



City of Burlington, Iowa

Comprehensive Annual Financial Report

For the Year Ended June 30, 2004

Submitted By:

Department of Finance and Accounting
City of Burlington, Iowa

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Burlington,
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Edward Haney".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emery".

Executive Director

CITY OF BURLINGTON, IOWA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2004

TABLE OF CONTENTS

INTRODUCTORY SECTION

Table of Contents.....	1
Letter of Transmittal.....	3
City Organizational Chart.....	9
List of Principal Officials.....	10
Mission and Vision Statements.....	11

FINANCIAL SECTION

Independent Auditor's Report.....	13
Management's Discussion and Analysis.....	15
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	29
Statement of Activities.....	30
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	32
Reconciliation of the Balance Sheet to the Statement of Net Assets.....	33
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) - Governmental Funds.....	34
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) to the Statement of Activities.....	35
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual - General Fund.....	36
Statement of Revenues, Expenditures, and Changes in Fund Balance (Deficit) - Budget to Actual - Road Use Tax Fund.....	37
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual - Local Option Sales Tax Fund.....	38
Statement of Revenues, Expenditures, and Changes in Fund Balance (Deficit) - Budget to Actual - Tax Increment Financing Fund.....	39
Statement of Net Assets - Proprietary Funds.....	40
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds.....	42
Statement of Cash Flows - Proprietary Funds.....	44
Notes to Financial Statements.....	46
Combining and Individual Fund Statements:	
Combining Balance Sheet - Nonmajor Governmental Funds.....	79
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) - Nonmajor Governmental Funds.....	80
Combining Statement of Net Assets - Internal Service Funds.....	82
Combining Statement of Revenues, Expenses, and Changes in Net Assets - Internal Service Funds.....	83
Combining Statement of Cash Flows - Internal Service Funds.....	84

STATISTICAL SECTION

Government-wide information:	
Government-wide Expenses by Function.....	87
Government-wide Revenues by Source.....	88
Fund Information:	
General Governmental Expenditures by Program.....	89
General Governmental Revenues by Source	90
Property Tax Levies and Collections.....	91
Property Tax Rates - All Direct and Overlapping Governments.....	92
Ratio of Net General Obligation Bonded Debt to Taxable Valuation and Net Bonded Debt Per Capita.....	93
Actual and Taxable Valuation.....	94
Enterprise Activity Operating Revenues.....	95
Computation of Legal Debt Margin.....	96
Computation of Direct and Overlapping Bonded Debt - General Obligation Bonds.....	97
Principal Taxpayers.....	98
Major Area Employers.....	99
Historical Economic Data.....	100
Miscellaneous Statistical Data.....	101
Principal Officials - Salaries and Length of Service.....	102
Insurance Schedule.....	103
Revenue bond coverage.....	104

COMPLIANCE SECTION

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	105
Independent Auditor's Report on Compliance with Requirements Applicable to its Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.....	106
Schedule of Expenditures of Federal Awards.....	107
Notes to Schedule of Expenditures of Federal Awards.....	109
Schedule of Findings and Questioned Costs.....	111

December 29, 2004

To the Honorable Mayor, Members of the City Council, and Citizens of the CITY OF BURLINGTON, IOWA:

State law requires that all general purpose local governments publish within nine months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants or by the State Auditor's Office. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Burlington, Iowa, for the fiscal year ended June 30, 2004.

This report consists of management's representations concerning the finances of the City of Burlington. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Burlington has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Burlington's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Burlington's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Burlington's financial statements have been audited by Eide Bailly, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City

of Burlington for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit that there was a reasonable basis for rendering an unqualified opinion that the City of Burlington's financial statements for the fiscal year ended June 30, 2003 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Burlington was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are contained in the compliance section of this comprehensive annual financial report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Burlington's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Burlington, incorporated in 1836 is located on the Mississippi River in the southeastern corner of the state. Burlington serves as the county seat of Des Moines County and as a regional trade center. The City of Burlington currently occupies a land area of 14 square miles and serves a population of 26,839. The City of Burlington is empowered to levy a property tax on real property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

The City of Burlington has operated under the council-manager form of government since 1982. Policy-making and legislative authority are vested in a governing council consisting of five members elected at large. The mayor is selected by the City Council from their members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the government's manager, city clerk, and attorney. The government's manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Council members serve four-year staggered terms, with council members elected every two years.

The City of Burlington provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure, wastewater treatment, refuse collection, and recreational activities and cultural events. The City of Burlington is financially accountable for the legally separate Burlington Municipal Waterworks and the legally separate Southeast Iowa Regional Airport Authority (SEIRAA) both of which are reported separately within the City of Burlington's financial statements. The Friends of the Burlington Public Library Foundation is reported as a component unit since they raise funds for the exclusive use of the Burlington Public Library.

The annual budget serves as the foundation for the City of Burlington's financial planning and control. All agencies of the City of Burlington are required to submit requests for appropriation to the Deputy City Manager before the end of November of each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the council for review prior to the end of January. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than March 15. The appropriated budget is prepared by fund, function (e.g., Public Safety), and department (e.g., police). Department heads may make transfers of appropriations within a department with the manager's approval. Transfers of appropriations between departments, however, require the special approval of the governing council. Budget-to-actual comparisons are provided in this report for the general fund and each major special revenue fund for which an appropriated annual budget has been adopted. This comparison is presented starting on page 36 as part of the basic financial statements for the governmental funds.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Burlington operates.

Local Economy. The prospects for the local economy began to look up during the past year. While Burlington Northern/Santa Fe continued to phase out operations of the Burlington repair facility other areas of the economy stabilized or began to expand. Alfa Gomma America, an Italian company began production in their new facility in the Flint Ridge Business Park. Grow Greater Burlington completed construction of a fourth shell building in the Business Park. The prior three buildings sold in an average time of 18 months, or approximately half the national average. Prospects for a quick sale of this building are excellent. In addition Great River Ethanol began production at their new facility west of the City. VISTA Bakery expanded by adding capacity for two more production lines, with an initial employment increase of 50 people and prospects for an additional 50 people early next year. Winegard Corporation acquired the vacant Andrews building to utilize for warehouse space and allow expansion of production lines in their existing facility. Federal Mogul Ignition Products announced plans to modernize operations which will create 25 new jobs initially, with a potential for many more in the future. The Iowa Army Ammunition Plant recently announced the award of new contracts from the Army for the production of ammunition. Additionally Winegard announced plans to invest ten to twelve million dollars in the PZAZZ! entertainment complex to construct a family entertainment facility FUN CITY, LLC. This development, undertaken in partnership with the City, will result in a family oriented entertainment complex, including an aquatic center, bowling alley, go cart track, and video game center. Employment is expected to increase by approximately 100. Redevelopment of River Park Place, the former Mercy Professional Building continued with the Chamber of Commerce and an architectural/engineering firm locating to the facility. Additionally, an upscale restaurant, Martini's is relocating from the PZAZZ! complex.

Cash Management Policies and Practices. Cash temporarily idle during the year is primarily invested in certificates of deposit of local financial institutions. This practice is in compliance with the City's investment policy as adopted by the City Council. Bids are informally solicited from those institutions and the funds invested at the best rate obtainable. Daily funds are deposited in money market

accounts. Total interest earned during the year amounted to \$37,181 on an accrual basis.

Risk Management. Effective February 1, 1988 the City began self-insuring its property and liability coverages. The City purchases layers of reinsurance through various insurance companies with the City assuming a self-insured retention, per claim, of \$50,000 for property losses and \$250,000 for liability losses. In addition, the City self-insures its workers compensation coverages under the same basis with a self-insured retention of \$100,000 per claim. In the aggregate, the City's losses for any one year cannot exceed \$275,000. The City's self-insurance fund is treated as an internal service fund. Claims paid by the City are charged to this fund, which recovers its expenditures from the appropriate fund incurring the claim. In addition, effective July 1, 1983 the City entered into an Iowa Code Chapter 28E Agreement with Des Moines County to create a pooling arrangement to provide health and dental care benefits for its employees. Premiums, based upon an annual actuarial review, are paid into a trust account out of which claims are paid. Effective July 1, 2003 the pool began to purchase coverage through Wellmark Blue Cross/Blue Shield with a \$2,000/\$4,000 deductible. The plan self-insures down to the lower deductible selected by the member. Additionally, prescription drug and dental coverages are still self-insured.

Pension Benefits. The City of Burlington provides pension benefits for its employees, through either the Municipal Fire and Police Retirement System of Iowa (MFPRSI) or The Iowa Public Employees Retirement System (IPERS). These benefits are provided through statewide plans managed by the appropriate State Pension Board. The City of Burlington has no obligation in connection with employee benefits offered through this plan beyond its annual contractual payment to the State Pension Board.

Additional information on the City of Burlington's pension arrangements can be found in notes to the financial statements.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Burlington for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2003. In order to be awarded a Certificate of Achievement, the government

published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

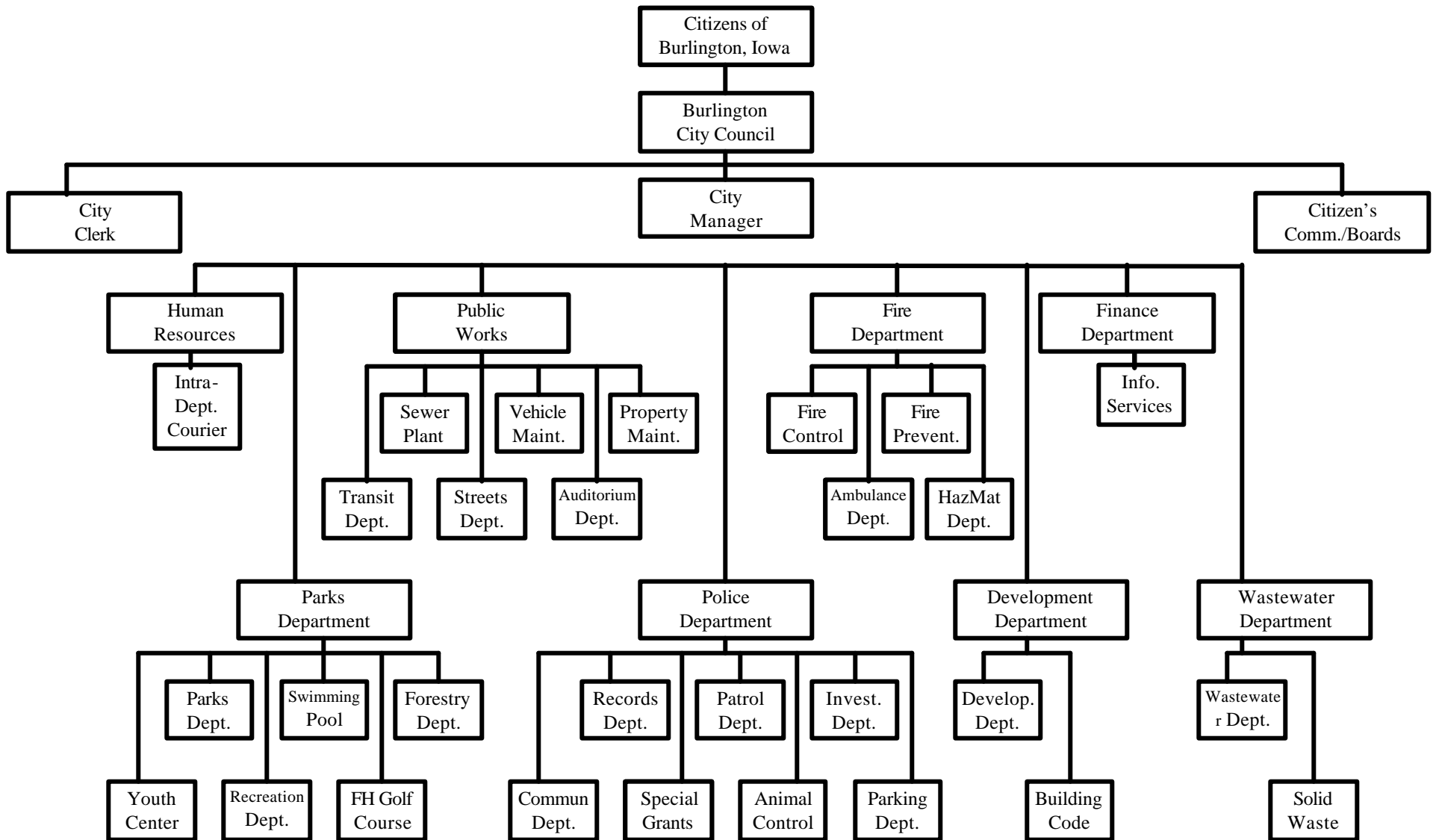
The government received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 1, 2004. In order to qualify for the Distinguished Budget presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must also be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Burlington's finances.

Bruce R. Slagle
City Manager

Douglas J. Worden, CPA
Deputy City Manager

City of Burlington Organizational Chart



CITY OF BURLINGTON, IOWA

List of Principal Officials June 30, 2004

ELECTED OFFICIALS

Mayor
Council Member
Council Member
Council Member
Council Member

Mike Edwards
Mary Baker
Mike Campbell
William L. Ell
Chris King

APPOINTED OFFICIALS

City Manager
City Attorney
City Clerk
Director of Development
Deputy City Manager/Finance Director
Fire Chief
Library Director
Parks and Recreation Superintendent
Personnel Director
Police Chief
Public Works Director
Wastewater Treatment Facility Superintendent

Bruce Slagle
Scott Power
Kathleen Salisbury
Chris Nosbisch
Douglas J. Worden
Tom Clements
Karen Weiss
Phillip Collier
Bev Hunter
Dave Wunnenberg
Ron Knoke
Donald Fitting

City of Burlington, Iowa Mission Statement

The Mission of the City of Burlington is to provide consistent quality services to support a safe and healthy community. This commitment to excellence is based on the belief that well informed and involved citizens, in partnership with trained service oriented city employees will maintain and implement cost effective services which enable the community to meet future challenges and opportunities.

City of Burlington, Iowa Vision Statement

The City of Burlington believes in a strong partnership between customer-service oriented employees and well-informed and involved citizens whose pride and belief in the future encourages investment and progress.



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Burlington, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Burlington, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Burlington. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Burlington Municipal Waterworks, the Southeast Iowa Regional Airport Authority, and the Friends of the Burlington Public Library. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Burlington Municipal Waterworks, the Southeast Iowa Regional Airport Authority, and the Friends of the Burlington Public Library, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Burlington, Iowa, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, Road Use Tax Fund, Local Option Sales Tax Fund, and Tax Increment Financing Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2004, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Burlington, Iowa. The introductory section, combining nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Burlington. The combining nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Eida Bailey LLP

Dubuque, Iowa
November 4, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City's financial performance for the fiscal year ended June 30, 2004 is intended to give the readers an overview of and additional insight into the financial activities of the City over the past year. This will be done most effectively by reading this discussion in conjunction with the letter of transmittal and the financial statements.

Financial Highlights

- The assets of the City of Burlington exceeded its liabilities at the close of the most recent fiscal year by \$33,981,269 (net assets), an increase of \$6,758,700 from the previous year.
- At the close of the current fiscal year, the City of Burlington's governmental funds reported combined ending fund balances of \$1,280,166, an increase of \$239,784 in comparison with the prior year. The Debt Service Fund decreased by \$1,747,920 primarily due to the refunding of a 1996 bond issue. The General Fund decreased by \$282,238. The Road Use Tax Fund increased by \$122,937, Local Option Sales Tax Fund by \$441,138, Tax Increment by \$551,575, Capital Projects by \$1,033,405, and all other governmental funds by \$120,887.
- At the end of the current fiscal year, unreserved fund balances for the General Fund was \$992,015 or 7.5 percent of total General Fund expenditures.
- The City of Burlington's total debt increased by \$4,257,868 (14.25%) during the current fiscal year.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the City of Burlington's basic financial statements. The statements comprise three components: 1)the government-wide financial statements, 2)the fund financial statements, and 3)the notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to be corporate-like in that the governmental and business-type activities are consolidated into statements intended to present the operations of the City as a whole.

The *Statement of Net Assets* presents the City's financial position, in its entirety, as of June 30. All of the City's assets (except infrastructure acquired prior to fiscal year 2001) and liabilities are presented with the difference between the two reported as net assets. In order to consolidate and present the City's activities as a whole, it is necessary to convert the governmental fund statements from a measurement focus of financial resources to a measurement focus of

economic resources. Essentially, this adds long-term assets and liabilities to the fund financial statements.

On the right side of the statement, the Burlington Municipal Waterworks and the Southeast Iowa Regional Airport Authority are presented. The City appoints a majority of their board members and has a substantial financial responsibility for these organizations. Therefore, the City's financial statements would not be complete without reporting their activities. The focus of the statements, however, is clearly on the primary government. There are separately issued financial statements for these component units. Additionally, the Friends of the Burlington Public Library Foundation is reported since they raise funds exclusively for the benefit of the Burlington Public Library.

The *Statement of Activities* presents information showing how the City's net assets changed during the fiscal year. It focuses on the gross and net cost of various programs. This is intended to simplify the user's analysis of the cost of providing various government services and their funding sources.

The Governmental Activities reflects the City's basic services such as police, fire, parks, library, auditorium, public works, and general administration. Primary funding sources include sales and road use taxes, property taxes, service charges, and intergovernmental grants and funds. The Business-type Activities are intended to be self-funding through user fees and charges.

Fund Financial Statements

Traditional users of the City's financial statements will find the fund financial statements more familiar. The most noticeable change is the shift away from fund types and towards major funds. The City's funds are divided into two major categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities (the government-wide level). However, unlike the government-wide level, governmental funds focus on short-term inflows and outflows of financial resources rather than flow of economic (all) resources. This information is useful in evaluating short-term financing requirements and is typically the basis (plus encumbrances) for which the City's annual budget is developed. A more detailed list of differences between the governmental funds and the governmental activities can be found in the reconciliations provided in the fund financial statements.

The City has six major funds: the General fund, the Debt Service Fund, the Road Use Tax Fund, the Local Option Sales Tax Fund, the Tax Increment Financing Fund, and the Capital Projects Fund. The City also has eleven non-major governmental funds. These funds are

combined and reported in a single column in the governmental fund financial statements, but are reported individually elsewhere in the report.

The City uses funds to prepare its annual budget, but is not the legal level of control. The State of Iowa instead requires City's to budget at a higher "function" level that crosses funds and fund types. The eight levels are Public Safety, Cultural and Recreation, Community and Economic Development, Health and Social Services, Public Works, General Government, Debt Service, and Capital Projects. Legal compliance is demonstrated in the notes to the financial statements.

The basic governmental fund financial statements can be found on pages 29-35 of this report.

Proprietary Funds. The City maintains two different types of proprietary funds. They are the enterprise funds and the internal service funds. These funds are called proprietary, because the funds are run in a business-like manner. Enterprise funds primarily serve external customers and are self-funding through user charges. The enterprise funds present the same functions and use the same measurement focus as the business-type activities on the government-wide statements, but in more detail.

