, 2002, an 8 percent increase from 2001. The receipts included \$1,733,509 in property tax, \$1,111,366 in tax increment financing collections, \$653,110 from the state and \$142,597 in interest on investments.

Disbursements for the year totaled \$6,718,012, an 18 percent increase from the prior year, and included \$746,390 for community protection, \$439,281 for human development, \$4,797,790 for home and community environment and \$734,551 for policy and administration.

The increase in City receipts is primarily due to an increase in tax increment financing and local option sales tax collections. The increase in disbursements is due to capital project activity and tax increment financing rebates to participating companies.

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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CITY OF HIAWATHA
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2002

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City of Hiawatha

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2002)		
Thomas C. Patterson	Mayor	Jan 2003
Gary Schwab	Mayor Pro Tem	Jan 2003
Thomas A. Theis	Council Member	Jan 2002
Reta Saylor	Council Member	Jan 2002
Stan Cadwallader	Council Member	Jan 2003
Steve Armbract	Council Member	Jan 2003
Joseph R. Smith	City Administrator	Indefinite
Laurie A. Hebl	Finance Director	Indefinite
Linda J. Bendixen	City Clerk	Indefinite
Randal Scholer	City Attorney	Indefinite
Sandy Brewer (Chairperson)	Water Board Trustee	Jan 2005
Charlie Fridal	Water Board Trustee	Jan 2003
Rich Jamrok	Water Board Trustee	Resigned
James Lavenz (Appointed)	Water Board Trustee	Jan 2004
Darryl Bradley	Water Board Trustee	Jan 2006
Richard Larson	Water Board Trustee	Jan 2007
Carl Ransford	Water Superintendent	Indefinite
Beverly Daws	Billing Clerk	Indefinite
Debra Larson	Assistant Billing Clerk	Indefinite

City of Hiawatha

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(After January 2002)		
Thomas C. Patterson	Mayor	Jan 2003
Gary Schwab	Mayor Pro Tem	Jan 2003
Stan Cadwallader	Council Member	Jan 2003
Steve Armbrecht	Council Member	Jan 2003
Thomas A. Theis	Council Member	Jan 2006
Steve Waller	Council Member	Jan 2006
Joseph R. Smith	City Administrator	Indefinite
Laurie A. Hebl	Finance Director	Indefinite
Linda J. Bendixen	City Clerk	Indefinite
Randal Scholer	City Attorney	Indefinite
Sandy Brewer (Chairperson)	Water Board Trustee	Jan 2005
Charlie Fridal	Water Board Trustee	Jan 2003
James Lavenz	Water Board Trustee	Jan 2004
Darryl Bradley	Water Board Trustee	Jan 2006
Richard Larson	Water Board Trustee	Jan 2007
Carl Ransford	Water Superintendent	Indefinite
Beverly Daws	Billing Clerk	Indefinite
Debra Larson	Assistant Billing Clerk	Indefinite
Sara Ries	Assistant Billing Clerk	Indefinite



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Warren G. Jenkins, CPA
Chief Deputy Auditor of State

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, 2002. 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.

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, 2002, and its indebtedness at June 30, 2002, on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 28, 2002 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, 2001 (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.

RICHARD D. JOHNSON, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

August 28, 2002

City of Hiawatha

Financial Statements

City of Hiawatha

Combined Statement of Cash Transactions

All Fund Types and the Discretely Presented Component Unit

Year ended June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Receipts:				
Property tax	\$ 1,216,231	103,195	414,083	-
Tax increment financing collections	-	1,111,366	-	-
Other city tax	122,488	5,399	16,818	158,611
Licenses and permits	143,410	-	-	-
Use of money and property	40,086	17,993	6,138	42,925
Intergovernmental	145,466	519,033	-	33,321
Charges for service	55,064	-	-	-
Special assessments	-	-	3,452	-
Miscellaneous	79,879	-	-	5,806
Total receipts	1,802,624	1,756,986	440,491	240,663
Disbursements:				
Community Protection Program	545,371	108,748	64,303	6,467
Human Development Program	307,836	19,685	27,288	74,122
Home and Community Environment Program	164,382	947,200	1,080,176	1,249,774
Policy and Administration Program	703,503	23,942	3,125	3,981
Total disbursements	1,721,092	1,099,575	1,174,892	1,334,344
Excess (deficiency) of receipts over (under) disbursements	81,532	657,411	(734,401)	(1,093,681)
Other financing sources (uses):				
Sale of general fixed assets	-	-	-	-
Operating transfers in	-	-	607,977	-
Operating transfers out	(70,107)	(561,746)	-	(80,749)
Transfers from component unit	-	-	63,115	-
Transfers to primary government	-	-	-	-
Total other financing sources (uses)	(70,107)	(561,746)	671,092	(80,749)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	11,425	95,665	(63,309)	(1,174,430)
Balance beginning of year	952,302	765,684	129,924	2,084,006
Balance end of year	\$ 963,727	861,349	66,615	909,576

See notes to financial statements.