The City maintains five enterprise funds: the Sewer Fund, the Solid Waste Fund, the Recplex Fund, the Parking Fund, and the Flint Hills Golf Course Fund. They are all presented as major funds.

The internal service funds primarily serve City functions or other governmental entities. The internal service funds are consolidated into the governmental activities at the government-wide level.

The City maintains five internal services funds: the Property Maintenance Fund, the Vehicle Maintenance Fund, the Safety Coordination Fund, the Self Insurance Fund, and the Miscellaneous Service Fund. They are combined into a single, aggregated column in the proprietary fund financial statements, but are reported individually elsewhere in the report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are found on pages 46-77 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the notes to the financial statements. Combining statements and schedules can be found on pages 78-85 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Burlington, assets exceeded liabilities by \$33,981,269 at the close of the most recent fiscal year.

By far the largest portion of the City of Burlington's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City of Burlington uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Burlington's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Burlington Net Assets (000's)

	Governmental Activities		Business Type Activities		Total		Total	
	2003	2004	2003	2004	2003	2004	2003	2004
Current and Other Assets	\$ 10,730	\$ 11,420	\$ 2,080	\$ 2,211	\$ 12,810	\$ 13,631		
Capital Assets	\$ 24,479	\$ 29,561	\$ 29,952	\$ 35,989	\$ 54,431	\$ 65,550		
Total Assets	\$ 35,209	\$ 40,981	\$ 32,032	\$ 38,200	\$ 67,241	\$ 79,181		
Long Term Liabilities outstanding	\$ 22,123	\$ 22,245	\$ 4,916	\$ 9,289	\$ 27,039	\$ 31,534		
Other Liabilities	\$ 11,870	\$ 12,327	\$ 1,126	\$ 1,338	\$ 12,996	\$ 13,665		
Total Liabilities	\$ 33,993	\$ 34,572	\$ 6,042	\$ 10,627	\$ 40,035	\$ 45,199		
Net Assets:								
Invested in Capital Assets	\$ 14,286	\$ 6,252	\$ 24,537	\$ 25,770	\$ 38,823	\$ 32,022		
Net of Related Debt								
Restricted	\$ 817	\$ 700	\$ 542	\$ 542	\$ 1,359	\$ 1,242		
Unrestricted	\$ (13,887)	\$ (543)	\$ 912	\$ 1,259	\$ (12,975)	\$ 716		
Total Net Assets	\$ 1,216	\$ 6,409	\$ 25,991	\$ 27,571	\$ 27,207	\$ 33,980		

A portion of the City of Burlington's net assets (5%) represents resources that are subject to external restrictions on how they may be used.

At the end of the current year the City's unrestricted assets were \$716,458. This represents the first year since reporting city wide and full accrual basis the city reported positive unrestricted net assets.

There was an increase of \$13,357,463 in the City's unrestricted assets.

The City's net assets increased by \$6,758,700 during the current fiscal year.

Governmental activities. Governmental activities increased the City of Burlington's net assets by \$5,193,821, thereby accounting for the total growth in the net assets of the City of Burlington. Key elements of this increase are as follows:

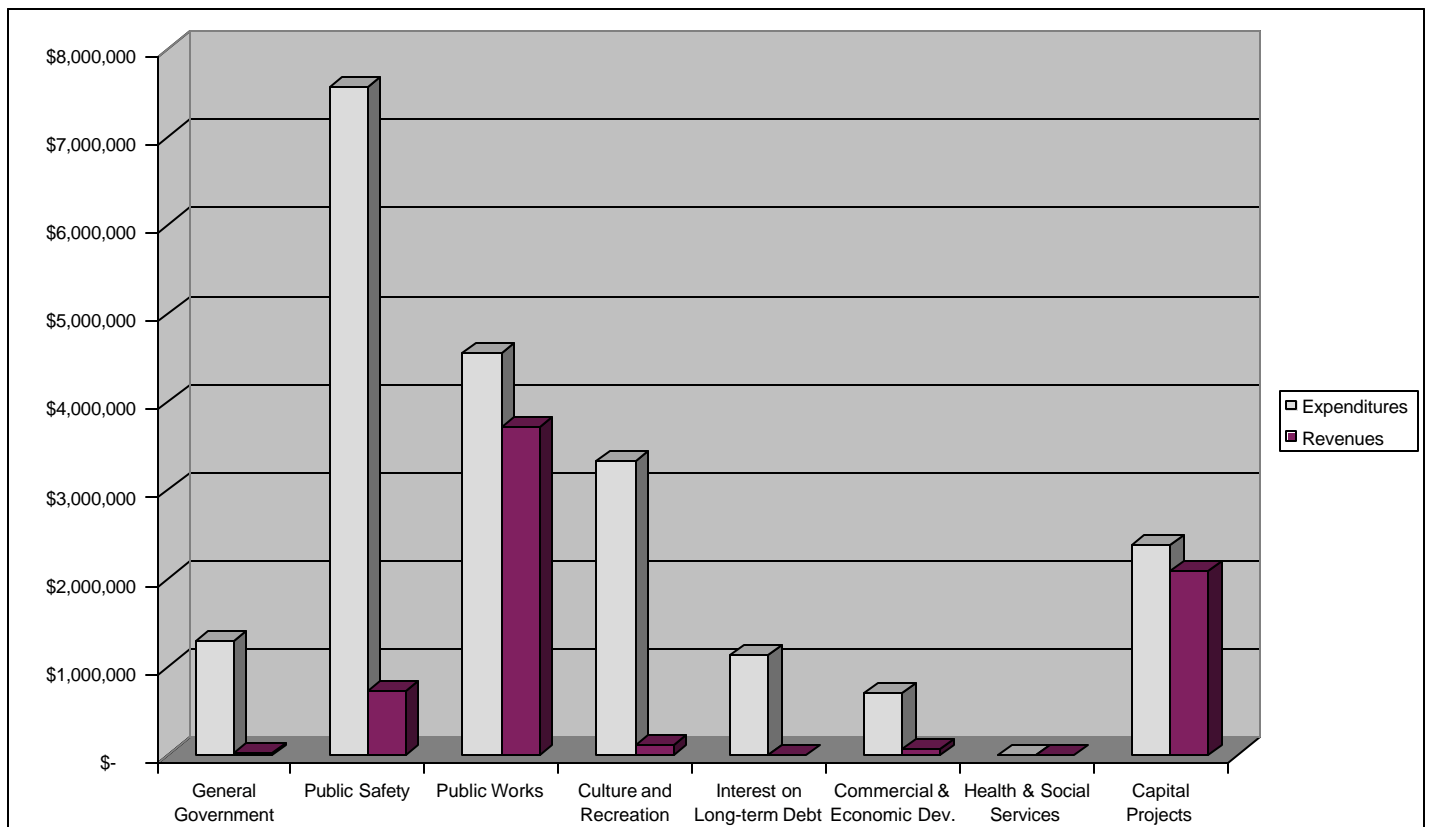
City of Burlington's Changes in Net Assets

	Governmental Activities		Business Type Activities		Total		Total	
	2003	2004	2003	2004	2003	2004	2003	2004
Revenues:								
Program Revenues								
Charges for Services	\$ 2,160,998	\$ 2,477,577	\$ 4,208,401	\$ 4,379,764	\$ 6,369,399	\$ 6,857,341	\$ 6,369,399	\$ 6,857,341
Operating Grants & Contributions	\$ 2,241,392	\$ 2,904,168			\$ 2,241,392	\$ 2,904,168	\$ 2,241,392	\$ 2,904,168
Capital Grants and Contributions	\$ 2,364,284	\$ 4,172,517	\$ 251,724	\$ 3,184,811	\$ 2,616,008	\$ 7,357,328	\$ 2,616,008	\$ 7,357,328
General Revenues:								
Property Taxes	\$ 8,348,421	\$ 8,592,113	\$ -	\$ -	\$ 8,348,421	\$ 8,592,113	\$ 8,348,421	\$ 8,592,113
Other Taxes	\$ 4,327,020	\$ 4,305,038	\$ -	\$ -	\$ 4,327,020	\$ 4,305,038	\$ 4,327,020	\$ 4,305,038
Grants & Contributions not Restricted								
to Specific Programs	\$ 1,373,206	\$ 229,926	\$ -	\$ -	\$ 1,373,206	\$ 229,926	\$ 1,373,206	\$ 229,926
Other	\$ 2,167,579	\$ 3,053,755	\$ 560,838	\$ 622,114	\$ 2,728,417	\$ 3,675,869	\$ 2,728,417	\$ 3,675,869
Total Revenues	\$ 22,982,900	\$ 25,735,094	\$ 5,020,963	\$ 8,186,689	\$ 28,003,863	\$ 33,921,783	\$ 28,003,863	\$ 33,921,783
Expenses:								
General Government	\$ 1,289,403	\$ 1,221,354	\$ -	\$ -	\$ 1,289,403	\$ 1,221,354	\$ 1,289,403	\$ 1,221,354
Public Safety	\$ 7,567,778	\$ 8,242,972	\$ -	\$ -	\$ 7,567,778	\$ 8,242,972	\$ 7,567,778	\$ 8,242,972
Public Works	\$ 4,544,594	\$ 5,471,958	\$ -	\$ -	\$ 4,544,594	\$ 5,471,958	\$ 4,544,594	\$ 5,471,958
Culture and Recreation	\$ 3,337,826	\$ 3,402,667	\$ -	\$ -	\$ 3,337,826	\$ 3,402,667	\$ 3,337,826	\$ 3,402,667
Community & Economic Dev	\$ 712,066	\$ 716,776				\$ 716,776		\$ 716,776
Health & Social Services	\$ 3,014	\$ 1,481				\$ 1,481		\$ 1,481
Capital Projects	\$ 2,380,881	\$ 882,424				\$ 882,424		\$ 882,424
Interest on Long Term Debt	\$ 1,127,628	\$ 1,071,062	\$ -	\$ -	\$ 1,127,628	\$ 1,071,062	\$ 1,127,628	\$ 1,071,062
Sewer	\$ -	\$ -	\$ 3,608,945	\$ 3,887,074	\$ 3,608,945	\$ 3,887,074	\$ 3,608,945	\$ 3,887,074
Solid Waste	\$ -	\$ -	\$ 1,079,827	\$ 1,088,093	\$ 1,079,827	\$ 1,088,093	\$ 1,079,827	\$ 1,088,093
RecPlex	\$ -	\$ -	\$ 478,823	\$ 508,042	\$ 478,823	\$ 508,042	\$ 478,823	\$ 508,042
Parking	\$ -	\$ -	\$ 144,608	\$ 134,993	\$ 144,608	\$ 134,993	\$ 144,608	\$ 134,993
Flint Hills Golf Course	\$ -	\$ -	\$ 489,245	\$ 534,187	\$ 489,245	\$ 534,187	\$ 489,245	\$ 534,187
Total Expenses	\$ 20,963,190	\$ 21,010,694	\$ 5,801,448	\$ 6,152,389	\$ 26,764,638	\$ 27,163,083	\$ 26,764,638	\$ 27,163,083
Increase in Net Assets Before								
Transfers	\$ 2,019,710	\$ 4,724,400	\$ (780,485)	\$ 2,034,300	\$ 1,239,225	\$ 6,758,700	\$ 1,239,225	\$ 6,758,700
Transfers	\$ 492,649	\$ 469,421	\$ (492,649)	\$ (469,421)			\$ (492,649)	\$ (469,421)

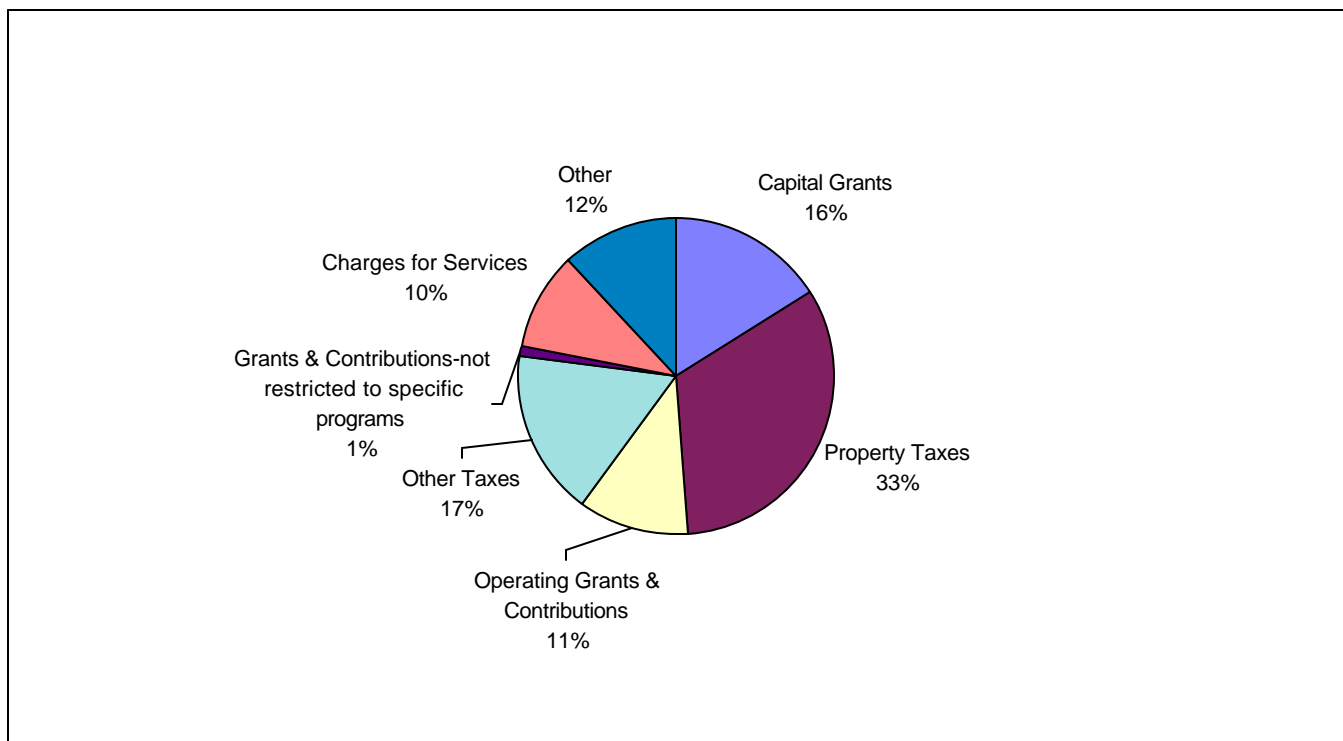
Increase (decrease) in Net Assets	\$ 2,512,359	\$ 5,193,821	\$ (1,273,134)	\$ 1,564,879	\$ 1,239,225	\$ 6,758,700
Net Assets Beginning	\$ (1,296,639)	\$ 1,215,720	\$ 27,263,920	\$ 26,006,849	\$ 25,967,281	\$ 27,222,569
Net Assets Ending	\$ 1,215,720	\$ 6,409,541	\$ 25,990,786	\$ 27,571,728	\$ 27,206,506	\$ 33,981,269

Total revenues for governmental purposes increased by \$2,752,194. The largest increase was in the area of capital grants and contributions which increased by \$1,808,233. This large increase is related to the State transferring responsibility for Iowa Highway 99 to local jurisdictions. As a result, the net value of the asset (\$3,636,023) was recognized as a capital contribution. Property taxes increased by \$243,692. Other grants and contributions decreased by \$1,143,280 while operating grants and contributions increased by \$662,736. Other revenues increased by \$886,176. The large decrease in other grants and contributions reflects the reduction in State revenues during the year. Total expenses increased by \$47,504.

Expenses and Program Revenues – Governmental Activities (000's)



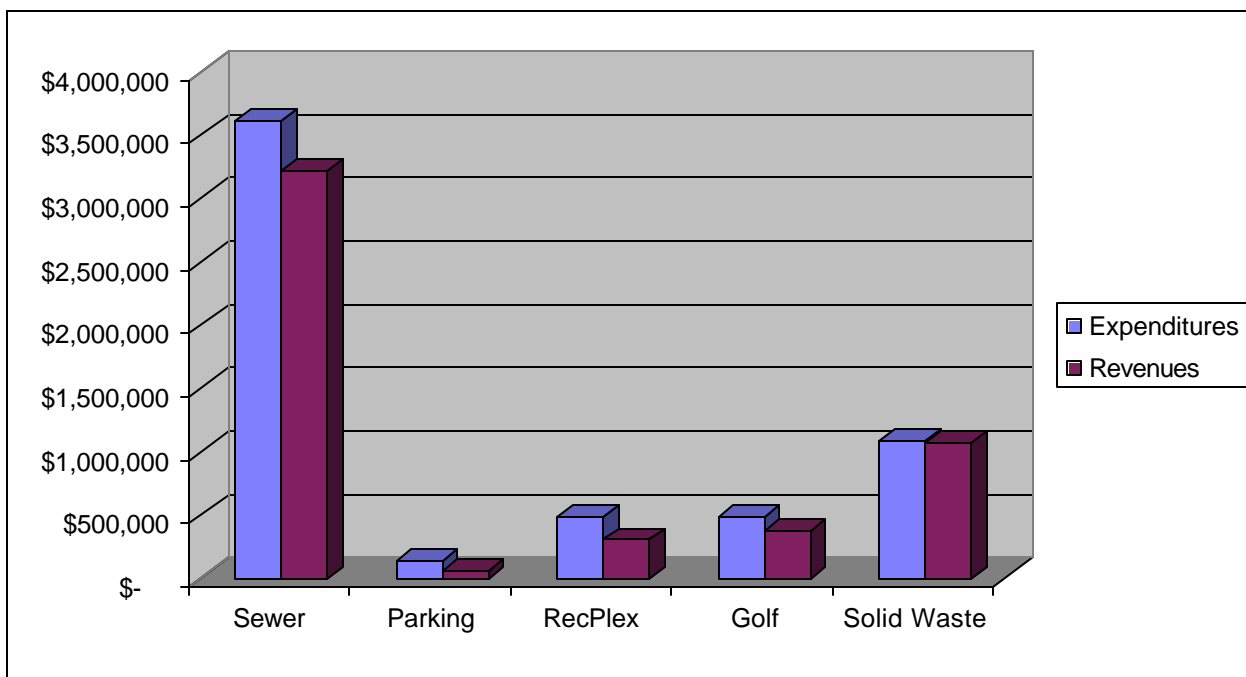
Revenues by Source – Governmental Activities



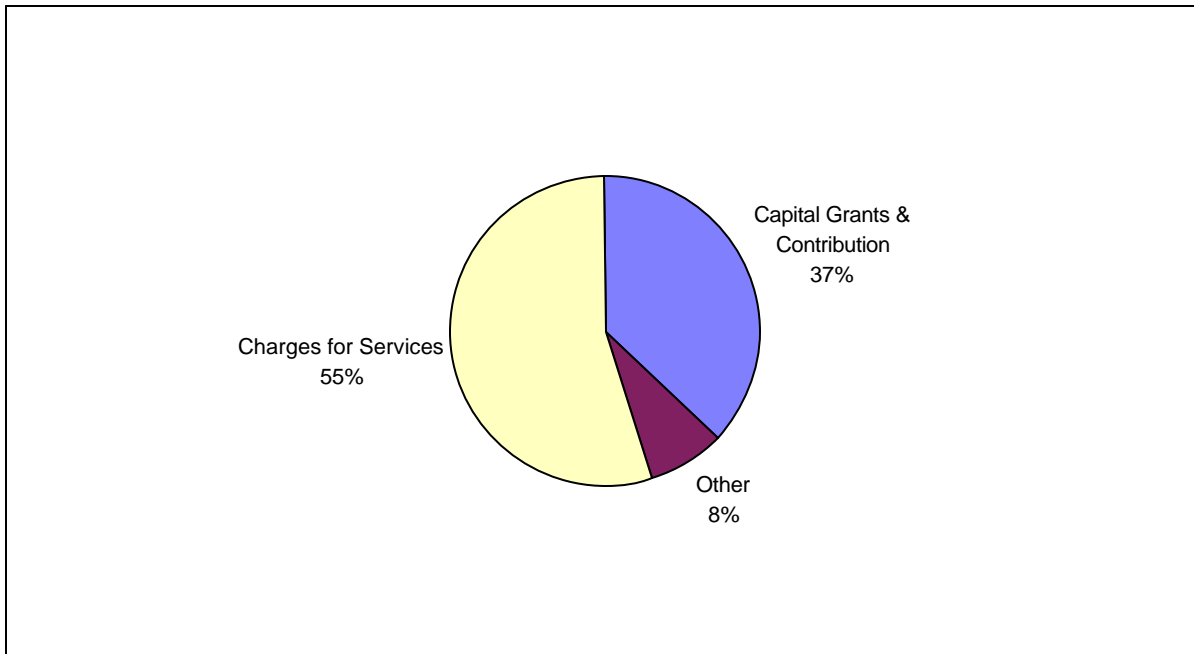
The small increase in expenses reflects the impact of state revenue reductions. Health care costs were reduced by switching to a partial self-funded plan. Additionally, staff levels were decreased in the Fire Department (3 positions), Police Department (2 positions), Development (1 position), Engineering (2 positions), and Finance (1 position).

Business-type activities. Business-type activities increased the City of Burlington’s net assets by \$1,564,879. The RecPlex, Flint Hills Golf Course, and Solid Waste Fund operated at losses for the year. The RecPlex loss reflects the continued newness of the facility which is beginning to record increased usage. The Sewer Fund net assets increased by \$1,675,412, primarily the result of federal grants received to fund the ongoing separation of the City’s storm and sanitary sewer systems. The Parking Fund recorded a \$199,160 increase in net assets. This increase is attributed to the sale of an old parking lot at a gain of \$66,852 and the assumption by governmental funds of \$201,004 of debt.

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-Type Activities



Financial Analysis of the Government's Funds

As noted earlier the City of Burlington uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The focus of the City of Burlington's governmental funds is to provide information on near-term inflows, outflows, and balance of spendable resources. Such information is useful in assisting the City of Burlington's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year the City of Burlington's governmental funds reported combined ending fund balances of \$1,280,166 an increase of \$239,784. This primarily results from an increase in the Capital Projects Fund of \$1,033,405, while the Local Option Sales Tax Fund increased by \$441,138. The Debt Service Fund decreased by \$1,747,920 and the General Fund decreased by \$282,238. The unreserved fund balance was \$1,293,055.

The General Fund is the chief operating fund of the city of Burlington. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$992,015 while total fund balance reached \$1,045,563. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 7.5 percent of total General Fund expenditures, while total fund balance also represents 8 percent of that same amount.

The fund balance of the City of Burlington's General Fund decreased by \$282,238 during the current fiscal year. Key factors in this decrease are as follows:

The proceeds from Riverboat Gambling are placed in the General Fund. In the past these revenues were earmarked for riverfront improvements. The beginning balance of these revenues (\$150,000) were utilized to offset a tax increase for fiscal 03-04 resulting in a planned reduction of fund balance. Additionally, state revenue reductions cost the General Fund \$640,000 which was largely offset by expense reduction and increase in service charges. The City also incurred \$39,782 of unanticipated overtime in the Public Safety Communications activity resulting from a communications operator being called to active duty in the Army Reserves and an extended vacancy in the department. At the time the City's budget was prepared the expense for County Emergency Management (\$31,641) was removed in anticipation of the County levying a countywide tax to cover this expense. Subsequently the County failed to do so resulting in the City still needing to fund this obligation. Finally, the City increased deductibles on its liability and property insurance coverages. This resulted in a decrease in prepaid insurance of \$25,080, which increased expenses by an offsetting amount. Taking these factors in consideration the net effect of state budget reductions was a decrease of \$35,735.

The Road Use Tax Fund has a balance of \$213,388, an increase of \$122,937. The Local Option Sales Tax Fund balance of \$591,494 represents funds allocated for projects, but not expended as of June 30, 2004 funds received in the prior year and carried forward for property tax relief in the ensuing fiscal year, and funds set aside for economic development purposes and not as of yet committed.

Proprietary funds. The City of Burlington's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net assets for the City's Enterprise Funds as of June 30, 2004 was \$27,571,728 an increase of \$1,564,878 after recording depreciation of \$1,331,153.

The Sewer, Solid Waste, RecPlex, Parking and Golf Course Funds all recorded operating losses for the year. Adjusting for depreciation substantially reduces these losses.

The Parking Fund continues to suffer from a loss of revenue as the result of Burlington Medical Center's move from the downtown. Efforts continue to be made to adjust for this loss, but after adjusting for depreciation, the Parking Fund still recorded an operating loss of \$8,057.

The Sewer Fund recorded an operating loss of \$429,479 as the result of depreciation of \$1,025,299. Sewer Fund net assets increased by \$1,675,412.

The Solid Waste Fund recorded an operating loss of \$14,477 after recording depreciation expense of \$70,798.

The RecPlex Fund recorded an operating loss of \$181,227, after recording depreciation of \$107,515.

The Golf Course Fund recorded an operating loss of \$134,664 after recording \$66,902 of depreciation. While play and revenues continue to increase, expenses increased by a similar amount.

Budget Analysis

The final General Fund budget, as amended, was \$159,930 or 1.2% greater than the original budget. The largest items in this amendment was \$31,600 for Emergency Management contribution, \$69,000 for increased ambulance expenses, \$31,000 from the Law Enforcement Block Grant, and numerous smaller items totaling \$28,290. The final amended General Fund budget was \$13,813,247. Actual General Fund expenditures (on a budget basis) were \$13,612,366 or \$200,881 less than budget.

Capital Asset and Debt Administration

Capital assets. The City of Burlington's investment in capital assets for its governmental and business type activities as of June 30, 2004, amounts to \$65,008,368 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, and park facilities and infrastructure. While the City has converted to GASB 34 for reporting purposes, it has not, as of yet, recognized the value of roads, highways, and bridges constructed prior to year ended June 30, 2001. The total increase in the City's investment in capital assets for the current fiscal year was 21 percent (a 21 percent increase for governmental activities and a 21 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- The capitalization of new infrastructure added during the year amounted to \$10,754,384 for governmental purposes and \$6,666,903 for business-type activities. This would reflect the value of street and sewer construction projects completed during the year, as well as, the transfer of Iowa 99 from the State.
- The value of work in progress amounted to \$8,490,652. This largely reflects the value of sewer separation work in progress as of June 30 and miscellaneous street projects.

- Land for governmental activities decreased by \$63,650 reflecting the sale of City owned land on Mason Road. The land was purchased in the early 1990's for possible future airport use, but has been determined it is not needed.

City of Burlington's Capital Assets (000's)
(net of depreciation)

	Governmental Activities		Business - Type Activities		Total	
	2003	2004	2003	2004	2003	2004
Land	\$ 2,064	\$ 2,000	\$ 407	\$ 399	\$ 2,471	\$ 2,399
Buildings and System	\$ 5,521	\$ 5,474	\$ 13,544	\$ 12,934	\$ 19,065	\$ 18,408
Improvements Other Than Buildings	\$ 3,290	\$ 3,123	\$ 2,045	\$ 1,921	\$ 5,335	\$ 5,044
Fixtures and Equipment	\$ 3,091	\$ 2,751	\$ 1,107	\$ 1,360	\$ 4,198	\$ 4,111
Infrastructure	\$ 4,327	\$ 14,659	\$ 5,641	\$ 11,897	\$ 9,968	\$ 26,556
Construction in Progress	\$ 6,186	\$ 1,554	\$ 6,667	\$ 6,936	\$ 12,853	\$ 8,490
Total	\$ 24,479	\$ 29,561	\$ 29,411	\$ 35,447	\$ 53,890	\$ 65,008

Additional information on the City of Burlington's capital assets can be found in note V on pages 61-64 of this report.

Long-term debt. At the end of the current fiscal year, the City of Burlington had total bonded debt outstanding of \$32,895,000. Of this amount, \$29,585,000 comprises debt backed by the full faith and credit of the government and \$3,310,000 is revenue bonds repayable with revenues from the City's sewer utility. In addition the City owes Burlington Area Development Corporation \$223,200 for funds advanced toward construction of the RecPlex in Flint Ridge Business Park and the Golf Course owes \$30,255 on a lease payable for golf carts.

CITY OF BURLINGTON'S OUTSTANDING DEBT
General Obligation and Revenue Bonds (000's)

	Governmental Activities		Business - Type Activities		Total	
	2003	2004	2003	2004	2003	2004

General Obligation Bonds	\$ 23,420	\$ 22,725	\$ 1,500	\$ 6,860	\$ 24,920	\$ 29,585
Sewer Revenue Bonds			\$ 3,645	\$ 3,310	\$ 3,965	\$ 3,310
Badco Loan	\$ 260	\$ 223			\$ 260	\$ 223
Lease Payable				\$ 30		\$ 30
Total	\$ 23,680	\$ 22,948	\$ 5,145	\$ 10,200	\$ 29,145	\$ 33,148

The City of Burlington's total debt increased by \$4,278,873 during the current fiscal year. The City of Burlington maintains an "A2" rating from Moody's for both general obligation and sewer revenue bonds.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total assessed valuation. The current debt limitation for the City of Burlington is \$46,228,135, which is well in excess of the City's outstanding general obligation debt.

Additional information on the City of Burlington's long-term debt can be found in note VIII on pages 67-70 of this report.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the City of Burlington, as of June 30, 2004 was 6.8% a decrease from June, 2003's figure of 8.1%. Total labor force was 13,890 with 12,950 employed compared to the prior year's figures of 14,430 and 13,270. The June 30 unemployment figure compares to a state-wide rate of only 4.3%.

For fiscal year 2004 total value of building permits issued was \$18,739,000 a decrease of \$4,898,000 or 21 percent from the prior fiscal year.

For the fiscal 2004-2005 budget, the City's property tax rate was increased by \$.95 per \$1,000 property valuations or 7.2% to a total of \$14.23. This increase resulted from an increase in police and fire pension costs and state revenue reductions.

Requests for Information

This financial report is designed to provide a general overview of the City of Burlington's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Deputy City Manager, City of Burlington, 400 Washington, Burlington, IA 52601.

City of Burlington, Iowa

Statement of Net Assets
June 30, 2004

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Burlington Municipal Waterworks	Southeast Iowa Regional Airport Authority	Friends of the Burlington Public Library
Assets						
Current assets:						
Cash and cash equivalents	\$ 804,634	\$ 1,586,149	\$ 2,390,783	\$ 878,303	\$ 97,747	\$ 1,445,226
Investments, at Market	0	0	0	0	0	7,317,888
Receivables:						
Interest	0	0	0	41,648	0	46,912
Taxes	9,214,832	0	9,214,832	0	0	0
Accounts	442,988	170,136	613,124	357,059	35,408	0
Special assessments	334,686	0	334,686	0	0	0
Intergovernmental	848,177	0	848,177	0	10,004	0
Promises to Give	0	0	0	0	0	1,632,696
Internal Balances	(371,143)	371,143	0	0	0	0
Inventories	38,123	26,712	64,835	18,962	0	0
Prepaid contracts	107,567	56,546	164,113	89,700	0	0
Total current assets	11,419,864	2,210,686	13,630,550	1,385,672	143,159	10,442,722
Noncurrent assets:						
Restricted cash and cash equivalents	0	541,760	541,760	1,221,714	0	0
Restricted interest receivable	0	0	0	322	0	0
Deferred Debt Expense	0	0	0	0	10,869	0
Capital assets:						
Land and Work in Progress	3,554,430	7,335,100	10,889,530	120,481	1,666,393	0
Buildings, infrastructure, and equipment, net	26,006,899	28,111,939	54,118,838	5,754,951	10,216,202	0
Total noncurrent assets	29,561,329	35,988,799	65,550,128	7,097,468	11,893,464	0
Total assets	\$ 40,981,193	\$ 38,199,485	\$ 79,180,678	\$ 8,483,140	\$ 12,036,623	\$ 10,442,722
Liabilities						
Current liabilities:						
Accounts payable	\$ 991,035	\$ 543,334	\$ 1,534,369	\$ 74,214	\$ 26,463	\$ 0
Claims payable	46,772	0	46,772	0	0	0
Accrued expense	0	0	0	0	13,254	1,554
Income Taxes Payable	0	0	0	0	0	3,086
Customers deposits	0	0	0	393,070	0	0
Lime removal liability	0	0	0	255,900	0	0
Deferred revenue	9,088,504	262,315	9,350,819	103,499	6,034	0
Bond interest payable	86,354	36,177	122,531	250	0	0
Current portion of long-term obligations	2,114,481	496,577	2,611,058	12,965	55,000	0
Total current liabilities	12,327,146	1,338,403	13,665,549	839,898	100,751	4,640
Noncurrent liabilities:						
Noncurrent portion of long-term obligations	22,244,506	9,289,354	31,533,860	38,892	410,500	0
Total liabilities	34,571,652	10,627,757	45,199,409	878,790	511,251	4,640
Net Assets						
Investment in capital assets, net of related debt	6,252,498	25,770,720	32,023,218	0	11,417,095	0
Restricted for:						
Public Safety	135,208	0	135,208	0	0	0
Culture and Recreation	454,152	0	454,152	0	0	4,454,568
Public Works	110,473	0	110,473	0	0	0
Other	0	0	0	982,014	0	0
Debt service	0	541,760	541,760	240,022	0	0
Unrestricted (deficit)	(542,790)	1,259,248	716,458	6,382,314	108,277	5,983,514
Total net assets	6,409,541	27,571,728	33,981,269	7,604,350	11,525,372	10,438,082
Total liabilities and net assets	\$ 40,981,193	\$ 38,199,485	\$ 79,180,678	\$ 8,483,140	\$ 12,036,623	\$ 10,442,722

The notes to the financial statements are an integral part of this statement.

City of Burlington, Iowa
Statement of Activities
For The Year Ended June 30, 2004

Programs/Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Burlington Municipal Waterworks	Southeast Iowa Regional Airport Authority	Friends of the Burlington Public Library
					Governmental Activities	Business-Type Activities	Total			
Primary government:										
Governmental activities:										
General government	\$ 1,221,354	\$ 0	\$ 189,967	\$ 0	\$ (1,031,387)	\$ 0	\$ (1,031,387)	\$ 0	\$ 0	\$ 0
Culture and Recreation	3,402,667	39,513	147,129	0	(3,216,025)	0	(3,216,025)	0	0	0
Public Safety	8,242,972	927,148	89,231	0	(7,226,593)	0	(7,226,593)	0	0	0
Community and Econ. Development	716,776	0	0	127,966	(588,810)	0	(588,810)	0	0	0
Health and Social Services	1,481	0	0	0	(1,481)	0	(1,481)	0	0	0
Capital Projects	882,424	0	0	408,528	(473,896)	0	(473,896)	0	0	0
Public works	5,471,958	1,510,916	2,477,841	3,754,023	2,270,822	0	2,270,822	0	0	0
Interest on long-term debt	1,071,062	0	0	0	(1,071,062)	0	(1,071,062)	0	0	0
Total governmental activities	21,010,694	2,477,577	2,904,168	4,290,517	(11,338,432)	0	(11,338,432)	0	0	0
Business-type activities:										
Sewer	3,887,074	3,016,446	0	2,865,807	0	1,995,179	1,995,179	0	0	0
Solid waste	1,088,093	1,048,070	0	0	0	(40,023)	(40,023)	0	0	0
Recplex	508,042	80,793	0	0	0	(427,249)	(427,249)	0	0	0
Parking	134,993	36,778	0	201,004	0	102,789	102,789	0	0	0
Flint Hills golf course	534,187	197,677	0	0	0	(336,510)	(336,510)	0	0	0
Total business-type activities	6,152,390	4,379,764	0	3,066,811	0	1,294,186	1,294,186	0	0	0
Total primary government	\$ 27,163,084	\$ 6,857,341	\$ 2,904,168	\$ 7,357,328	\$ (11,338,432)	\$ 1,294,186	\$ (10,044,247)	\$ 0	\$ 0	\$ 0
Component units:										
Burlington Municipal Waterworks	\$ 2,390,725	\$ 2,568,220	\$ 0	\$ 103,806	\$ 0	\$ 0	\$ 0	\$ 281,301	\$ 0	\$ 0
Friends of the Byrlington Public Librar	367,460	0	1,904,827	0	0	0	0	0	0	1,537,367
Southeast Iowa Regional Airport	920,910	45,995	131,550	1,846,155	0	0	0	0	1,102,790	0
Total component units	\$ 3,679,095	\$ 2,614,215	\$ 2,036,377	\$ 1,949,961	\$ 0	\$ 0	\$ 0	\$ 281,301	\$ 1,102,790	\$ 1,537,367
General revenues:										
Taxes:										
Property taxes					8,592,113	0	8,592,113	0	0	0
Other City Taxes					4,305,038	0	4,305,038	0	0	0
Grants and contributions not restricted to specific programs					229,926	0	229,926	0	0	0
Investment Income, Net					0	0	0	0	0	314,828
Interest					21,848	15,333	37,181	20,185	1,824	0
Other					2,997,518	539,929	3,537,447	0	189,581	0
Gain (Loss) on disposal of Capital Assets					34,389	66,852	101,241	0	0	0
Transfers					351,421	(351,421)	0	0	0	0

Total general revenues and transfers	<u>16,532,253</u>	<u>270,693</u>	<u>16,802,946</u>	<u>20,185</u>	<u>191,405</u>	<u>314,828</u>
Changes in net assets	5,193,821	1,564,879	6,758,699	301,486	1,294,195	1,852,195
Net assets - beginning	<u>1,215,720</u>	<u>26,006,849</u>	<u>27,222,569</u>	<u>7,302,864</u>	<u>10,231,177</u>	<u>8,585,887</u>
Net assets - ending	<u>\$ 6,409,541</u>	<u>\$ 27,571,728</u>	<u>\$ 33,981,268</u>	<u>\$ 7,604,350</u>	<u>\$ 11,525,372</u>	<u>\$ 10,438,082</u>

The notes to the financial statements are an integral part of this statement.