Proprietary Fund Types		Fiduciary	Total Primary	Component	Total
Enterprise	Internal Service	Fund Type Trust	Government (Memorandum Only)	Unit	Reporting Entity (Memorandum Only)
-	-	-	1,733,509	-	1,733,509
-	-	-	1,111,366	-	1,111,366
-	-	-	303,316	-	303,316
-	-	-	143,410	-	143,410
10,920	6,455	447	124,964	38,840	163,804
-	-	-	697,820	-	697,820
359,364	-	-	414,428	855,135	1,269,563
-	-	-	3,452	-	3,452
-	-	-	85,685	58,534	144,219
370,284	6,455	447	4,617,950	952,509	5,570,459
-	15,968	5,533	746,390	-	746,390
-	10,350	-	439,281	-	439,281
270,210	10,350	-	3,722,092	1,075,698	4,797,790
-	-	-	734,551	-	734,551
270,210	36,668	5,533	5,642,314	1,075,698	6,718,012
100,074	(30,213)	(5,086)	(1,024,364)	(123,189)	(1,147,553)
-	3,500	-	3,500	-	3,500
28,375	109,125	-	745,477	48,635	794,112
(32,875)	-	-	(745,477)	(48,635)	(794,112)
-	13,688	-	76,803	-	76,803
-	-	-	-	(76,803)	(76,803)
(4,500)	126,313	-	80,303	(76,803)	3,500
95,574	96,100	(5,086)	(944,061)	(199,992)	(1,144,053)
446,159	250,220	21,037	4,649,332	838,137	5,487,469
541,733	346,320	15,951	3,705,271	638,145	4,343,416

City of Hiawatha
 Comparison of Receipts, Disbursements and Changes in Balances -
 Actual to Budget
 Year ended June 30, 2002

	Actual	Less Items not required to be Budgeted	Net
Receipts:			
Property tax	\$ 1,733,509	-	1,733,509
Tax increment financing collections	1,111,366	-	1,111,366
Other city tax	303,316	-	303,316
Licenses and permits	143,410	-	143,410
Use of money and property	163,804	-	163,804
Intergovernmental	697,820	-	697,820
Charges for service	1,269,563	350,477	919,086
Special assessments	3,452	-	3,452
Miscellaneous	144,219	-	144,219
Total receipts	<u>5,570,459</u>	<u>350,477</u>	<u>5,219,982</u>
Disbursements:			
Community Protection Program	746,390	-	746,390
Human Development Program	439,281	-	439,281
Home and Community Environment Program	4,797,790	380,668	4,417,122
Policy and Administration Program	734,551	-	734,551
Total disbursements	<u>6,718,012</u>	<u>380,668</u>	<u>6,337,344</u>
Deficiency of receipts under disbursements	(1,147,553)	(30,191)	(1,117,362)
Other financing sources, net	<u>3,500</u>	-	<u>3,500</u>
Deficiency of receipts and other financing sources under disbursements and other financing uses	(1,144,053)	(30,191)	(1,113,862)
Balance beginning of year	<u>5,487,469</u>	<u>33,900</u>	<u>5,453,569</u>
Balance end of year	<u>\$ 4,343,416</u>	<u>3,709</u>	<u>4,339,707</u>

See notes to financial statements.

Budget	Variance Favorable (Unfavorable)	Actual as % of Amended Budget
1,751,497	(17,988)	99%
1,077,100	34,266	103%
246,350	56,966	123%
132,700	10,710	108%
127,200	36,604	132%
651,075	46,745	107%
857,125	61,961	107%
1,923	1,529	180%
101,250	42,969	142%
<u>4,946,220</u>	<u>273,762</u>	<u>113%</u>
846,098	99,708	88%
479,567	40,286	92%
5,227,316	810,194	85%
882,370	147,819	83%
<u>7,435,351</u>	<u>1,098,007</u>	<u>85%</u>
(2,489,131)		
<u>1,000,000</u>		
(1,489,131)		
<u>5,487,469</u>		
<u><u>3,998,338</u></u>		

City of Hiawatha
Statement of Indebtedness
Year ended June 30, 2002

Obligation	Date of Issue	Interest Rates
General obligation notes:		
Capital loan note series 1992	Jan 24, 1993	3.80-5.80%
Street and fire equipment	Mar 3, 1994	3.20-4.75
Capital loan	Oct 1, 1994	4.40-5.65
Capital loan	Sep 1, 1995	6.35-7.20
Capital loan note series 1996A	Jan 1, 1996	4.15-5.05
Capital loan note series 1996B	Jan 1, 1996	7.00-8.00
Capital loan note - Library - series 1997B	Dec 1, 1997	3.75-4.65
Capital loan note series 1998	Jun 15, 1998	4.00-4.45
Capital loan note series 2001	Jun 15, 2001	3.80-4.60
Total		
General obligation bonds:		
General obligation bonds series 1997A	Mar 1, 1997	4.30-4.50%
General obligation bonds 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	150,000	-	50,000	100,000	8,450
	500,000	175,000	-	50,000	125,000	8,112
	600,000	240,000	-	60,000	180,000	13,200
	705,000	370,000	-	70,000	300,000	26,250
	650,000	360,000	-	65,000	295,000	17,495
	135,000	75,000	-	15,000	60,000	5,617
	110,000	50,000	-	25,000	25,000	2,288
	1,200,000	895,000	-	110,000	785,000	38,195
	995,000	995,000	-	75,000	920,000	41,988
		\$ 3,310,000	-	520,000	2,790,000	161,595
\$	1,300,000	850,000	-	125,000	725,000	37,995
	1,200,000	995,000	-	110,000	885,000	40,135
	1,300,000	1,205,000	-	110,000	1,095,000	67,042
		\$ 3,050,000	-	345,000	2,705,000	145,172
\$	200,000	50,000	-	25,000	25,000	3,075

City of Hiawatha

Notes to Financial Statements

June 30, 2002

(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, recreation, public improvements and general administrative services.

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 Water Utility 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 Water Utility was established to operate the City's waterworks facilities. The Utility 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 Utility is held in the name of the City. A financial benefit/burden relationship exists between the City and the Utility 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 Utility 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 fund 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 and special assessment 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 four major classes of disbursements, known as programs, not by fund. These four programs are community protection, human development, home and community environment and policy and administration.

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 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, 2002 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 \$3,585,000 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Notes		General Obligation Bonds		Sewer Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 540,000	135,963	360,000	129,343	25,000	1,550	925,000	266,856
2004	550,000	108,988	380,000	112,755	-	-	930,000	221,743
2005	455,000	81,066	390,000	95,045	-	-	845,000	176,111
2006	405,000	57,707	405,000	76,783	-	-	810,000	134,490
2007	240,000	37,022	430,000	57,755	-	-	670,000	94,777
2008	250,000	26,732	280,000	37,456	-	-	530,000	64,188
2009	110,000	15,765	295,000	23,805	-	-	405,000	39,570
2010	115,000	10,925	165,000	9,322	-	-	280,000	20,247
2011	125,000	5,750	-	-	-	-	125,000	5,750
Total	\$ 2,790,000	479,918	2,705,000	542,264	25,000	1,550	5,520,000	1,023,732

The resolution providing for the issuance of the revenue notes includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to the Sewer Sinking Account for the sole purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers shall be made to the Sewer Reserve Account until a minimum balance of \$20,000 has been accumulated. This account is restricted for the purpose of making any note principal and interest payments which the Sinking Account may be unable to make.
- (d) Monthly deposits of \$500 shall be made to a Sewer Improvement Account until a balance of \$12,000 has been accumulated.

(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 6.20% and 9.29%, respectively. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2002, 2001 and 2000 were \$65,829, \$57,702, and \$56,273 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. 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, 2002, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 62,000
Sick leave	<u>25,000</u>
Total	<u>\$ 87,000</u>

Sick leave is payable when used or upon voluntary termination or retirement for accumulations in excess of 720 hours. This liability has been computed based on rates of pay in effect at June 30, 2002.

(6) Construction Contracts

The City has entered into various construction contracts during the year. Unpaid contract commitments as of June 30, 2002 totaled \$406,364, 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. As of June 30, 2002, City payments of \$129,399 have been made. The City has a remaining liability of \$134,014 at June 30, 2002, which will be paid as work on the project progresses.