City of Burlington, Iowa

Balance Sheet
Governmental Funds
June 30, 2004

	General	Debt Service	Road Use Tax	Local Option Sales Tax	Tax Increment Financing	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets								
Cash and cash equivalents	241,800	\$ 0	99,850	92,353	\$ 0	\$ 0	\$ 370,631	\$ 804,633
Receivables:								
Interest	0	0	0	0	0	0	0	0
Taxes	5,418,249	1,610,598	0	0	1,072,042	0	1,113,943	9,214,832
Accounts	267,418	0	0	0	4,962	0	28,783	301,163
Special assessments	185,774	0	0	0	0	0	148,912	334,686
Intergovernmental	147,982	0	179,166	499,141	0	98,750	0	925,039
Due from other funds	763,914	0	0	0	0	0	216,686	980,600
Prepaid contracts	78,930	0	18,220	0	0	0	512	97,662
Total assets	\$ 7,104,067	\$ 1,610,598	\$ 297,236	\$ 591,494	\$ 1,077,004	\$ 98,750	\$ 1,879,467	\$ 12,658,616
Liabilities and fund balances (deficits)								
Liabilities								
Accounts payable	\$ 578,885	\$ 0	\$ 83,848	\$ 0	\$ 0	\$ 208,104	\$ 57,438	\$ 928,275
Due to other funds	0	180,537	0	0	302,332	281,045	216,686	980,600
Deferred revenue	5,479,619	1,582,551	0	0	1,072,862	76,862	1,257,681	9,469,575
Total liabilities	6,058,504	1,763,088	83,848	0	1,375,194	566,011	1,531,805	11,378,450
Fund balances (deficits)								
Reserved for encumbrances	53,548	0	61,780	0	0	684	23,589	139,601
Reserved for debt service	0	0	0	0	0	0	0	0
Unreserved, reported in:								
General fund	992,015	0	0	0	0	0	0	992,015
Special revenue funds	0	0	151,608	591,494	(298,190)	0	324,073	768,985
Debt Service Fund	0	(152,490)	0	0	0	0	0	(152,490)
Capital projects fund	0	0	0	0	0	(467,945)	0	(467,945)
Total fund balances (deficits)	1,045,563	(152,490)	213,388	591,494	(298,190)	(467,261)	347,662	1,280,166
Total liabilities and fund balances (deficits)	\$ 7,104,067	\$ 1,610,598	\$ 297,236	\$ 591,494	\$ 1,077,004	\$ 98,750	\$ 1,879,467	\$ 12,658,616

The notes to the financial statements are an integral part of this statement.

City of Burlington, Iowa

**Reconciliation of the Balance Sheet to the
Statement of Net Assets
For the Year Ended June 30, 2004**

Fund balances--total governmental funds		\$	1,280,166
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Governmental fixed assets:			
Land	\$	2,000,335	
Buildings, improvements, and equipment, net of depreciation		27,560,994	
Less: Internal service fund fixed assets, net of depreciation		<u>(914,614)</u>	28,646,715
The assets and liabilities of internal service funds are included in the governmental activities in the statement of net assets. Internal service fund net assets:			
Property maintenance fund	\$	(86,047)	
Vehicle maintenance fund		(39,859)	
Safety coordination fund		255	
Self insurance fund		(100,818)	
Miscellaneous service fund		<u>(20,639)</u>	(247,108)
Deferred revenue is reported in governmental funds for revenues that have been earned but are not yet available to liquidate current liabilities. All earned revenues are reported as income at government-wide level. The following deferred revenues for unavailable items were reported in the governmental funds:			
Various funds - property tax receivable	\$	-	
General fund - accounts receivable		33,030	
General fund - special assessments receivable		111,761	
Tax increment financing fund - accounts receivable		4,962	
Other governmental funds - accounts receivable		9,675	
Capital Projects Fund-State reimbursement receivable		76,862	
Other governmental funds - special assessments receivable		<u>144,781</u>	381,071
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
General obligation bonds	\$	23,308,831	
Less: Amount applicable to internal service funds		(750,530)	
Notes payable		223,200	
Compensated absences		826,956	
Less: Amount applicable to internal service funds		(40,026)	
Bond interest payable		86,354	
Less: Amount applicable to internal service funds		<u>(3,482)</u>	<u>(23,651,303)</u>
Net assets of governmental activities		<u>\$</u>	<u>6,409,541</u>

The notes to the financial statements are an integral part of this statement.

City of Burlington, Iowa

Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits)
 Governmental Funds
 For the Year Ended June 30, 2004

	General Fund	Debt Service	Road Use Tax	Local Option Sales Tax	Tax Increment Financing	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:								
Property taxes	\$ 5,387,665	\$ 1,725,581	\$ 0	\$ 0	\$ 968,086	\$ 0	\$ 510,781	\$ 8,592,113
Other taxes and assessments	809,019	65,974	0	3,356,044	0	12,023	61,978	4,305,038
Licenses and permits	219,816	0	0	0	0	0	0	219,816
Fines and forfeitures	100,454	0	0	0	0	0	1,839	102,293
Intergovernmental	852,404	0	2,262,527	0	0	331,666	147,129	3,593,726
Charges for services	1,445,912	0	0	0	0	0	19,155	1,465,067
Use of money and property	265,343	19,470	0	1,218	360	15,219	9,355	310,965
Other	150,104	46,622	0	0	168	1,217,673	206,713	1,621,280
Total revenues	9,230,717	1,857,647	2,262,527	3,357,262	968,614	1,576,581	956,950	20,210,298
Expenditures:								
Current operating:								
Public Safety	7,521,780	0	0	0	0	0	28,987	7,550,767
Culture and Recreation	2,594,831	0	0	30,000	0	0	473,812	3,098,643
Public Works	1,623,673	0	1,504,285	0	0	0	201,629	3,329,587
Community and Economic Development	310,565	0	0	10,000	100,000	0	104,367	524,932
Health and Social Services	1,481	0	0	0	0	0	0	1,481
General Government	1,138,810	0	0	0	0	0	0	1,138,810
Debt service:								
Principal	0	2,004,415	0	0	37,200	0	0	2,041,615
Interest and other charges	0	1,023,702	0	0	13,020	0	0	1,036,722
Capital outlay	0	0	0	0	0	3,419,463	0	3,419,463
Total expenditures	13,191,139	3,028,117	1,504,285	40,000	150,220	3,419,463	808,795	22,142,019
Excess (deficiency) of revenues over (under) expenditures	(3,960,422)	(1,170,470)	758,242	3,317,262	818,394	(1,842,882)	148,155	(1,931,721)
Other financing sources (uses):								
Proceeds from general obligation bonds	0	0	0	0	0	3,425,000	0	3,425,000
Premium from Sale of Bonds	0	0	0	0	0	47,613	0	47,613
Redemption of Refunded Bonds	0	(1,645,000)	0	0	0	0	0	(1,645,000)
Transfers in	4,113,216	1,067,550	0	0	600,000	627,706	389,249	6,797,721
Transfers out	(435,032)	0	(635,305)	(2,876,124)	(866,819)	(1,224,032)	(416,517)	(6,453,829)
Total other financing sources and uses	3,678,184	(577,450)	(635,305)	(2,876,124)	(266,819)	2,876,287	(27,268)	2,171,505
Net change in fund balance	(282,238)	(1,747,920)	122,937	441,138	551,575	1,033,405	120,887	239,784
Fund balances (deficits), beginning	1,327,801	1,595,430	90,451	150,356	(849,765)	(1,500,666)	226,775	1,040,382
Fund balances (deficits), ending	\$ 1,045,563	\$ (152,490)	\$ 213,388	\$ 591,494	\$ (298,190)	\$ (467,261)	\$ 347,662	\$ 1,280,166

The notes to the financial statements are an integral part of this statement.

City of Burlington, Iowa

**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances (Deficits)
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2004**

Net change in fund balances--total governmental funds		\$ 239,784
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceeded depreciation in the current period.		5,216,518
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		381,071
Sale of Long-Term Debt not included in Governmental Activities		(3,354,613)
The net effect of various miscellaneous transactions involving capital assets		(78,211)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		3,686,615
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The following expenses did not require current financial resources:		
Compensated absences	(786,750)	
Adjustment to bond interest payable	<u>1,964</u>	(784,786)
Internal service funds are used by management to charge costs of certain activities, such as vehicle and property maintenance, to individual funds. The net revenue (expense) of the internal service funds is reported with the governmental activities.		<u>(112,557)</u>
Changes in net assets of governmental activities		<u>\$ 5,193,821</u>

The notes to the financial statements are an integral part of this statement.

City of Burlington, Iowa

**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
General Fund**

For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 1,108,728	\$ 1,108,728	\$ 1,321,566	\$ 212,838
Resources (inflows):				
Property taxes	5,313,841	5,313,841	5,387,655	73,814
Other taxes	921,800	921,800	809,019	(112,781)
Licenses and permits	194,455	194,455	219,816	25,361
Intergovernmental revenue	1,262,452	1,262,452	832,444	(430,008)
Fines and forfeitures	110,000	110,000	100,454	(9,546)
Charges for services	1,642,475	1,882,475	1,445,912	(436,563)
Use of money and property	293,450	293,540	265,343	(28,197)
Miscellaneous	101,900	111,900	150,104	38,204
Transfers from other funds	3,835,136	3,835,136	4,113,216	278,080
Amounts available for appropriation	14,784,237	15,034,327	14,645,530	(388,797)
Charges to appropriations (outflows):				
General Government:				
Mayor, Council and City Manager	228,162	228,162	226,894	1,268
Legal services	61,240	61,240	60,378	862
Clerk, Treasurer and Finance Admin.	608,226	608,226	580,790	27,436
Risk management	148,000	148,000	133,031	14,969
City hall maintenance	54,414	54,414	55,065	(651)
Other	99,152	99,152	84,704	14,448
Public Safety:				
Police operations	3,742,188	3,781,188	3,765,627	15,561
Fire operations	2,779,093	2,826,093	2,878,846	(52,753)
Ambulance operations	510,708	579,708	539,979	39,729
Building code enforcement	303,219	303,219	287,715	15,504
Animal Control	34,975	34,975	36,970	(1,995)
Other	25,000	25,000	0	25,000
Public Works:				
Engineering	404,711	404,711	393,032	11,679
Street Lighting	224,100	224,100	285,912	(61,812)
Other	982,980	982,980	948,175	34,805
Cultural and Recreation				
Library Services	1,250,970	1,255,900	1,243,326	12,574
Parks	587,363	587,363	610,295	(22,932)
Recreation	385,275	385,275	464,424	(79,149)
Museum, Band and Theater	52,100	52,100	52,088	12
Other Culture and Recreation	294,523	294,523	218,038	76,485
Community and Economic Development:				
Planning and Zoning	320,293	320,293	310,565	9,728
Health and Social Services:				
Other	3,050	3,050	1,481	1,569
Nonprogram				
Transfers to other funds	553,575	553,575	435,032	118,543
Total charges to appropriations	13,653,317	13,813,247	13,612,366	200,881
Budgetary fund balance, June 30	\$ 1,130,920	\$ 1,221,080	\$ 1,033,164	\$ (187,916)

The notes to the financial statements are an integral part of this statement.

City of Burlington, Iowa

**Statement of Revenues, Expenditures, and Changes in Fund Balance (Deficit) - Budget to Actual
Road Use Tax Fund
For the Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance, July 1	\$ 93,230	\$ 93,230	\$ 120,772	\$ 27,542
Resources (inflows)				
Intergovernmental revenue	<u>2,160,540</u>	<u>2,160,540</u>	<u>2,262,527</u>	<u>101,987</u>
Amounts available for appropriation	<u>2,253,770</u>	<u>2,253,770</u>	<u>2,383,299</u>	<u>129,529</u>
Charges to appropriations (outflows)				
Public Works:				
Roads, Bridges and Sidewalks	1,589,788	1,523,783	1,459,456	64,327
Traffic control and Safety	98,900	103,800	95,172	8,628
Nonprogram				
Transfers to other funds	<u>434,752</u>	<u>430,780</u>	<u>635,305</u>	<u>(204,525)</u>
Total charges to appropriations	<u>2,123,440</u>	<u>2,058,363</u>	<u>2,189,933</u>	<u>(131,570)</u>
Budgetary fund balance (deficit), June 30	<u>\$ 130,330</u>	<u>\$ 195,407</u>	<u>\$ 193,366</u>	<u>\$ (2,041)</u>

The notes to the financial statements are an integral part of this statement.

City of Burlington, Iowa

**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
Local Option Sales Tax Fund
For the Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance, July 1	\$ 181,863	\$ 181,863	\$ 150,356	\$ (31,507)
Resources (inflows)				
Other taxes	3,000,000	3,000,000	3,356,044	356,044
Interest received	10,000	10,000	1,218	(8,782)
Amounts available for appropriation	<u>3,191,863</u>	<u>3,191,863</u>	<u>3,507,618</u>	<u>315,755</u>
Charges to appropriations (outflows)				
Culture and Recreation	40,000	40,000	40,000	0
General Government	0	0	0	0
Nonprogram				
Transfers to other funds	<u>3,150,124</u>	<u>3,150,124</u>	<u>2,876,124</u>	<u>274,000</u>
Total charges to appropriations	<u>3,190,124</u>	<u>3,190,124</u>	<u>2,916,124</u>	<u>274,000</u>
Budgetary fund balance, June 30	<u>\$ 1,739</u>	<u>\$ 1,739</u>	<u>\$ 591,494</u>	<u>\$ 589,755</u>

The notes to the financial statements are an integral part of this statement.

City of Burlington, Iowa

**Statement of Revenues, Expenditures, and Changes in Fund Balance (Deficit) - Budget to Actual
Tax Increment Financing Fund
For the Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget Positive (Negative)</u>
Budgetary fund balance (deficit), July 1	\$ (616,867)	\$ (616,867)	\$ (849,762)	\$ (232,895)
Resources (inflows)				
Property taxes	952,405	952,405	968,085	15,680
Interest received	0	0	360	360
Miscellaneous	0	0	168	168
Transfers from Other Funds	0	0	600,000	600,000
Amounts available for appropriation	<u>335,538</u>	<u>335,538</u>	<u>718,851</u>	<u>383,313</u>
Charges to appropriations (outflows)				
Community and Economic Development Nonprogram	0	100,000	150,220	(50,220)
Transfers to other funds	<u>866,819</u>	<u>866,819</u>	<u>866,919</u>	<u>(100)</u>
Total charges to appropriations	<u>866,819</u>	<u>966,819</u>	<u>1,017,139</u>	<u>(50,320)</u>
Budgetary fund balance (deficit), June 30	<u>\$ (531,281)</u>	<u>\$ (631,281)</u>	<u>\$ (298,288)</u>	<u>\$ 332,993</u>

The notes to the financial statements are an integral part of this statement.

City of Burlington, Iowa

Statement of Net Assets
Proprietary Funds
June 30, 2004

	Business Type Activities - Enterprise Funds					Totals	Governmental Activities- Internal Service Funds
	Sewer	Solid Waste	Recplex	Parking	Flint Hills Golf Course		
Assets							
Current assets:							
Cash and cash equivalents	\$ 1,586,149	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,586,149	\$ 0
Receivables:							
Interest	0	0	0	0	0	0	0
Accounts	156,449	2,876	4,550	1,220	5,041	170,136	64,963
Due from other funds	1,379,021	0	0	0	0	1,379,021	0
Inventories	0	0	0	0	26,712	26,712	38,123
Prepaid contracts	27,346	15,135	7,039	1,896	5,130	56,546	9,905
Total current assets	3,148,965	18,011	11,589	3,116	36,883	3,218,564	112,991
Noncurrent assets:							
Restricted cash and cash equivalents	541,760	0	0	0	0	541,760	0
Capital assets:							
Land	6,936,558	0	262,980	129,162	6,400	7,335,100	0
Buildings, infrastructure, and equipment, net	23,279,213	446,352	3,187,735	822,378	376,261	28,111,939	914,614
Total noncurrent assets	30,757,531	446,352	3,450,715	951,540	382,661	35,988,799	914,614
Total assets	\$ 33,906,496	\$ 464,363	\$ 3,462,304	\$ 954,656	\$ 419,544	\$ 39,207,363	\$ 1,027,605
Liabilities							
Current liabilities:							
Accounts payable	\$ 418,082	\$ 58,295	\$ 29,602	\$ 5,453	\$ 31,902	\$ 543,334	\$ 62,760
Claims payable	0	0	0	0	0	0	46,772
Due to other funds	0	17,277	495,061	39,351	456,189	1,007,878	371,143
Deferred revenue	191,789	70,526	0	0	0	262,315	0
Bond interest payable	33,312	949	0	0	1,916	36,177	3,482
Current portion of long-term obligations	404,041	73,356	2,489	357	16,334	496,577	24,647
Total current liabilities	1,047,224	220,403	527,152	45,161	506,341	2,346,281	508,804
Noncurrent liabilities:							

Noncurrent portion of long-term obligations	<u>8,941,479</u>	<u>316,793</u>	<u>7,381</u>	<u>1,071</u>	<u>22,630</u>	<u>9,289,354</u>	<u>765,909</u>
Total liabilities	<u>9,988,703</u>	<u>537,196</u>	<u>534,533</u>	<u>46,232</u>	<u>528,971</u>	<u>11,635,635</u>	<u>1,274,713</u>
Net Assets							
Invested in capital assets, net of related debt	20,970,409	54,175	3,450,715	951,540	343,881	25,770,720	194,514
Restricted for:							
Debt service	541,760	0	0	0	0	541,760	0
Unrestricted (deficit)	<u>2,405,624</u>	<u>(127,008)</u>	<u>(522,944)</u>	<u>(43,116)</u>	<u>(453,308)</u>	<u>1,259,248</u>	<u>(441,622)</u>
Total net assets	<u>23,917,793</u>	<u>(72,833)</u>	<u>2,927,771</u>	<u>908,424</u>	<u>(109,427)</u>	<u>27,571,728</u>	<u>(247,108)</u>
Total liabilities and net assets	<u>\$ 33,906,496</u>	<u>\$ 464,363</u>	<u>\$ 3,462,304</u>	<u>\$ 954,656</u>	<u>\$ 419,544</u>	<u>\$ 39,207,363</u>	<u>\$ 1,027,605</u>

The notes to the financial statements are an integral part of this statement.