(7) Commitments

The City entered into eighteen 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 eighteen increment financing agreements is not to exceed \$663,095. The actual amount rebated during the year ended June 30, 2002 was \$515,692.

(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. Operation and maintenance costs for the year ended June 30, 2002 totaled \$203,148.

(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 at Metal Fabricator Company. The loan balance as of June 30, 2002 is \$18,750.

(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 \$2,020,662 is outstanding at June 30, 2002. 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 384.12 of the Code of Iowa. The Iowa communities Assurance Pool (Pool) is a local government risk-sharing pool with over 400 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 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 annual contributions to the Pool for the year ended June 30, 2002 were \$48,766.

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 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, 2002, settled claims have not exceeded the risk pool or reinsurance company 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 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a 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) Subsequent Event

On July 1, 2002, the City issued \$995,000 in general obligation capital loan notes to pay the costs to construct street, storm and sanitary sewer and water improvements.

Supplemental Information

City of Hiawatha

City of Hiawatha
Schedule of Cash Transactions
General Fund
Year ended June 30, 2002

Receipts:	
Property tax	\$ 1,216,231
Other City tax:	
Cable franchise fee	58,951
Mobile home tax	26,174
Utility tax replacement excise tax	37,363
	<u>122,488</u>
Licenses and permits:	
Liquor	1,568
Cigarette	581
Building	140,189
Other	1,072
	<u>143,410</u>
Use of money and property:	
Interest on investments	25,379
Community center rent	14,707
	<u>40,086</u>
Intergovernmental:	
Enrich Iowa library grant	6,165
State allocation	65,166
Bank franchise tax	2,448
Library assistance from Linn County	44,710
Library open access	19,997
STEP grant and work study	6,980
	<u>145,466</u>
Charges for service:	
Storm sewer utility	48,564
Fire protection fees	6,500
	<u>55,064</u>

Schedule 1

City of Hiawatha
Schedule of Cash Transactions
General Fund
Year ended June 30, 2002

Receipts (continued):

Miscellaneous:

Court fines and police reports	37,046
Refunds and reimbursements	12,975
Fines and fees	16,511
Donations	2,575
Miscellaneous	2,999
Park land development fees	7,773
	<u>79,879</u>
Total receipts	<u>1,802,624</u>

Disbursements:

Community Protection Program:

Police:

Personal services	381,724
Contractual services	8,649
Commodities	18,430
Capital outlay	1,544
	<u>410,347</u>

Fire:

Personal services	22,088
Contractual services	43,101
Commodities	69,835
	<u>135,024</u>
	<u>545,371</u>

Human Development Program:

Animal control	<u>1,650</u>
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Library:

Personal services	141,894
Contractual services	37,285
Commodities	4,513
Capital outlay	43,745
	<u>227,437</u>

City of Hiawatha
 Schedule of Cash Transactions
 General Fund
 Year ended June 30, 2002

Disbursements (continued):

Human Development Program:

Parks:

Personal services	16,313
Contractual services	38,255
Commodities	4,474
Capital outlay	3,477
	<u>62,519</u>

Community center:

Personal services	2,290
Contractual services	5,648
Commodities	911
Capital outlay	199
	<u>9,048</u>

Recreation:

Personal services	4,493
Contractual services	2,001
Commodities	688
	<u>7,182</u>
	<u>307,836</u>

Home and Community Environment Program:

Building and housing safety:

Personal services	92,776
Contractual services	10,524
Commodities	3,760
Capital outlay	401
	<u>107,461</u>

Storm sewer:

Personal services	1,299
Contractual services	23,316
	<u>24,615</u>

Economic development:

Contractual services	7,000
Commodities	40
	<u>7,040</u>

Transit service

25,266
<u>164,382</u>

Schedule 1

City of Hiawatha
Schedule of Cash Transactions
General Fund
Year ended June 30, 2002

Disbursements (continued):

Policy and Administration Program:

City Manager:

Personal services	56,177
Contractual services	3,111
Commodities	1,355
	<u>60,643</u>

Mayor and Council Members:

Personal services	14,650
Contractual services	29,588
Commodities	1,414
	<u>45,652</u>

Clerk/Finance:

Personal services	91,916
Contractual services	5,379
Commodities	86
Capital outlay	94
	<u>97,475</u>

Elections

6,130

Legal and professional:

Contractual services	<u>132,049</u>
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Planning and zoning:

Commodities	<u>1,297</u>
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City Hall:

Personal services	73,931
Contractual services	232,236
Commodities	18,793
Capital outlay	3,835
Refunds	31,462
	<u>360,257</u>

703,503

Total disbursements

1,721,092

Excess of receipts over disbursements

81,532

City of Hiawatha
Schedule of Cash Transactions
General Fund
Year ended June 30, 2002

Other financing uses:	
Operating transfers out:	
Debt Service	(16,682)
Internal Service:	
Equipment Rental Reserve	(53,425)
	<u>(70,107)</u>
Excess of receipts over disbursements and other financing uses	11,425
Balance beginning of year	<u>952,302</u>
Balance end of year	<u>\$ 963,727</u>

See accompanying independent auditor's report.

City of Hiawatha
Combining Schedule of Cash Transactions
Special Revenue Funds
Year ended June 30, 2002

Schedule 2

	Road Use Tax	Urban Renewal Tax Increment
Receipts:		
Property tax	\$ -	-
Tax increment financing collections	-	1,111,366
Other city tax:		
Utility tax replacement excise tax		
Mobile home tax	-	-
Use of money and property:		
Interest on investments	-	17,993
Intergovernmental:		
Road use tax allocation	519,033	-
Total receipts	519,033	1,129,359
Disbursements:		
Community Protection Program:		
Personal services	-	-
Commodities	-	-
Street lighting	51,758	-
	51,758	-
Human Development Program:		
Personal services	-	-
Home and Community Environment Program:		
Roadway maintenance:		
Personal services	144,622	-
Contractual services	91,753	-
Commodities	50,382	-
Capital outlay	102,238	-
	388,995	-
Snow and ice control:		
Personal services	6,927	-
Commodities	8,919	-
	15,846	-

Employee Benefits	Police Forfeiture	Total
103,195	-	103,195
-	-	1,111,366
3,172	-	3,172
2,227	-	2,227
5,399	-	5,399
-	-	17,993
-	-	519,033
108,594	-	1,756,986
56,659	-	56,659
-	331	331
-	-	51,758
56,659	331	108,748
19,685	-	19,685
-	-	144,622
-	-	91,753
-	-	50,382
-	-	102,238
-	-	388,995
-	-	6,927
-	-	8,919
-	-	15,846

City of Hiawatha
Combining Schedule of Cash Transactions
Special Revenue Funds
Year ended June 30, 2002

	Road Use Tax	Urban Renewal Tax Increment
Disbursements (continued):		
Home and Community Environment Program:		
Street sweeping:		
Contractual services	12,688	-
Street construction:		
Contractual services	3,811	-
Building and housing safety and storm sewers:		
Personal services	-	-
Economic development:		
Contractual services	-	515,692
	421,340	515,692
Policy and Administration Program:		
Personal services	-	-
Total disbursements	473,098	515,692
Excess (deficiency) of receipts over (under) disbursements	45,935	613,667
Other financing uses:		
Operating transfers out:		
Debt Service	-	(510,546)
Internal Service:		
Equipment Rental Reserve	(51,200)	-
Total other financing uses	(51,200)	(510,546)
Excess (deficiency) of receipts over (under) disbursements and other financing uses	(5,265)	103,121
Balance beginning of year	212,172	542,006
Balance end of year	\$ 206,907	645,127

See accompanying independent auditor's report.

Employee Benefits	Police Forfeiture	Total
-	-	12,688
-	-	3,811
10,168	-	10,168
-	-	515,692
10,168	-	947,200
23,942	-	23,942
110,454	331	1,099,575
(1,860)	(331)	657,411
-	-	(510,546)
-	-	(51,200)
-	-	(561,746)
(1,860)	(331)	95,665
11,037	469	765,684
9,177	138	861,349

City of Hiawatha
Schedule of Cash Transactions
Debt Service Fund
Year ended June 30, 2002

Receipts:	
Property tax	\$ 414,083
Other city tax:	
Mobile home tax	6,917
Utility tax replacement excise tax	9,901
	16,818
Use of money and property:	
Interest on investments	6,138
	3,452
Special assessments	3,452
Total receipts	440,491
Disbursements:	
Community Protection Program:	
Debt Service:	
Principal redemption	45,000
Interest payments	19,303
	64,303
Human Development Program:	
Debt Service:	
Principal redemption	25,000
Interest payments	2,288
	27,288
Home and Community Environment Program:	
Debt Service:	
Principal redemption	795,000
Interest payments	285,176
	1,080,176
Policy and Administration Program:	
Contractual services	3,125
Total disbursements	1,174,892
Deficiency of receipts under disbursements	(734,401)