City of Burlington, Iowa

Statement of Revenues, Expenses, and Changes in Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2004

	Business Type Activities - Enterprise Funds					Totals	Governmental Activities- Internal Service Funds
	Sewer	Solid Waste	Recplex	Parking	Flint Hills Golf Course		
Operating revenues:							
Charges for services	\$ 0	\$ 1,048,070	\$ 80,793	\$ 36,778	\$ 176,048	\$ 1,341,689	\$ 981,118
Sewer Charges Pledged as Security for Revenue Bonds	3,016,446	0	0	0	0	3,016,446	0
Irrigation Surcharge	0	0	0	0	21,629	21,629	0
Other	39,596	5,107	246,022	29,519	219,685	539,929	606,433
Total operating revenues	<u>3,056,042</u>	<u>1,053,177</u>	<u>326,815</u>	<u>66,297</u>	<u>417,362</u>	<u>4,919,693</u>	<u>1,587,551</u>
Operating expenses:							
Personal services	1,355,772	423,537	187,165	49,870	261,547	2,277,891	575,478
Contractual services	705,756	549,605	104,812	22,710	65,621	1,448,504	786,891
Operating supplies	398,694	23,714	108,550	1,774	136,328	669,060	264,065
Depreciation	1,025,299	70,798	107,515	60,639	66,902	1,331,153	44,900
Total operating expenses	<u>3,485,521</u>	<u>1,067,654</u>	<u>508,042</u>	<u>134,993</u>	<u>530,397</u>	<u>5,726,608</u>	<u>1,671,334</u>
Operating income (loss)	<u>(429,479)</u>	<u>(14,477)</u>	<u>(181,227)</u>	<u>(68,696)</u>	<u>(113,035)</u>	<u>(806,914)</u>	<u>(83,783)</u>
Nonoperating revenues (expenses):							
Interest revenue	15,121	212	0	0	0	15,333	0
Interest expense	(401,553)	(20,439)	0	0	(3,790)	(425,782)	(36,304)
Gain on Sale of Assets	0	0	0	66,852	0	66,852	0
Total nonoperating revenues (expenses)	<u>(386,432)</u>	<u>(20,227)</u>	<u>0</u>	<u>66,852</u>	<u>(3,790)</u>	<u>(343,597)</u>	<u>(36,304)</u>
Net income (loss) before contributions and transfers	(815,911)	(34,704)	(181,227)	(1,844)	(116,825)	(1,150,511)	(120,087)
Capital contributions	2,865,807	0	0	201,004	0	3,066,811	0
Transfers in	905	118,000	0	0	0	118,905	25,000
Transfers out	(375,389)	(94,937)	0	0	0	(470,326)	(17,470)
Change in net assets	1,675,412	(11,641)	(181,227)	199,160	(116,825)	1,564,879	(112,557)
Total net assets - beginning	<u>22,242,381</u>	<u>(61,192)</u>	<u>3,108,998</u>	<u>709,264</u>	<u>7,398</u>	<u>26,006,849</u>	<u>(134,551)</u>
Total net assets - ending	<u>\$ 23,917,793</u>	<u>\$ (72,833)</u>	<u>\$ 2,927,771</u>	<u>\$ 908,424</u>	<u>\$ (109,427)</u>	<u>\$ 27,571,728</u>	<u>\$ (247,108)</u>

The notes to the financial statements are an integral part of this statement.

City of Burlington, Iowa

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004

	Business Type Activities - Enterprise Funds					Totals	Governmental Activities- Internal Service Funds
	Sewer	Solid Waste	Recplex	Parking	Flint Hills Golf Course		
Cash flows from operating activities:							
Receipts from customers	\$ 3,016,446	\$ 1,048,320	\$ 328,850	\$ 66,277	\$ 427,040	\$ 4,886,933	183,797
Payments to suppliers	(1,086,999)	(545,306)	(208,094)	(23,808)	(195,207)	(2,059,414)	(888,321)
Payments to employees	(1,355,772)	(424,279)	(187,252)	(49,870)	(261,547)	(2,278,720)	(575,478)
Internal activity-payments to (from) other funds	0	0	0	0	0	0	802,140
Claims paid to outsiders	0	0	0	0	0	0	(100,137)
Other receipts (payments)	39,596	5,107	0	0	0	44,703	591,617
Net cash provided (used) by operating activities	\$ 613,271	\$ 83,842	\$ (66,496)	\$ (7,401)	\$ (29,714)	\$ 593,502	\$ 13,618
Cash flows from noncapital financing activities:							
Operating subsidies and transfers to other funds	\$ (375,389)	\$ (94,937)	\$ 0	\$ 0	\$ 0	\$ (470,326)	(17,470)
Operating subsidies and transfers from other funds	905	118,000	0	0	0	118,905	25,000
Proceeds (payments) from/to interfund accounts	1,287,386	66,133	66,496	(66,900)	78,058	1,431,173	29,626
Net cash provided (used) by noncapital financing activities	\$ 912,902	\$ 89,196	\$ 66,496	\$ (66,900)	\$ 78,058	\$ 1,079,752	\$ 37,156
Cash flows from capital and related financing activities:							
Proceeds from capital debt	\$ 4,962,903	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,962,903	\$ 0
Purchase of capital assets	(7,095,590)	(100,919)	0	0	(24,554)	(7,221,063)	0
Principal paid on capital debt	(356,020)	(55,095)	0	0	(20,000)	(431,115)	0
Interest paid on capital debt	(387,248)	(21,227)	0	0	(3,790)	(412,265)	(50,774)
Proceeds from Sale of Assets	0	0	0	74,301	0	74,301	0
Proceeds from Capital Grants	2,770,561	0	0	0	0	2,770,561	0
Net cash provided (used) by capital and related financing activities	\$ (105,394)	\$ (177,241)	\$ 0	\$ 74,301	\$ (48,344)	\$ (256,678)	\$ (50,774)
Cash flows from investing activities:							
Interest received	\$ 15,121	\$ 212	\$ 0	\$ 0	\$ 0	\$ 15,333	\$ 0
Net increase (decrease) in cash and cash equivalents	\$ 1,435,900	\$ (3,991)	\$ 0	\$ 0	\$ 0	\$ 1,431,909	\$ 0
Balances - beginning of year	692,009	3,991	0	0	0	696,000	0
Balances - end of year	\$ 2,127,909	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,127,909	\$ 0

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:														
Operating income (loss)	\$	(429,479)	\$	(14,477)	\$	(181,227)	\$	(68,696)	\$	(113,035)	\$	(806,914)	\$	(83,783)
Adjustments to reconcile operating income(loss) to net cash provided (used) by operating activities:														
Depreciation		1,025,999		70,798		107,515		60,639		66,902		1,331,853		44,900
Changes in assets and liabilities:														
Receivables, net		(100,335)		8,338		1,835		(20)		9,678		(80,504)		(9,993)
Inventories		0		0		0		0		0		0		2,558
Prepaid contracts		15,316		3,508		2,131		510		451		21,916		2,037
Accounts and other payables		92,676		15,226		3,250		586		6,290		118,028		57,899
Internal activity - due to other funds		0		0		0		0		0		0		0
Deferred revenue		9,094		449		0		(420)		0		9,123		0
Net cash provided (used) by operating activities	<u>\$</u>	<u>613,271</u>	<u>\$</u>	<u>83,842</u>	<u>\$</u>	<u>(66,496)</u>	<u>\$</u>	<u>(7,401)</u>	<u>\$</u>	<u>(29,714)</u>	<u>\$</u>	<u>593,502</u>	<u>\$</u>	<u>13,618</u>

The notes to the financial statements are an integral part of this statement.

I. Summary of significant accounting policies

A. Financial Reporting Entity

The City operates under the Council/Manager form of government. A wide variety of services are provided by the City of Burlington including garbage and sewer collection, wastewater treatment, police and fire protection, library facilities, street maintenance, public transportation, parks and recreation facilities, planning and zoning, and general administration.

As required by accounting principles generally accepted in the United States of America, these financial statements are to include the primary government and its component units--organizations for which the primary government is financially accountable or for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City of Burlington, Iowa is a municipal corporation governed by a Board of Trustees, which is elected by the public and has the exclusive responsibility and accountability for the decisions it makes. The City has the statutory authority to adopt its own budget, to levy taxes, and to issue bonded debt without the approval of another government. It has the right to sue and be sued, and has the right to buy, sell, lease, or mortgage property in its own name. Based on these criteria, the City is considered a primary government.

Discretely Presented Component Units

The Burlington Municipal Waterworks supplies water to the homes, businesses, and industries throughout the City of Burlington, the City of West Burlington, and to limited areas in Des Moines County.

The Burlington Municipal Waterworks and the City of Burlington are considered separate legal entities. The Burlington Municipal Waterworks meets the component unit definition as a voting majority of the Waterworks' Board of Trustees is appointed by the City, and the Waterworks is fiscally dependent upon the City. The Waterworks is a business-type activity.

Complete financial statements for the component unit may be obtained at the Burlington Municipal Waterworks, 500 North 3rd Street, Burlington, Iowa.

The Southeast Iowa Regional Airport Authority (SIRAA) operates the airport within the City of Burlington's city limits. The City of West Burlington and the City of Burlington formed the SIRAA on July 1, 1996. Commercial air service from two commercial airlines as well as other air transportation and recreation services from

an aviation service provider are offered to the regions of southeast Iowa and western Illinois.

The SIRAA and the City of Burlington are considered separate legal entities. The SIRAA meets the discretely presented component unit definition as a voting majority of the SIRAA's Board of Trustees is appointed by the City, and the SIRAA is fiscally dependent upon the City. The SIRAA is a business-type activity.

Complete financial statements for the component unit may be obtained at the Southeast Iowa Regional Airport Authority, 2515 Summer Street, Burlington, Iowa.

The Friends of the Burlington Public Library Foundation exist for the purpose of attracting funds to benefit the Public Library which serves the Burlington area and to disburse those funds in a manner which will benefit the Library. The foundation is reported as a business type activity.

There are no other organizations or agencies whose financial statements should be combined and presented with the City's financial statements.

B. Measurement focus and basis of accounting

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The City has the following fund types:

Governmental funds are used to account for the City's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means that the amount of the transaction can be determined and "available" means collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after year-end.

Property taxes, service charges, special assessments, and fines and forfeitures are susceptible to accrual. Sales taxes are considered susceptible to accrual at the time the underlying transaction occurs. Road use, and other taxes collected and being held by the state or other levying authority at year-end on behalf of the City are recognized as revenue. Licenses and permits and other receipts become

measurable and available when cash is received by the City and are recognized as revenue at that time.

Intergovernmental revenues are recognized at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met, if the susceptible to accrual criteria are met.

Expenditures are recorded when the related fund liability is incurred, except for certain long-term obligations including debt service principal and interest, compensated absences, and claims and judgments. Expenditures related to such liabilities are only recognized under modified accrual accounting when they mature (when due).

Governmental funds include the following fund types:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including revenues restricted for general fund activities, debt service expenditures, or capital projects) and are not fiduciary.

The *Debt Service Fund* accounts for the servicing of general long-term debt not being financed by proprietary funds.

The *Capital Projects Fund* accounts for acquisition of fixed assets or construction of major capital projects not being financed by proprietary or fiduciary funds.

Proprietary funds are accounted for using the flow of economic resources measurement focus and the full accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized at the time the liabilities are incurred. The City applies all applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements.

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

Proprietary funds include the following fund types:

The *enterprise funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the City Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The *internal service funds* account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

Fiduciary funds account for assets held by the City in a trustee or agency capacity for the benefit of others. Fiduciary funds account for assets held by the City under the terms of a formal trust agreement and which cannot be used to support City activities. Fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. The City has no fiduciary funds.

C. Financial statement presentation

The basic financial statements include the government-wide financial statements (based on the City as a whole) and the fund financial statements. The government-wide statements present consolidated information from both the governmental and business-type activities using the economic resource measurement focus and the accrual basis of accounting. The government-wide statements are the Statement of Net Assets and the Statement of Activities.

The Statement of Activities presents, for each City activity, the extent to which direct expenses are being supported by program revenues or by general revenues. Direct expenses are those that are clearly identifiable with the specific activity (including depreciation). Program revenues are charges for services, grants, contributions, or other revenues that are either restricted for use or are directly associated with the particular activity. General revenues include interest, taxes, and other revenues used to support City operations that are not directly associated with a particular activity.

The City does not employ an indirect cost allocation system. Administrative transfers are made to the General Fund by other operating funds to cover General Fund services such as finance, legal, management, and information services. These transfers are eliminated for government-wide reporting by reducing revenues and expenses in the General fund.

Governmental activities in the government-wide statements include the operations from the governmental funds: the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Capital Projects Fund adjusted from the modified accrual to the full accrual basis of accounting. Governmental activities also include the activities from the internal service funds. Business-type activities in the

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

government-wide statements are comprised of the Enterprise Funds. Fiduciary funds are not reported in the government-wide statements, because these funds cannot be used to support City activities. As a general rule, interfund activity has been eliminated from the government-wide statements.

The government-wide statements apply all applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements.

The fund financial statements present the City's activities at the fund level rather than on a city-wide basis. The fund financial statements report the governmental funds using the modified accrual basis of accounting and the proprietary funds using the full accrual basis of accounting. Fund financial statements would also include statements for the fiduciary funds. The fund financial statements for both the governmental and the proprietary funds report the major funds individually and the non-major funds combined.

GASB statement number 34 sets forth the minimum criteria for the determination of major funds. If a fund's assets, liabilities, revenues, or expenditures/expenses are at least ten percent of those of its fund type and at least five percent of those of both governmental and proprietary fund types, then it must be a major fund. The City also elects to report certain funds as major funds that did not meet the percentage test, but are of a special interest to the City Council and the community.

The City has the following major governmental funds:

The General Fund, the Debt Service Fund, the Capital Projects Fund, and the following Special Revenue Funds:

The *Road Use Tax Fund* accounts for state road use taxes allocated to the City to be used to maintain and improve the City's street system.

The *Local Option Sales Tax Fund* accounts for revenue received from a one percent sales tax levied by the City to be used for community protection, property tax relief, and capital improvements.

The *Tax Increment Financing Fund* accounts for taxes collected on the incremental increase in the value of property located within the tax increment financing districts and to be used for activities within those districts.

The City has the following major proprietary funds:

The *Sewer Fund* accounts for the operations of a municipally owned wastewater treatment plant and its related sewer infrastructure.

The *Solid Waste Fund* accounts for the activities associated with the collection and disposal of solid waste.

The *Recplex Fund* accounts for the operations of the municipally owned family recreation complex.

The *Parking Fund* accounts for the activities associated with the City's parking system.

The *Flint Hills Golf Course Fund* accounts for the operation of the municipally owned golf course.

The non-major funds are shown combined in the fund financial statements but are presented individually in the combining statements following the notes to the financial statements.

The internal service funds are shown combined at the far right of the proprietary fund financial statements. The individual internal service funds are presented in the combining statements. The City has the following internal service funds:

The *Property Maintenance Fund* accounts for the activities associated with maintaining and servicing the City's buildings and grounds beyond traditional janitorial service on a cost reimbursement basis.

The *Vehicle Maintenance Fund* accounts for the operations of a central vehicle maintenance garage and fuel distribution system. All costs incurred for vehicle maintenance, operations, and fuel are charged to departments and other governments on a cost reimbursement basis.

The *Safety Coordination Fund* accounts for the operations of the safety coordinator. All costs incurred for such activities are charged to funds and other governments on a cost reimbursement basis.

The *Self Insurance Fund* accounts for insurance claims against the City and the administration of the self insurance plan. All paid claims and administration costs are charged to departments as premiums based on departmental claims experience. Premiums are designed on a cost reimbursement basis.

The *Miscellaneous Service Fund* accounts for miscellaneous activities and purchases incurred on the behalf of all City departments. All costs incurred are expected to be reimbursed by departments on a cost reimbursement basis.

The fund financial statements also include the budget-to-actual comparison statements for the General Fund and the major special revenue funds. The budget comparison statements present the City's actual financial performance versus that of

its original and amended budgets. These statements present financial data using the City's budgetary basis of accounting, as discussed later in the notes.

The modified accrual basis of accounting as employed by the governmental funds and the full accrual basis of accounting as employed by the proprietary and fiduciary funds have numerous timing and treatment differences. Differences that include the recording of long-term liabilities, the recording of fixed asset purchases and disposals, and the timing of recognized revenues. Reconciliations are provided for governmental funds to reconcile fund balance to net assets and to reconcile the changes in fund balance to the changes in net assets. These reconciliations are a part of the fund financial statements.

D. Assets, liabilities, and fund equity

Cash, Cash Equivalents and Investments

The City maintains a cash pool in order to maximize interest returns. Income from the cash pool is allocated to individual funds based on the fund's average monthly cash balance and legal requirements. Accounting records are maintained to show the portion of the pooled account attributable to each participating fund. Fund cash deficits are treated as interfund loans.

The City, the SIRAA, the Waterworks and Library Foundation consider all highly liquid investments with maturities of three months or less to be considered cash equivalents.

Investments are stated at their fair value or amortized cost. The Waterworks and the City invested in only certificates of deposit at June 30, 2004. GASB Statement 31 does not require fair value reporting for these types of investments. The SIRAA has investments at June 30, 2004 for a deferred compensation plan which are invested in an annuity account and are recorded at their fair value. The Library Foundation has investments in U.S. Government obligations, corporate debt securities and equity securities which are stated at fair market value.

Interfund Balances

Transactions between funds that are representative of long-term lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds" to indicate the non-current nature of the interfund loans. All other outstanding balances between funds are expected to be repaid within one year and reported as "due to/from other funds."

Advances between funds reported in the fund financial statements are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Interfund balances are eliminated at the government-wide level. Those that are between governmental and business-type activities are shown as internal balances and eliminated from the totals column. Those that are between funds that are within the same activity are eliminated altogether.

Property Taxes

Property taxes are recognized in the year in which the levy is due and collectable. No property tax levy date is established by the State of Iowa, however, the current tax levy, which is due and collectable during the year ending June 30, 2004 was certified on March 15, 2003 by the local taxing authority, Des Moines County, based on January 1, 2002 valuations establishing a lien date of March 15, 2003. Property taxes are due in two installments with the first half becoming delinquent after September 30 and the second half after March 31 of the following year. Property taxes are accrued at year-end if they are measurable and are available to pay current liabilities.

Property taxes certified on March 15, 2004 for the fiscal year beginning on July 1, 2004 are accrued as of June 30, 2004 because a lien attaches at the date of certification. This portion of the receivable is offset by deferred revenue, because these taxes are not permitted for use until July 1, 2004.

Inventories and Prepaid Contracts

Inventories are carried at cost using the first-in/first-out (FIFO) method. The Waterworks' inventory is valued at the lower of cost or market using the FIFO method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Restricted Assets

Certain proceeds of the City's sewer fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet. These assets are restricted due to revenue bond covenants requiring that monies be set aside and used solely for the protection and repayment of the revenue bond holders.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Capital Assets

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Capital assets used in governmental and business-type activities of the City are recorded at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair market value at the date of donation.