City of Hiawatha
 Schedule of Cash Transactions
 Debt Service Fund
 Year ended June 30, 2002

Other financing sources:	
Operating transfers in:	
General	16,682
Special Revenue:	
Urban Renewal Tax Increment	510,546
Capital Projects:	
Projects	53,461
Library	27,288
	<u>607,977</u>
Transfers from Component Unit:	
Enterprise Fund:	
Water	63,115
Total other financing sources	<u>671,092</u>
Deficiency of receipts and other financing sources under disbursements	(63,309)
Balance beginning of year	<u>129,924</u>
Balance end of year	<u><u>\$ 66,615</u></u>

See accompanying independent auditor's report

Schedule 4

City of Hiawatha
Combining Schedule of Cash Transactions
Capital Projects Funds
Year ended June 30, 2002

	Projects	Tax Increment Financing Project	Library	Local Option Sales Tax	Total
Receipts:					
Other City tax:					
Local option sales tax	\$ -	-	-	158,611	158,611
Use of money and property:					
Interest on investments	19,157	14,158	3,110	-	36,425
Property rent	6,500	-	-	-	6,500
	25,657	14,158	3,110	-	42,925
Intergovernmental:					
Iowa Department of Transportation grant	-	31,351	-	-	31,351
State recreation grant	1,970	-	-	-	1,970
	1,970	31,351	-	158,611	33,321
Miscellaneous:					
Sales tax refund	5,806	-	-	-	5,806
Total receipts	33,433	45,509	3,110	158,611	240,663
Disbursements:					
Community Protection Program:					
Contractual services	6,467	-	-	-	6,467
Human Development Program:					
Contractual services	3,982	70,140	-	-	74,122
Home and Community Environment Program:					
Contractual services - road widening, reconstruction and sidewalks	247,208	1,002,566	-	-	1,249,774
Policy and Administration Program:					
Contractual services	1,592	2,389	-	-	3,981
Total disbursements	259,249	1,075,095	-	-	1,334,344
Excess (deficiency) of receipts over (under) disbursements	(225,816)	(1,029,586)	3,110	158,611	(1,093,681)

City of Hiawatha
Combining Schedule of Cash Transactions
Capital Projects Funds
Year ended June 30, 2002

	Projects	Tax Increment Financing Project	Library	Local Option Sales Tax	Total
Other financing uses:					
Operating transfers out:					
Debt Service	(53,461)	-	(27,288)	-	(80,749)
Excess (deficiency) of receipts over (under) disbursements and other financing uses	(279,277)	(1,029,586)	(24,178)	158,611	(1,174,430)
Balance beginning of year	966,428	1,049,704	67,874	-	2,084,006
Balance end of year	\$ 687,151	20,118	43,696	158,611	909,576

See accompanying independent auditor's report.

City of Hiawatha
Combining Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2002

	Sewer Revenue	Sewer Operation and Main- tenance
Receipts:		
Use of money and property:		
Interest on investments	\$ 10,920	-
Charges for service:		
Sewer rental fees	359,364	-
Total receipts	<u>370,284</u>	<u>-</u>
Disbursements:		
Home and Community Environment Program:		
Personal services	8,147	-
Contractual services	221,547	-
Commodities	12,141	-
Debt Service:		
Principal redemption	-	-
Interest payments	-	-
Miscellaneous	-	-
Total disbursements	<u>241,835</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>128,449</u>	<u>-</u>
Other financing sources (uses):		
Operating transfers in (out):		
Enterprise:		
Sewer Revenue	-	-
Sewer Sinking	(28,375)	-
Internal Service:		
Equipment Rental Reserve	(4,500)	-
	<u>(32,875)</u>	<u>-</u>
Excess of receipts and other financing sources over disbursements and other financing uses	95,574	-
Balance beginning of year	<u>411,808</u>	<u>101</u>
Balance end of year	<u>\$ 507,382</u>	<u>101</u>

See accompanying independent auditor's report.