The City capitalizes new public domain (infrastructure) capital assets (e.g., roads, bridges, sidewalks, street lights, etc.) used in governmental activities beginning with the year ending June 30, 2001. Retroactive reporting of infrastructure fixed assets used in governmental activities is not reported but is required to be presented by June 30, 2007. All infrastructure assets for business-type activities that meet the capitalization threshold are reported.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as construction-in-progress as the projects are constructed.

All assets capitalized by the City must have a useful life of two years or more and have a cost that exceeds the following minimum thresholds:

<u>Assets</u>	<u>Threshold</u>
Infrastructure	\$ 50,000
Land Improvements	50,000
Buildings	20,000
Building Improvements	20,000
Vehicles	5,000
Machinery and Equipment	2,500

Property, plant and equipment are depreciated using the straight line method of depreciation with half-year convention over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	50
Land Improvements	12-20
Buildings	40
Building Improvements	20
Vehicles	4-12
Machinery and Equipment	5-10

Capital assets are reported at the fund level for proprietary funds, but not for governmental funds.

The SIRAA records property and equipment at cost and depreciation is computed using the straight-line method at rates based on the following useful lives:

Assets	Years
Infrastructure	5-39
Buildings and Improvements	5-39
Furniture and Equipment	5-7

The Waterworks computes depreciation using the 150% declining balance method using the following useful lives:

Assets	Years
Distribution System	10-50
Land Improvements	15-30
Buildings	10-33
Filter Equipment	15-40
Purification Equipment	10-20
Power/Pumping Equipment	10-40
Vehicles	6-7
Furniture and Fixtures	3-10

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay is payable to employees upon termination or retirement while sick pay is payable only upon retirement. A liability has been recorded for all earned but unused vacation benefits, and for those earned but unused sick leave benefits that are considered eligible in the governmental and business-type activities at the government-wide level.

Accrued vacation and sick leave benefits are reported as a liability in the proprietary funds using the same basis as the activities at the government-wide level. In governmental funds, however, these accrued benefits are considered long-term liabilities similar to that of long-term debt and are not reported as a fund liability.

Long-term Debt

In the government-wide financial statements the City reports long-term debt of governmental and business-type activities at face value net of the applicable premiums or discounts. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Issuance costs are reported as deferred charges. The same treatment is applied to proprietary fund types in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

In the governmental fund statements, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs are reported as an expenditure. Long-term debt and associated accrued interest are not reported in governmental funds.

Fund Equity and Net Assets

Reservations of fund balance represent amounts that are not appropriable or are legally separated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Restrictions of net assets represent restrictions placed upon the net assets by parties outside the City (such as creditors, grantors, contributors, or other governments). Normally, net assets subject to self-imposed restrictions are not reported as restricted net assets. However, restrictions imposed by City ordinance, legislation, or election are included as restricted net assets.

Restricted net assets directly related to restricted assets from revenue bond covenants are reported in an amount equal to the restricted assets less any related liabilities.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City prepares, adopts and submits to the State of Iowa an annual budget on a program basis for all combined funds, except the internal service funds, as prescribed by Iowa statutes. The State of Iowa requires that annual budgets for the year beginning July 1 be certified to the County Auditor no later than March 15 preceding the beginning of the fiscal year. The adopted budget constitutes the City's appropriation for each program and purpose specified therein until amended.

After the initial budget is adopted, the budget may be amended for specific purposes. Budget amendments are required for budget transfers between funds as well as between programs. Management is not authorized to amend the budget without the approval of City Council. The City filed two budget amendments for the fiscal year ended June 30, 2004. These amendments were for a total of \$9,421,930. This included \$125,000 for the Community Development Block Grant program, \$6,500,000 for expenditures under the EPA sewer separation project, \$175,000 for Special Contribution Account expenditures, \$580,000 for economic development incentives, including \$480,000 from a State CEBA loan to ALFAGOMMA, \$69,000 for increased ambulance expenses, \$1,700,000 for refunding of the 1996 General

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Obligation bond issue, and \$172,000 for interest expense incurred for the 2003 Sewer Bond issue. The balance was to cover miscellaneous items incurred during the year.

The City Council also approves a five year capital improvement program. This capital improvement program is reviewed and revised annually by the City Council. A public hearing is held in regard to proposed capital improvements for the City. The first year of this plan is integrated into the City's accounting and reporting system along with the annual operating budget.

The State of Iowa allows the total cost of a construction project to be budgeted in one annual budget even if the project extends beyond that fiscal year. The remaining appropriation continues until the project is completed as long as (1) the total cost of the project is adopted after a public hearing as required by State code, (2) the cost must be included in an adopted or amended city budget, and (3) if the cost of a project exceeds the continuing appropriation, an additional appropriation must be included in a subsequent budget or amendment.

The legal level of control (the level at which expenditures may not legally exceed appropriations) is the function level for all funds combined rather than at the individual fund level. The nine functions mandated by the State are: (1) Public Safety (2) Culture and Recreation (3) Community and Economic Development (4) Health and Social Services (5) Public Works (6) General Government (7) Debt Service (8) Capital Projects and (9) Business Type Activities. Since the City maintains its budgets at the individual fund level, it is necessary to aggregate the expenditures of the budgeted activities within the individual funds on a function basis and to compare such function totals with the function budgeted totals in order to demonstrate legal compliance with the budget.

Revenues are credited to the individual fund types while expenditures/expenses are classified according to function areas within the individual funds for budgetary control purposes. Encumbrances and expenditures/expenses are compared to budget appropriations according to the nine general function designations.

For budgetary purposes, encumbrances are recognized as a valid and proper charge against the budget appropriations in the year in which the commitment was issued. Encumbrances do not lapse at year end and provide authorization for expenditure in the following year. Unencumbered appropriations, other than amounts appropriated for capital projects, lapse at year end. Appropriations for unfinished capital projects are carried forward indefinitely

All general obligation bond payments, including those for which financial reporting purposes are accounted for through the enterprise funds, are budgeted through the debt service fund.

CITY OF BURLINGTON, IOWA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

A comparison of the actual expenditures/expenses with the City's final amended program budget amounts is as follows:

	Amended Budget	Actual	Capital Projects Appropriations Brought Forward	(Over) Under Budget
Public Safety	\$7,560,183	\$7,538,124		\$22,059
Public Works	3,416,734	3,433,596		(\$16,862)
Health & Social	3,050	1,481		\$1,569
Cultural & Recreation	3,185,853	3,111,197		\$74,656
Community & Economic Development	508,210	524,932		(\$16,722)
General	1,219,194	1,140,862		\$78,332
Debt Service	5,039,234	4,895,783		\$143,451
Capital Projects	12,509,000	3,566,788	1,147,078	10,089,290
Enterprise	16,699,193	11,914,777		\$4,784,416
TOTAL	\$50,140,651	\$36,127,540	\$1,147,078	

B. Budget/GAAP Reconciliation

A reconciliation of the expenditures as presented in accordance with generally accepted accounting principles (GAAP), to the amounts presented on the budgetary basis above:

	General	Debt Service	Road Use Tax	Local Option Sales Tax	Tax Increment Financing	Capital Projects	Other Govern- mental
GAAP basis expenditures	\$ 13,191,139	\$ 4,673,117	\$ 1,504,285	\$ 40,000	\$ 150,220	\$ 3,419,463	\$ 808,795
Current year encumbrances	22,178	0	61,790	0	0	152,935	21,939
Prior year encumbrances	(35,982)	0	(11,447)	0	0	(5,610)	(2,725)
Enterprise fund:							
General obligation:							
Bond principal	0	110,585	0	0	0	0	0
Bond interest	0	112,081	0	0	0	0	0
Budgetary basis-expenditures and encumbrances	<u>\$ 13,177,335</u>	<u>\$ 4,895,783</u>	<u>\$ 1,554,628</u>	<u>\$ 40,000</u>	<u>\$ 150,220</u>	<u>\$ 3,566,788</u>	<u>\$ 828,009</u>

A reconciliation of enterprise funds with program budget amounts is as follows:

CITY OF BURLINGTON, IOWA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

	<u>Enterprise Funds</u>
Actual expenditures/expenses for the year	\$ 6,152,390
Adjustments:	
Prior year encumbrances	(50,297)
Current year encumbrances	279,464
Current year capital outlay additions	7,288,088
Current year depreciation	(1,331,153)
Loss on disposal of assets	0
Bond interest expense	<u>(423,715)</u>
Certified budget expenditures	<u>\$ 11,914,777</u>

C. Excess of Expenditures over Appropriations

The following individual funds had actual expenditures in excess of the budgeted amounts for the year ended June 30, 2004:

	<u>Budget</u>	<u>Actual</u>	<u>Amount Over Budget</u>
Special revenue funds:			
Hotel/Motel	220,180	223,484	3,304
Bridge	8,200	17,489	9,289
CTAC Internet	0	14,612	14,612
Enterprise Funds:			
Golf Course	441,715	463,495	21,780
RecPlex	394,713	400,527	5,814

D. Deficit Fund Equity

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

The following City funds have a deficit in fund balance or net assets as of June 30, 2004:

	Deficit Balance
Capital Projects	\$ 467,261
Debt Service	152,490
Special Revenue:	
Tax Increment Financing	298,190
Community Development	69,056
Recreation	118,299
Airport Levy	34,629
Internal Service:	
Property Maintenance	86,047
Self Insurance	100,818
Miscellaneous	20,639
Vehicle Maintenance	39,589

III. CASH AND INVESTMENTS

As of June 30, 2004, the carrying amount of the City's cash deposits which includes certificates of deposit total \$2,932,543 with bank balances of \$3,251,175. The bank balances are covered entirely 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.

Cash balances as of June 30, 2004, consist of the following:

Cash and certificates of deposit-unrestricted	\$ 2,390,783
Cash -restricted	<u>541,760</u>
Total	<u>\$ 2,932,543</u>

The City classifies its investments into categories which present an indication of the level of credit risk in relation to the nature of the investment and the custodial provisions. Category 1 records securities that are insured, registered, held by the City, or held by the City's agent in the City's name. Category 2 denotes uninsured and unregistered securities that are held by a counterparty's trust department or agent in the City's name. Category 3 specifies uninsured and unregistered securities that are held by a counterparty's trust department or agent in other than the City's name. The City had no investments as of June 30, 2004.

The Southeast Iowa Regional Airport Authority's deposits at June 30, 2004 are entirely covered by federal depository insurance or by the State Sinking Fund in

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2004

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 funds.

Cash balances as of June 30, 2004, consisted of unrestricted cash of \$97,747.

The cash balances are entirely from checking and savings deposits.

The Burlington Municipal Waterworks' cash deposits at June 30, 2004 are 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 funds.

Cash balances as of June 30, 2004, consist of the following:

Cash and certificates of deposit - unrestricted	\$ 878,303
Cash and certificates of deposit - restricted	<u>1,221,714</u>
 Total	 <u><u>\$ 2,100,017</u></u>

The Waterworks has no investments as of June 30, 2004.

The Library foundation had cash deposits of \$1,445,226. Investments held by the foundation were as follows:

U. S. Treasury Notes	\$ 405,781
U. S. Agency obligations	1,189,499
Certificates of deposit	1,401,346
Corporate debt securities	1,624,274
Fixed income funds	1,437,354
Equity securities	678,011
Equity funds	<u>581,623</u>
 Total	 \$ 7,317,888

The City, the SIRAA, and the Waterworks are authorized by statute to invest in 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 City Council; prime eligible bankers

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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.

IV. LEASES RECEIVABLE

The City has entered into a non-cancelable lease agreement with Downtown Partner's, Inc. for the use and sale of a historic trolley. The asset was purchased by the City during fiscal year 2001 for \$35,000 and is being depreciated using the straight line method of depreciation with half-year convention over the seven year term of the lease (5 year life). Accumulated depreciation is \$14,500.

The lease payments amount to \$5,000 per year for seven years for a total of \$35,000 in lease payments. Five payments are still remaining on the lease agreement. Downtown Partner's, Inc. has the option to buy the trolley for \$1 at the end of the lease agreement

V. CAPITAL ASSETS

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

	<u>Balance</u> <u>June 30, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2004</u>
Governmental activities:				
Undepreciated:				
Land	\$ 2,063,985	\$ 0	\$ 63,650	\$ 2,000,335
Work-in-progress	6,185,912	852,801	5,484,618	1,554,095
Total, undepreciated	<u>8,249,897</u>	<u>852,801</u>	<u>5,548,268</u>	<u>3,554,430</u>
Depreciated:				
Land improvements	1,207,365	0	53,179	1,154,186
Infrastructure	4,528,329	10,754,384	0	15,282,713
Buildings	6,615,360	109,234	27,000	6,697,594
Building improvements	4,876,266	116,990	39,059	4,954,197
Fixtures and equipment	4,658,803	138,389	620,199	4,176,993
Vehicles	5,214,117	113,515	70,717	5,256,915
Total, depreciated	<u>27,100,240</u>	<u>11,232,512</u>	<u>810,154</u>	<u>37,522,598</u>
Accumulated depreciation:				
Land improvements	921,919	18,435	45,153	895,201
Infrastructure	201,462	422,287	0	623,749
Buildings	1,094,829	155,561	27,000	1,223,390
Building improvements	1,870,718	248,722	29,294	2,090,146
Fixtures and equipment	3,746,152	182,468	612,664	3,315,956
Vehicles	3,036,063	399,599	68,405	3,367,257
Total accumulated depreciation	<u>10,871,143</u>	<u>1,427,072</u>	<u>782,516</u>	<u>11,515,699</u>
Governmental activities fixed assets, net	<u>\$ 24,478,994</u>	<u>\$ 10,658,241</u>	<u>\$ 5,575,906</u>	<u>\$ 29,561,329</u>

CITY OF BURLINGTON, IOWA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

	<u>Balance June 30, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2004</u>
Business-type activities:				
Undepreciated:				
Land	\$ 406,691	\$ 0	\$ 8,148	\$ 398,543
Work-in-progress	<u>6,666,903</u>	<u>6,936,557</u>	<u>6,666,903</u>	<u>6,936,557</u>
Total, undepreciated	<u>7,073,594</u>	<u>6,936,557</u>	<u>6,675,051</u>	<u>7,335,100</u>
Depreciated:				
Land improvements	2,256,525	0	0	2,256,525
Infrastructure	9,009,671	6,666,903	0	15,676,574
Buildings	25,313,523	0	0	25,313,523
Building improvements	1,146,312	0	0	1,146,312
Fixtures and equipment	1,703,140	221,297	65,677	1,858,760
Vehicles	<u>1,316,167</u>	<u>252,111</u>	<u>73,208</u>	<u>1,495,070</u>
Total, depreciated	<u>40,745,338</u>	<u>7,140,311</u>	<u>138,885</u>	<u>47,746,764</u>
Accumulated depreciation:				
Land improvements	1,151,937	79,104	0	1,231,041
Infrastructure	3,452,159	327,568	0	3,779,727
Buildings	11,769,166	610,382	0	12,379,548
Building improvements	205,705	45,585	0	251,290
Fixtures and equipment	1,007,118	150,749	62,601	1,095,266
Vehicles	<u>853,397</u>	<u>117,765</u>	<u>73,208</u>	<u>897,954</u>
Total accumulated depreciation	<u>18,439,482</u>	<u>1,331,152</u>	<u>135,809</u>	<u>19,634,825</u>
Business-type activities fixed assets, net	<u>\$ 29,379,450</u>	<u>\$ 12,745,716</u>	<u>\$ 6,678,127</u>	<u>\$ 35,447,039</u>

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

	Burlington
Governmental activities:	
Public Safety	\$ 377,577
Cultural and Recreation	265,228
Public Works	750,665
Community and Economic Development	7,707
General government	<u>25,895</u>
Total depreciation expense - governmental activities	<u>\$ 1,427,072</u>
Business-type activities:	
Sewer	\$ 1,025,299
Solid waste	70,798
Recplex	107,515
Parking	60,639
Flint Hills golf course	<u>66,902</u>
Total depreciation expense - business-type activities	<u>\$ 1,331,153</u>

The following is a summary of capital assets for the Burlington Municipal Waterworks for the year ended June 30, 2004:

CITY OF BURLINGTON, IOWA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2004

	Balance June 30, 2003	Increases	Decreases	Balance June 30, 2004
Undepreciated:				
Land	\$ 120,481	\$ 0	\$ 0	\$ 120,481
Depreciated:				
Land improvements	715,580	0	0	715,580
Buildings and filter equipment	2,210,516	20,013	0	2,230,529
Purification equipment	703,410	24	0	703,434
Power/pumping equipment	2,565,465	0	0	2,565,465
Distribution system and equipment	7,963,139	246,072	0	8,209,211
Furniture and fixtures	60,405	1,554	0	61,959
Vehicles	347,736	19,065	0	366,801
Total, depreciated	<u>14,566,251</u>	<u>286,728</u>	<u>0</u>	<u>14,852,979</u>
Accumulated depreciation:				
Land improvements	232,299	0	0	232,299
Buildings and filter equipment	1,566,755	50,349	0	1,617,104
Purification equipment	589,287	45,319	0	634,606
Power/pumping equipment	1,410,711	81,383	0	1,492,094
Distribution system and equipment	4,617,070	136,685	0	4,753,755
Furniture and fixtures	51,313	0	0	51,313
Vehicles	316,856	0	0	316,856
Total accumulated depreciation	<u>8,784,291</u>	<u>313,736</u>	<u>0</u>	<u>9,098,027</u>
Fixed assets, net	<u>\$ 5,902,441</u>	<u>\$ (27,008)</u>	<u>\$ 0</u>	<u>\$ 5,875,433</u>

The following is a summary of capital assets for the Southeast Iowa Regional Airport Authority for the year ended June 30, 2004:

	Southeast Iowa Regional Airport Authority
Land	\$ 1,666,393
Land Improvements	9,987,156
Buildings and Improvements	1,954,264
Furniture and Fixtures	<u>1,048,403</u>
Total	14,656,216
Accumulated Depreciation	<u>2,773,620</u>
Net	<u>\$ 11,882,596</u>

VI. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS*Due to/from other funds:*

Receivable Fund	Payable Fund	Amount
General	Tax Increment Financing	\$ 302,332
	Debt Service	180,537
	Capital Projects	281,045
Total General		763,914
Hotel/Motel	Recreation	106,987
	Special Assessments	998
	Community Development	71,631
	Airport Levy	37,070
Total Hotel/Motel		216,686
Enterprise:		
Sewer	Internal Service:	
	Vehicle Maintenance	166,694
	Property Maintenance	128,469
	Safety Coordination	31,436
	Miscellaneous Service	15,317
	Self Insurance	29,227
	Enterprise:	
	RecPlex	495,061
	Parking	39,351
	Flint Hills Golf Course	456,189
	Solid Waste	17,277
Total Sewer		1,379,021

Generally, interfund balances reflect the internal borrowing between funds to cover cash shortages. In the case of the Debt Service Fund, the payable from the Parking Fund reflects the Parking Funds share of debt service obligations it has not been able to meet.

At the government-wide level, interfund receivables and payables are eliminated that are within the same activity. The remaining interfund loans are eliminated as internal balances in the Statement of Net Assets. The internal balances reflect the internal loans between the enterprise funds and the internal service funds, capital projects funds and tax increment funds amounting to \$371,143.

Transfers generally move resources from the fund statutorily required to collect resources to the fund statutorily required to expend resources. In addition, payments in lieu of taxes from enterprise funds to the general fund is treated as a transfer between those funds.

CITY OF BURLINGTON, IOWA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2004

Interfund transfers for the year ended June 30, 2004 were as follows:

Transfers In:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Tax Increment Fund	Sewer Fund	Internal Service Funds	Total
Transfers out:								
General Fund	\$ 0	\$ 28,283	\$ 0	\$ 381,749	\$ 0	\$ 0	\$ 25,000	\$ 435,032
Road use tax fund	441,507	134,398	59,400	0	0	0	0	\$ 635,305
Local option sales tax fund	2,347,124	0	529,000	0	0	0	0	\$ 2,876,124
Tax increment financing fund	25,000	841,819	0	0	0	0	0	\$ 866,819
Nonmajor governmental funds	368,807	0	39,305	7,500	0	905	0	\$ 416,517
Sewer fund	375,389	0	0	0	0	0	0	\$ 375,389
Solid waste fund	94,937	0	0	0	0	0	0	\$ 94,937
Capital Projects	442,982	63,050	0	0	600,000	0	0	\$ 1,106,032
Internal Service Funds	17,470	0	0	0	0	0	0	\$ 17,470
	<u>\$ 4,113,216</u>	<u>\$ 1,067,550</u>	<u>\$ 627,705</u>	<u>\$ 389,249</u>	<u>\$ 600,000</u>	<u>\$ 905</u>	<u>\$ 25,000</u>	<u>\$ 6,823,625</u>

VII. DEFERRED REVENUE

Under both the accrual and the modified accrual methods of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset with a corresponding liability for deferred (unearned) revenue. The following funds had deferred (unearned) revenue at June 30, 2004:

General	Unearned Rent	\$ 9,992
	Succeeding Year Taxes	5,324,836
Debt Service	Succeeding Year Taxes	1,582,551
Tax Increment Financing	Succeeding Year Taxes	1,067,900
Other Governmental	Succeeding Year Taxes	1,103,225
Sewer	Unearned Sewer Fees	191,789
Solid Waste	Unearned Trash Fees	70,526

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Governmental funds also record deferred (unavailable) revenue for revenues that have been earned but are not available to liquidate current liabilities. The following funds had deferred (unavailable) revenues at June 30, 2004.

General Fund	Accounts Receivable	\$	33,030
	Special Assessments Receivable		111,761
Tax Increment Financing	Accounts Receivable		4,962
Capital Projects	State Reimbursement		76,862
Other Governmental	Accounts Receivable		9,675
	Special Assessments Receivable		144,781

The Waterworks had deferred revenue for unearned water fees of \$96,716 and the SIRAA had deferred revenue for unearned rent of \$6,039.

VIII LONG-TERM DEBT

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of infrastructure, major capital facilities, and other major fixed assets. General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in proprietary funds if they are expected to be repaid from proprietary fund revenues. General obligation bonds as of June 30, 2004 consist of the following individual issues:

CITY OF BURLINGTON, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

<u>Debt</u>	<u>Issue Date</u>	<u>Amount Issued</u>	<u>Interest Rates</u>	<u>Balance June 30, 2004</u>
General corporate	09/01/97	4,500,000	4.30 - 5.25	2,500,000
General corporate	09/01/98	5,245,000	4.05 - 5.00	2,320,000
General corporate	09/01/98	950,000	5.85 - 6.80	805,000
General corporate	09/01/99	2,800,000	4.25 - 5.00	2,150,000
General corporate	06/01/00	4,700,000	4.95 - 5.80	4,400,000
General corporate	07/16/01	540,000	3.00-4.50	420,000
General corporate	11/05/01	2,500,000	3.00-4.50	2,305,000
General corporate	06/01/02	4,400,000	4.00-4.4	4,400,000
General Refunding	05/29/03	2,190,000	2.00-2.15	1,860,000
General corporate	06/01/04	3,425,000	3.75-4.1	3,425,000
G. O. Sewer	07/01/03	<u>5,000,000</u>	3.4-4.0	<u>5,000,000</u>
		<u>\$ 36,250,000</u>		<u>\$ 29,585,000</u>

Future debt service requirements for the outstanding general obligation bonded indebtedness are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2005	1,942,046	981,025	47,954	285,464	3,256,489
2006	2,126,734	841,042	48,266	283,039	3,299,081
2007	2,166,266	851,086	48,734	280,615	3,346,701
2008	1,835,954	761,689	149,046	278,195	3,024,884
2009	1,835,240	679,247	149,760	272,238	2,936,485
2010	1,631,250	598,640	138,750	265,194	2,633,834
2011	1,406,250	525,238	138,750	259,720	2,329,958
2012	1,522,125	464,581	227,875	254,228	2,468,809
2013	1,486,313	398,038	338,687	243,923	2,466,961
2014	1,448,562	318,345	441,438	233,141	2,441,486
2014-2020	5,948,904	<u>531,635</u>	<u>4,504,256</u>	<u>1,056,852</u>	<u>12,041,647</u>
	<u>\$ 23,349,644</u>	<u>\$ 6,950,566</u>	<u>\$ 6,233,516</u>	<u>\$ 3,712,609</u>	<u>\$ 40,246,335</u>

Sewer revenue bonds. The City issues sewer revenue bonds to provide for the construction of sewer system infrastructure. These bonds are reported in the sewer fund in the enterprise funds. Sewer revenue bonds as of June 30, 2004 consist of the following issues:

CITY OF BURLINGTON, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

<u>Debt</u>	<u>Issue Date</u>	<u>Amount Issued</u>	<u>Interest Rates</u>	<u>Balance June 30, 2004</u>
Sewer revenue	09/01/97	\$ 800,000	4.50 - 5.00	\$ 285,000
Sewer revenue	09/01/98	3,050,000	4.05 - 4.65	2,065,000
Sewer revenue	07/01/01	<u>1,160,000</u>	3.00-4.90	<u>960,000</u>
		<u>\$ 5,010,000</u>		<u>\$ 3,310,000</u>

Future debt service requirements for the outstanding sewer revenue bonded indebtedness are as follows:

<u>Year Ending June 30</u>	<u>Obligation Principal</u>	<u>Obligation Interest</u>	<u>Total</u>
2005	355,000	149,033	504,033
2006	370,000	133,788	503,788
2007	390,000	117,608	507,608
2008	295,000	100,273	395,273
2009	310,000	87,493	397,493
2010	325,000	73,713	398,713
2011	340,000	59,088	399,088
2012	355,000	43,573	398,573
2013	370,000	27,148	397,148
2014	<u>200,000</u>	<u>9,800</u>	<u>209,800</u>
	<u>\$ 3,310,000</u>	<u>\$ 801,517</u>	<u>\$ 4,111,517</u>

The following provisions are included in the sewer revenue bond indenture:

That cash from the Sewer Fund shall be transferred monthly into the Sewer Revenue and Interest Fund to pay the interest on, and to redeem the principal amount of, the bonds at maturity. The monthly transfers must be equal to one-sixth of the interest due on the next payment date, plus one-twelfth of the principal maturing on the next retirement date.

That cash from the Sewer Fund shall be transferred monthly into the Sewer Revenue Bond Sinking Fund at the rate of twenty-five percent of the amount required for the Sewer Revenue and Interest Fund unless the Sewer Revenue Bond Sinking Fund contains as a reserve an amount equal to \$541,760.

That on or before the beginning of each fiscal year City Council will adopt or continue in effect rates for all services rendered by the Utility sufficient to produce "net revenues" for the next succeeding fiscal year sufficient to meet the requirements of the sinking funds and to create "net revenues" equal to at least 1.25 times the maximum annual combined debt service of the revenue bonds then

CITY OF BURLINGTON, IOWA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2004

outstanding. "Net revenues" are defined as gross revenues less operating expenses which shall include salaries, wages, cost of maintenance and operation, materials and supplies, and insurance, as well as other items that are normally included under recognized accounting practices, but shall not include allowance for depreciation in the value of physical properties.

Notes payable. The City has entered into a note payable to the Burlington Area Development Corporation for \$372,000 on April 12, 1999. The note was executed to help finance the infrastructure improvements necessary for construction of the sports complex and is payable from future tax increment funds. The note is due in 10 equal installments beginning on April 20, 2001 plus interest at the rate of 5%. The remaining balance is \$223,200.

Ending June 30	Obligation Principal	Obligation Interest	Total
2005	37,200	11,160	48,360
2006	37,200	9,300	46,500
2007	37,200	7,440	44,640
2008	37,200	5,580	42,780
2009	37,200	3,720	40,920
2010	<u>37,200</u>	<u>1,860</u>	<u>39,060</u>
TOTAL	<u>\$ 223,200</u>	<u>\$ 39,060</u>	<u>\$ 262,260</u>

Lease Payable. In July 2002, the City entered into a lease agreement with Texron Financial to lease nineteen E-Z-GO Golf Carts. The lease called for four payments with interest over four years. The carts have a current book value of \$38,780, net of depreciation. The remaining debt service schedule is as follows:

Ending June 30	Obligation Principal	Obligation Interest	Total
2005	14,712	1,561	16,273
2006	<u>15,543</u>	<u>802</u>	<u>16,345</u>
TOTAL	30,255	2,363	32,618

Changes in Long-term Debt. The following is a summary of the changes in the long-term debt of the City for the year ended June 30, 2004.

CITY OF BURLINGTON, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

	<u>June 30, 2003</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2004</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 23,574,064	\$ 3,425,000	\$ 3,649,420	\$ 23,349,644	\$ 1,942,046
Notes payable	260,400	0	37,200	223,200	37,200
Compensated absences	<u>810,240</u>	<u>168,822</u>	<u>192,919</u>	<u>786,143</u>	<u>196,536</u>
Total governmental activities	<u>24,644,704</u>	<u>3,593,822</u>	<u>3,879,539</u>	<u>24,358,987</u>	<u>2,175,782</u>
Business-type activities:					
General obligation bonds	1,344,096	5,000,000	110,580	6,233,516	47,954
Sewer revenue bonds	3,645,000	0	335,000	3,310,000	355,000
Leases Payable	44,182	0	13,927	30,255	14,712
Compensated absences	<u>209,068</u>	<u>45,328</u>	<u>42,236</u>	<u>212,160</u>	<u>50,259</u>
Total business-type activities	<u>5,242,346</u>	<u>5,045,328</u>	<u>501,743</u>	<u>9,785,931</u>	<u>467,925</u>
Total long-term debt	<u>\$ 29,887,050</u>	<u>\$ 8,639,150</u>	<u>\$ 4,381,282</u>	<u>\$ 34,144,918</u>	<u>\$ 2,643,707</u>

Typically, long-term liabilities of the governmental activities, other than debt, are liquidated by the fund incurring the debt.

Current Refunding. During the year ended June 30, 2003 the City issued \$2,190,000 of general obligation refunding bonds to provide resources to current refund \$470,000 of general obligation bonds and to refund an additional \$1,645,000 of general obligation bonds when they became callable on June 1, 2004. The amount received to refund the bonds on June 1, 2004 was used to purchase United States Government securities that were placed in an escrow account at a financial institution. This money was returned to the City to call the bonds on June 1, 2004. The refunding was undertaken to reduce total debt service payments over four years by \$93,369 and resulted in an economic gain of \$87,168.

IX. RESTRICTED NET ASSETS AND RESTRICTED ASSETS ACCOUNTS

The City's sewer revenue bond covenants and the Waterworks' revenue bond covenants require certain restrictions of net assets. Restrictions of net assets are also created by grant restrictions, legal restrictions, and donor restrictions. Restrictions of net assets related to bond covenants are shown net of the related debt. The restricted portions of net assets as of June 30, 2004 are as follows:

CITY OF BURLINGTON, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Burlington Municipal Waterworks</u>
Public Safety:			
Donor restrictions	\$ 135,208	\$ 0	\$ 0
Cultural and Recreation:			
Donor restrictions	224,789	0	0
Hotel/motel taxes	229,363	0	0
Public Works:			
Donor restrictions	5,896	0	0
SSMID taxes	4,727	0	0
Road use taxes	99,850	0	0
Other:			
Depreciation, extensions, and improvements	0	0	982,014
Debt service:			
Sewer revenue bond sinking	0	541,760	0
Water revenue bond retirement	0	0	240,022
Total	<u>\$ 699,833</u>	<u>\$ 541,760</u>	<u>\$ 1,222,036</u>

The balances of the restricted asset accounts as of June 30, 2004 are as follows:

	<u>Business-type Activities</u>	<u>Burlington Municipal Waterworks</u>
Restricted assets, cash and cash equivalents	\$ 541,760	\$ 1,221,714
Restricted assets, interest receivable	<u>0</u>	<u>322</u>
Total	<u>\$ 541,760</u>	<u>\$ 1,222,036</u>

X. RETIREMENT SYSTEMS

Iowa Public Employees Retirement System (IPERS)

The City of Burlington and the Southeast Iowa Regional Airport Authority contribute 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. This report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City and the SIRAA are required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$333,712, \$332,075, and \$321,303 respectively, equal to the required contributions for each year. The SIRAA's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$5,817, \$6,514, and \$6,608 respectively.

Municipal Fire and Police Retirement System of Iowa (MFPRSI)

The City contributes to the Municipal Fire and Police Retirement System of Iowa (MFPRSI) which is a cost-sharing, multiple-employer defined benefit plan administered by a Board of Trustees. MFPRSI provides retirement, disability and death benefits which are established by State statute to plan members and beneficiaries. MFPRSI issues a publicly available financial report that includes financial statements and required supplementary information. The report which may be obtained by writing to MFPRSI, 2836 104th Street, Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of their earnable compensation and the City's contribution rate may not be less than 17% of earnable compensation. For fiscal year 2003-2004 the City's contribution rate was 20.48%. Contribution requirements are established by State statute. The City's contributions to MFPRSI for the years ended June 30, 2004, 2003, and 2002 were \$736,024, \$617,487, and \$591,270, respectively, which met the required minimum contributions for each year.

Waterworks' Defined Contribution Pension Plan

The Waterworks established a defined contribution pension plan on February 1, 1989. The Waterworks' Board of Trustees establishes and amends the plan provisions which is administered by the Principal Financial Group.

The plan members and the Waterworks are required to contribute 5% of the plan members' total pay on a monthly basis. The Waterworks contributed \$46,200, \$45,400, \$44,300 net of forfeitures, to the plan for the years ended June 30, 2004, 2003, and 2002, respectively.

XI. RISK MANAGEMENT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

The City, in conjunction with Des Moines County, Iowa, the Burlington Municipal Waterworks, the Southeast Iowa Regional Airport Authority, and other organizations participates in a multi-government pool for health insurance which is funded through employer premiums. The City, the County, the Waterworks, the SIRAA, and the other organizations are contingently liable as to medical claims made by the participants in the plan. Effective July 1, 2003 the plan began purchasing coverage through Wellmark Blue Cross/Blue Shield. Coverage purchased includes a \$2,000/\$4,000 deductible, with the plan self-insuring the difference between those amounts and the deductible elected by the employee. Dental and Prescription Drug claims are self-insured. Claims based on occurrences prior to July 1, 1983 remain insured under the previous insurance policies. The handling of all claims and procedures is performed by an independent claims administrator. Settled claims have not exceeded the planned coverage during any of the past three fiscal years.

The City is self insured for general and automotive liability, property, and worker's compensation. The City's general and automotive liability, property, and worker's compensation premiums and claims are accounted for in an internal service fund. Charges are billed to the operating funds based upon actual claims incurred but not reported (IBNR). Unemployment claims are charged quarterly to the applicable funds based upon actual claims as assessed by the State.

Self insurance is in effect up to a stop loss amount of approximately \$50,000 per incident for property coverage, \$100,000 per incident for worker's compensation, and \$250,000 per incident for all other coverage. Reinsurance of \$5,000,000 for liability and \$64,790,880 for buildings and contents are provided over and above the retention amounts. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. The estimated liability does not include any allocated or unallocated claims adjustment expense.

The changes in the aggregate liability for claims for the years ended June 30, 2004 and 2003 are as follows:

	<u>2004</u>	<u>2003</u>
Claims payable, beginning of year	\$ 23,856	\$ 48,014
Incurred claims and other adjustments (including IBNR)	150,030	(6,670)
Claim payments	<u>(127,114)</u>	<u>(17,488)</u>
Claims payable, end of year	<u>\$ 46,772</u>	<u>\$ 23,856</u>

XII. JOINTLY GOVERNED ORGANIZATIONS

The City participates in several jointly governed organizations. The City is a member of the Des Moines County Regional Solid Waste Commission (DMCRSWC). The Solid Waste Commission manages the landfill and the recycling center in Des Moines County. The City, along with ten other governmental entities, form the DMCRSWC. The City provides three board members while each of the other entities provides one board member creating a thirteen member board. The City paid \$210,693 in recycling fees and \$196,764 in landfill charges in fiscal year 2004.

The City also participates in the Joint Safety Committee (JSC). The JSC is a cooperative effort by the City, Des Moines County, and the Burlington Municipal Waterworks to monitor and improve on-the-job safety conditions and to assist in complying with OSHA regulations. Board members are based on number of employees covered with the City appointing two members, the County two members, and the Waterworks one member. The City contributed \$40,915 in fiscal year 2004 to the JSC for operating expenses and also provided accounting services at no cost.

XIII. SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS

The City has entered into an agreement with the Southeast Iowa Regional Airport Authority to help fund the re-construction of a taxiway. The estimated construction is \$7,160,000 which is funded 90% from a Federal Aviation Administration grant. The City has issued \$540,000 in general obligation bonds to assist the SIRAA with their share of the project of \$716,000. The SIRAA is making annual payments over ten years to the City to cover the debt service. As of June 30, 2004 the outstanding balance due the city was \$420,000.

XIV. CONDUIT DEBT OBLIGATIONS

The City has, in the past, assisted in several issues of industrial revenue bonds, issued for the purposes of constructing privately owned manufacturing and other related facilities within the City. The bonds are not direct or contingent liabilities of the City, as the revenue from lease agreements and property purchased with the bond proceeds are pledged for the total payment of principal and interest on the bonds and the bondholders can look only to these sources for repayment. The following are the outstanding issues in which the City assisted:

<u>Company</u>	<u>Type</u>	<u>Issue Year</u>	<u>Amount Issued</u>	<u>Final Maturity</u>
Burlington Medical Center	Refunding	1995	11,785,000	2006

XV. COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

In 1984, under the terms of the Small Cities Community Development Block Grant Program, the City advanced \$1,200,000 to a local construction company for the redevelopment and operation of a housing project in the Flint Hills Manor subdivision of the City. The contract is guaranteed by the officers of the construction company and is due on October 16, 2014.