Sewer Sinking	Sewer Reserve	Sewer Improvement	Total
-	-	-	10,920
-	-	-	359,364
-	-	-	370,284
-	-	-	8,147
-	-	-	221,547
-	-	-	12,141
25,000	-	-	25,000
3,075	-	-	3,075
300	-	-	300
28,375	-	-	270,210
(28,375)	-	-	100,074
28,375	-	-	28,375
-	-	-	(28,375)
-	-	-	(4,500)
28,375	-	-	(4,500)
-	-	-	95,574
2,250	20,000	12,000	446,159
2,250	20,000	12,000	541,733

Schedule 6

City of Hiawatha
Schedule of Cash Transactions
Internal Service Fund
Year ended June 30, 2002

	<u>Equipment Rental Reserve</u>
Receipts:	
Use of money and property:	
Interest on investments	\$ 6,455
Disbursements:	
Community Protection Program:	
Capital outlay	15,968
Human Development Program:	
Capital outlay	10,350
Home and Community Environment Program:	
Capital outlay	10,350
Total disbursements	<u>36,668</u>
Deficiency of receipts under disbursements	<u>(30,213)</u>
Other financing sources:	
Sale of general fixed assets	<u>3,500</u>
Operating transfers in:	
General	53,425
Special Revenue:	
Road Use Tax	51,200
Enterprise:	
Sewer Revenue	4,500
	<u>109,125</u>
Transfers from Component Unit:	
Water	<u>13,688</u>
Total other financing sources	<u>126,313</u>
Excess of receipts and other financing sources over disbursements	96,100
Balance beginning of year	<u>250,220</u>
Balance end of year	<u>\$ 346,320</u>

See accompanying independent auditor's report.

City of Hiawatha
Schedule of Cash Transactions
Expendable Trust Fund
Year ended June 30, 2002

	<u>Fire Department Trust</u>
Receipts:	
Use of money and property:	
Interest on investments	\$ 447
Disbursements:	
Community Protection Program:	
Capital outlay	<u>5,533</u>
Deficiency of receipts under disbursements	(5,086)
Balance beginning of year	<u>21,037</u>
Balance end of year	<u><u>\$ 15,951</u></u>

See accompanying independent auditor's report.

Schedule 8

City of Hiawatha
Combining Schedule of Cash Transactions
Component Unit - Enterprise Funds
Year ended June 30, 2002

	Water	Capital Improve- ments	Meter Deposit	City Utilities	Total
Receipts:					
Use of money and property:					
Interest on investments	\$ 26,095	10,350	2,395	-	38,840
Charges for service:					
Sale of water	499,595	-	-	-	499,595
Sewer rental fees	-	-	-	308,578	308,578
Storm water fees	-	-	-	41,899	41,899
Miscellaneous	5,063	-	-	-	5,063
	504,658	-	-	350,477	855,135
Miscellaneous:					
Penalties	13,572	-	-	-	13,572
Sales tax collected	28,651	-	-	-	28,651
Customer deposits	6,000	-	10,311	-	16,311
	48,223	-	10,311	-	58,534
Total receipts	578,976	10,350	12,706	350,477	952,509
Disbursements:					
Home and Community Environment Program:					
Personal services	219,346	-	-	-	219,346
Contractual services	123,143	-	9,355	-	132,498
Remittance of sewer rental and storm water fees	-	-	-	380,668	380,668
Commodities	32,441	-	-	-	32,441
Capital outlay	84,214	226,531	-	-	310,745
Total disbursements	459,144	226,531	9,355	380,668	1,075,698
Excess (deficiency) of receipts over (under) disbursements	119,832	(216,181)	3,351	(30,191)	(123,189)

City of Hiawatha
 Combining Schedule of Cash Transactions
 Component Unit - Enterprise Funds
 Year ended June 30, 2002

	Water	Capital Improve- ments	Meter Deposit	City Utilities	Total
Other financing sources (uses):					
Operating transfers in (out):					
Enterprise Fund:					
Water	-	48,635	-	-	48,635
Capital Improvements	(48,635)	-	-	-	(48,635)
Transfers to primary government:					
Internal Service:					
Equipment Rental Reserve	(13,688)	-	-	-	(13,688)
Debt Service	(63,115)	-	-	-	(63,115)
	(125,438)	48,635	-	-	(76,803)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(5,606)	(167,546)	3,351	(30,191)	(199,992)
Balance beginning of year	384,470	396,916	22,851	33,900	838,137
Balance end of year	\$ 378,864	229,370	26,202	3,709	638,145

See accompanying independent auditor's report.

City of Hiawatha
Bond and Note Maturities
June 30, 2002

Year Ending June 30,	General Obligation Notes									
	CDBG Notes		Street and Fire Equipment		Capital Loan		Capital Loan		Capital Loan Series 1996A	
	Issued Jan 24, 1993		Issued Mar 3, 1994		Issued Oct 1, 1994		Issued Sep 1, 1995		Issued Jan 1, 1996	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2003	5.60%	\$ 50,000	4.60%	\$ 50,000	5.45%	\$ 60,000	7.05%	\$ 70,000	4.75%	\$ 70,000
2004	5.80	50,000	4.75	75,000	5.55	60,000	7.10	70,000	4.85	70,000
2005	-	-	-	-	5.65	60,000	7.15	80,000	4.95	75,000
2006	-	-	-	-	-	-	7.20	80,000	5.05	80,000
2007	-	-	-	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-	-	-	-
2010	-	-	-	-	-	-	-	-	-	-
2011	-	-	-	-	-	-	-	-	-	-
Total		<u>\$100,000</u>		<u>\$125,000</u>		<u>\$180,000</u>		<u>\$300,000</u>		<u>\$295,000</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		
2003	4.40%	\$ 130,000	3.90%	\$ 115,000	5.55%	\$ 115,000	\$ 360,000	
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>\$ 725,000</u>		<u>\$ 885,000</u>		<u>\$ 1,095,000</u>	<u>\$ 2,705,000</u>	

See accompanying independent auditor's report.

General Obligation Notes									
Capital Loan Series 1996B		Capital Loan Library Series 1997B		Capital Loan Series 1998		Capital Loan Series 2001			
Issued Jan 1, 1996		Issued Dec 1, 1997		Issued Jun 15, 1998		Issued Jun 1, 2001			
Interest		Interest		Interest		Interest		Total	
Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount		
7.30%	\$15,000	4.65%	\$ 25,000	4.1%	\$ 115,000	3.90%	\$ 85,000	\$ 540,000	
7.50	15,000	-	-	4.20	120,000	4.00	90,000	550,000	
7.75	15,000	-	-	4.25	130,000	4.05	95,000	455,000	
7.90	15,000	-	-	4.30	135,000	4.10	95,000	405,000	
-	-	-	-	4.35	140,000	4.20	100,000	240,000	
-	-	-	-	4.45	145,000	4.30	105,000	250,000	
-	-	-	-	-	-	4.40	110,000	110,000	
-	-	-	-	-	-	4.50	115,000	115,000	
-	-	-	-	-	-	4.60	125,000	125,000	
	<u>\$60,000</u>		<u>\$ 25,000</u>		<u>\$ 785,000</u>		<u>\$ 920,000</u>	<u>\$ 2,790,000</u>	

Year Ending June 30,	Revenue Notes	
	Sewer	
	Issued Feb 2, 1992	
	Interest	
	Rates	Amount
2003	6.20%	<u>\$ 25,000</u>

Schedule 10

City of Hiawatha

Comparison of Tax and Intergovernmental Receipts

	Years ended June 30,			
	2002	2001	2000	1999
Property tax	\$ 1,733,509	1,632,072	1,510,892	1,336,271
Tax increment financing collections	1,111,366	960,756	771,784	538,200
Other City tax:				
Mobile home tax	35,318	34,413	37,015	35,142
Utility tax replacement excise tax	50,436	-	-	-
Local option sales tax	158,611	-	-	-
Cable franchise fee	58,951	56,698	-	-
	303,316	91,111	37,015	35,142
Intergovernmental:				
Road use tax allocation	519,033	463,000	450,756	426,240
State allocation	65,166	61,297	61,479	61,443
Grants	46,466	4,487	82,291	178,080
Bank franchise tax	2,448	6,949	5,180	4,261
Miscellaneous	64,707	77,026	44,382	34,670
	697,820	612,759	644,088	704,694
Total	\$ 3,846,011	3,296,698	2,963,779	2,614,307

See accompanying independent auditor's report.



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

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Warren G. Jenkins, CPA
Chief Deputy Auditor of State

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, 2002, and have issued our report thereon dated August 28, 2002. 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.

Comments involving statutory and other legal matters about the City of Hiawatha's operations for the year ended June 30, 2002 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 employee 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. The prior year reportable condition has been resolved.

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.

RICHARD D. JOHNSON, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

August 28, 2002

City of Hiawatha
Schedule of Findings
Year ended June 30, 2002

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

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

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, 2002.
- (2) Certified Budget – Disbursements during the year ended June 30, 2002 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.
- (8) Revenue Notes – The Sewer Sinking Account was maintained at the required balance.
- (9) 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.

City of Hiawatha

Staff

This audit was performed by:

Joe T. Marturello, CIA, Manager
John G. Vanis, CGFM, Senior Auditor
Jedd D. Moore, Assistant Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State