For the City to receive cash under this agreement, the construction company must meet the principal and interest requirements on all other debt relating to the project as well as all "normal" operating expenses of the project. In addition, the construction company is guaranteed ten percent return on its equity in the project. Funds available after satisfying the above conditions will be divided between the construction company and the City, sixty percent (60%) and 40 percent (40%), respectively.

Any amounts received by the City under these conditions will be considered interest. In no case will the City's rate of return on the \$1,200,000 advance exceed the greater of: (1) the bond rate as of December 31 of the subject year on the First Mortgage Revenue bonds to be issued by the Iowa Housing Finance Authority in conjunction with the project, or (2) the cost of rollover financing on the project, or (3) ten percent (10%). Any funds received from the housing project in excess of the above limitations belong to the construction company. As of June 30, 2004, no cash has been received by the City under this contract.

XVI. COMMITMENTS AND CONTINGENCIES

The City also has outstanding commitments for construction projects including street and sewer improvements, and other miscellaneous construction. The City's commitment to these contracts, net of amounts funded through state and federal grants, is \$1,395,727.

Subsequent to the fiscal year end, the City, The Library Board of Trustees, Burlington Baseball Association, Des Moines County Historical Society and the Des Moines County Conservation Board were awarded a \$5,250,000 Vision Iowa grant to construct several projects. The City received \$1,553,764 to fund improvements to

Memorial Auditorium. The Library received \$676,052 toward construction of a new Library. Both projects must be completed within five years. In October the Library Board of Trustees awarded an \$8,400,000 contract for construction of a new Library building on land donated by Great River Medical Center. Additionally, in November the City Council entered into an agreement with Fun City, LLC to fund construction of a \$1,800,000 Aquatic Center, which is part of a large family recreation center. Under the terms of the agreement the City will receive fifty per cent (50%) of the Cash flow from operation of the Aquatic Center.

The City is a defendant in several claims and lawsuits. In the opinion of the City Attorney and management, the resolution of these matters will not have a material effect on the financial statements of the City.

XVII. NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARDS (GASB) STANDARDS

The Governmental Accounting Standards Board (GASB) has issued two statements not yet implemented by the City of Burlington. The statements, which might impact the City of Burlington are as follows:

Statement No. 40, *Deposit and Investment Risk Disclosures* issued March 2003, will be effective for the City for the fiscal year ending June 30, 2005. This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* issued November 2003, will be effective for the City for the fiscal year ending June 30, 2006. This statement establishes accounting and financial reporting standards for impairment of capital assets and also clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* issued April, 2004 will be effective for the City for the fiscal year ending June 30, 2008. This statement establishes uniform financial reporting standards for other post employment benefit(OPEB) plans and supersedes the interim guidance included in statement No. 26. This statement effects reporting by administrators or trustees of OPEB plan assets by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports.

Statement No. 44, *Economic Condition Reporting: The Statistical Section* issued May 2004, will be effective for the City for the fiscal year ending June 30, 2006. This statement amends previous guidance regarding preparation of the statistical section for governments that issue a comprehensive annual financial report.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* issued June 2004, will be effective for the City for the fiscal year ending June 30, 2009. This statement establishes standards for the measurement, recognition, and display of (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local government employers.

The City's management has not yet determined the effect these statements will have on the City's financial statements.

Nonmajor Governmental Funds

Special revenue funds are used to account for specific revenues that are legally or administratively restricted to expenditure for a particular purpose.

Hotel/Motel Tax Fund - Accounts for the expenditure of available monies from the City's tax on hotel and motel rooms.

Special Assessments Fund - Accounts for assessments placed on specific properties for improvements that affect those properties.

Community Development Fund - Accounts for block grants received to rehabilitate and improve designated declining areas within the City.

Recreation Fund - Accounts for revenues designated to provide the citizens recreational opportunities.

Employee Benefits Fund - Accounts for property taxes levied for FICA, IPERS, and other employee benefits.

Equipment Replacement Fund - Accounts for the purchase and replacement of capital equipment for general operations of the City.

Bridge Fund - Accounts for the funds retained by the City following the replacement of the MacArthur Bridge, to be used for maintenance of the new bridge.

Airport Levy Fund - Accounts for the property taxes levied to fund the City's membership contribution to the Southeast Iowa Regional Airport Authority.

Downtown SSMID District Fund - Accounts for the self-imposed property tax levy by a downtown district, to be used for the promotion and improvement of that district.

Special Contribution Fund - Accounts for donations restricted by donors to specific activities and purposes.

CTAC Internet Fund – Accounts for the receipt of funds contributed by the entities utilizing the City's Wide Area Network and the corresponding expenditures to maintain the system.

City of Burlington, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004

	Special Revenue										Total Governmental Funds	
	Hotel/Motel Tax	Special Assessments	Community Development	Recreation	Employee Benefits	Equipment Replacement	Bridge	Airport Levy	CTAC Internet	Downtown SSMID District		Special Contribution
Assets												
Cash and cash equivalents	\$ 12,677	\$ 0	\$ 0	\$ 0	\$ 27	\$ 4,147	\$ 39,097	\$ 0	\$ 15,299	\$ 4,727	\$ 294,657	\$ 370,631
Receivables:												
Taxes	0	0	0	0	936,308	0	0	112,265	0	65,370	0	1,113,943
Accounts	0	0	13,950	1,541	0	0	-	0	0	0	\$ 13,292	28,783
Special assessments	0	148,912	0	0	0	0	0	0	0	0	0	148,912
Intergovernmental	0	0	0	0	0	0	0	0	0	0	0	-
Due from Other Funds	216,686	0	0	0	0	0	0	0	0	0	0	216,686
Prepaid contracts	0	0	0	0	0	0	0	512	0	0	0	512
Total assets	<u>\$ 229,363</u>	<u>\$ 148,912</u>	<u>\$ 13,950</u>	<u>\$ 1,541</u>	<u>\$ 936,335</u>	<u>\$ 4,147</u>	<u>\$ 39,097</u>	<u>\$ 112,777</u>	<u>\$ 15,299</u>	<u>\$ 70,097</u>	<u>\$ 307,949</u>	<u>\$ 1,879,467</u>
Liabilities and fund balances (deficits)												
Liabilities												
Accounts payable	\$ 41,888	\$ -	\$ 1,700	\$ 12,853	\$ 0	\$ 0	\$ 355	\$ 0	\$ 242	\$ 0	\$ 400	\$ 57,438
Due to other funds	0	998	71,631	106,987	0	0	0	37,070	0	0	0	216,686
Deferred revenue	0	144,781	9,675	0	928,779	0	0	110,336	0	64,110	0	1,257,681
Total liabilities	<u>41,888</u>	<u>145,779</u>	<u>83,006</u>	<u>119,840</u>	<u>928,779</u>	<u>0</u>	<u>355</u>	<u>147,406</u>	<u>242</u>	<u>64,110</u>	<u>400</u>	<u>1,531,805</u>
Fund balances (deficits)												
Reserved for encumbrances	20,626	0	-	0	0	0	2,963	0	0	0	0	23,589
Unreserved, undesignated	166,849	3,133	(69,056)	(118,299)	7,556	4,147	35,779	(34,629)	15,057	5,987	307,549	324,073
Total fund balances (deficits)	<u>187,475</u>	<u>3,133</u>	<u>(69,056)</u>	<u>(118,299)</u>	<u>7,556</u>	<u>4,147</u>	<u>38,742</u>	<u>(34,629)</u>	<u>15,057</u>	<u>5,987</u>	<u>307,549</u>	<u>347,662</u>
Total liabilities and fund balances (deficits)	<u>\$ 229,363</u>	<u>\$ 148,912</u>	<u>\$ 13,950</u>	<u>\$ 1,541</u>	<u>\$ 936,335</u>	<u>\$ 4,147</u>	<u>\$ 39,097</u>	<u>\$ 112,777</u>	<u>\$ 15,299</u>	<u>\$ 70,097</u>	<u>\$ 307,949</u>	<u>\$ 1,879,467</u>

City of Burlington, Iowa

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits)
Nonmajor Governmental Funds
For the Year Ended June 30, 2004

	Special Revenue										Total Governmental Funds	
	Hotel/Motel Tax	Special Assessments	Community Development	Recreation	Employee Benefits	Equipment Replacement	Bridge	Airport Levy	CTAC Internet	Downtown SSMID District		Special Contribution
Revenues:												
Property taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 334,336	\$ 0	\$ 0	\$ 112,427	0	\$ 64,018	\$ 0	\$ 510,781
Other taxes and assessments	0	44,031	0	0	13,412	0	0	4,535	0	0	0	61,978
Fines and forfeitures	0	0	0	1,839	0	0	0	0	0	0	0	1,839
Intergovernmental	0	0	127,966	0	0	0	0	0	0	0	19,163	147,129
Charges for services	0	0	0	7,195	0	0	3,172	0	8,788	0	0	19,155
Use of money and property	364	0	0	8,160	248	9	98	0	0	0	476	9,355
Other	9,100	0	4,889	2,808	0	0	700	0	0	0	189,216	206,713
Total revenues	9,464	44,031	132,855	20,002	347,996	9	3,970	116,962	8,788	64,018	208,855	956,950
Expenditures:												
Current operating:												
Public Safety	0	0	0	0	0	0	0	0	0	0	28,987	28,987
Culture and Recreation	223,484	0	0	104,233	0	0	7,278	0	0	0	138,817	473,812
Public Works	0	0	0	0	0	0	10,211	115,222	14,612	61,584	0	201,629
Community and Economic Development	0	0	104,367	0	0	0	0	0	0	0	0	104,367
Total expenditures	223,484	0	104,367	104,233	0	0	17,489	115,222	14,612	61,584	167,804	808,795
Excess (deficiency) of revenues over (under) expenditures	(214,020)	44,031	28,488	(84,231)	347,996	9	(13,519)	1,740	(5,824)	2,434	41,051	148,155
Other financing sources (uses):												
Transfers in	306,540	0	0	82,709	0	0	0	0	0	0	0	389,249
Transfers out	(20,000)	(40,210)	0	0	(348,807)	0	0	0	0	0	(7,500)	(416,517)
Total other financing sources and uses	286,540	(40,210)	0	82,709	(348,807)	0	0	0	0	0	(7,500)	(27,268)
Net change in fund balance	72,520	3,821	28,488	(1,522)	(811)	9	(13,519)	1,740	(5,824)	2,434	33,551	120,887
Fund balances (deficits), beginning	114,955	(688)	(97,544)	(116,777)	8,367	4,138	52,261	(36,369)	20,881	3,553	273,998	226,775
Fund balances (deficits), ending	\$ 187,475	\$ 3,133	\$ (69,056)	\$ (118,299)	\$ 7,556	\$ 4,147	\$ 38,742	\$ (34,629)	\$ 15,057	\$ 5,987	\$ 307,549	\$ 347,662

City of Burlington, Iowa
Combining Statement of Net Assets
Internal Service Funds
June 30, 2004

	<u>Property Maintenance</u>	<u>Vehicle Maintenance</u>	<u>Safety Coordination</u>	<u>Self Insurance</u>	<u>Miscellaneous Service</u>	<u>Total</u>
Assets						
Current assets:						
Receivables:						
Accounts	0	25,763	35,986	0	3,214	64,963
Inventories	0	38,123	0	0	0	38,123
Prepaid contracts	3,551	6,354	0	0	0	9,905
Total current assets	3,551	70,240	35,986	0	3,214	112,991
Noncurrent assets:						
Capital assets:						
Buildings, infrastructure, and equipment, net	\$ 206,154	708,460	0	0	0	914,614
Total noncurrent assets	206,154	708,460	0	0	0	914,614
Total assets	<u>\$ 209,705</u>	<u>\$ 778,700</u>	<u>\$ 35,986</u>	<u>\$ 0</u>	<u>\$ 3,214</u>	<u>\$ 1,027,605</u>
Liabilities						
Current liabilities:						
Accounts payable	\$ 11,656	\$ 14,418	\$ 3,331	\$ 24,819	\$ 8,536	\$ 62,760
Claims payable	0	0	0	46,772	0	46,772
Due to other funds	128,469	166,694	31,436	29,227	15,317	371,143
Bond interest payable	594	2,888	0	0	0	3,482
Current portion of long-term obligations	9,392	15,015	240	0	0	24,647
Total current liabilities	150,111	199,015	35,007	100,818	23,853	508,804
Noncurrent liabilities:						
Noncurrent portion of long-term obligations	145,641	619,544	724	0	0	765,909
Total liabilities	295,752	818,559	35,731	100,818	23,853	1,274,713
Net Assets						
Invested in capital assets, net of related debt	\$ 99,214	95,300	0	0	0	194,514
Unrestricted (deficit)	(185,261)	(135,159)	255	(100,818)	(20,639)	(441,622)
Total net assets	(86,047)	(39,859)	255	(100,818)	(20,639)	(247,108)
Total liabilities and net assets	<u>\$ 209,705</u>	<u>\$ 778,700</u>	<u>\$ 35,986</u>	<u>\$ 0</u>	<u>\$ 3,214</u>	<u>\$ 1,027,605</u>

Internal Service Funds

Internal service funds are used to finance and account for goods or services provided by one department or agency of the City to other departments or agencies of the City and to other government units, on a cost reimbursement basis.

Property Maintenance Fund - Accounts for the activities associated with maintaining and servicing the City's buildings and grounds beyond traditional janitorial service on a cost reimbursement basis.

Vehicle Maintenance Fund - Accounts for the operations of a central vehicle maintenance garage and fuel distribution system. All costs incurred for vehicle maintenance, operations, and fuel are charged to departments and other governments on a cost reimbursement basis.

Safety Coordination Fund - Accounts for the operations of the safety coordinator. All costs incurred for such activities are charged to funds and other governments on a cost reimbursement basis.

Self Insurance Fund - Accounts for insurance claims against the City and the administration of the self insurance plan. All paid claims and administration costs are charged to departments as premiums based on departmental claims experience. Premiums are designed on a cost reimbursement basis.

Miscellaneous Service Fund - Accounts for miscellaneous activities and purchases incurred on the behalf of all City departments. All costs incurred are expected to be reimbursed by departments on a cost reimbursement basis.

City of Burlington, Iowa

Combining Statement of Revenues, Expenses, and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2004

	Property Maintenance	Vehicle Maintenance	Safety Coordination	Self Insurance	Miscellaneous Service	Total
Operating revenues:						
Charges for services	\$ 330,986	\$ 471,154	\$ 84,212	\$ 94,766	\$ 0	\$ 981,118
Other	0	11,562	40	0	594,831	606,433
Total operating revenues	330,986	482,716	84,252	94,766	594,831	1,587,551
Operating expenses:						
Personal services	326,110	178,829	70,539	0	0	575,478
Contractual services	21,976	19,457	5,303	143,154	597,001	786,891
Operating supplies	9,130	245,533	8,525	0	877	264,065
Depreciation	23,560	21,340	0	0	0	44,900
Total operating expenses	380,776	465,159	84,367	143,154	597,878	1,671,334
Operating income (loss)	(49,790)	17,557	(115)	(48,388)	(3,047)	(83,783)
Nonoperating revenues (expenses):						
Interest expense	(6,192)	(30,112)	0	0	0	(36,304)
Total nonoperating revenues (expenses)	(6,192)	(30,112)	0	0	0	(36,304)
Net income (loss) before contributions and transfers	(55,982)	(12,555)	(115)	(48,388)	(3,047)	(120,087)
Transfers in	0	0	0	25,000	0	25,000
Transfers Out	(2,980)	(14,490)	0	0	0	(17,470)
Change in net assets	(58,962)	(27,045)	(115)	(23,388)	(3,047)	(112,557)
Total net assets - beginning	(27,085)	(12,814)	370	(77,430)	(17,592)	(134,551)
Total net assets - ending	\$ (86,047)	\$ (39,859)	\$ 255	\$ (100,818)	\$ (20,639)	\$ (247,108)

City of Burlington, Iowa

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2004

	Property Maintenance	Vehicle Maintenance	Safety Coordination	Self Insurance	Miscellaneous Service	Totals
Cash flows from operating activities:						
Receipts from customers	\$ 0	\$ 17,030	\$ 72,001	\$ 94,766	\$ 0	\$ 183,797
Payments to suppliers	(20,151)	(261,823)	(11,074)	0	(595,273)	(888,321)
Payments to employees	(326,110)	(178,829)	(70,539)	0	0	(575,478)
Internal activity-payments to (from) other funds	330,986	471,154	0	0	0	802,140
Claims paid to outsiders	0	0	0	(100,137)	0	(100,137)
Other receipts (payments)	0	0	0	0	591,617	591,617
Net cash provided (used) by operating activities	(15,275)	47,532	(9,612)	(5,371)	(3,656)	13,618
Cash flows from noncapital financing activities:						
Operating subsidies and transfers to other funds	(2,980)	(14,490)				(17,470)
Operating subsidies and transfers from other funds	0	0	0	25,000	0	25,000
Proceeds (payments) from/to interfund accounts	26,917	9,070	9,612	(19,629)	3,656	29,626
Net cash provided (used) by noncapital financing activities	23,937	(5,420)	9,612	5,371	3,656	37,156
Cash flows from capital and related financing activities:						
Purchase of Capital Assets	0	0	0	0	0	0
Principal paid on Capital Debt	(2,470)	(12,000)	0	0	0	(14,470)
Interest paid on capital debt	(6,192)	(30,112)	0	0	0	(36,304)
Net cash provided (used) by capital and related financing activities	(8,662)	(42,112)	0	0	0	(50,774)
Cash flows from investing activities:						
Interest received	0	0	0	0	0	0
Net increase (decrease) in cash and cash equivalents	0	0	0	0	0	0
Balances - beginning of year	0	0	0	0	0	0
Balances - end of year	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ (49,790)	\$ 17,557	\$ (115)	\$ (48,388)	\$ (3,047)	\$ (83,783)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	23,560	21,340	0	0	0	44,900
Changes in assets and liabilities:						
Receivables, net	0	5,432	(12,211)	0	(3,214)	(9,993)
Inventories	0	2,558	0	0	0	2,558
Prepaid contracts	846	1,191	0	0	0	2,037
Accounts and other payables	10,109	(546)	2,714	43,017	2,605	57,899
Internal activity - due to other funds	0	0	0	0	0	0
Net cash provided (used) by operating activities	<u>\$ (15,275)</u>	<u>\$ 47,532</u>	<u>\$ (9,612)</u>	<u>\$ (5,371)</u>	<u>\$ (3,656)</u>	<u>\$ 13,618</u>

City of Burlington, Iowa

Actual and Taxable Valuation
Last Ten Fiscal Years

Actual Valuation

	As of January 1:									
	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Residential	\$ 627,881,056	\$ 623,912,452	\$ 547,438,007	\$ 543,451,881	\$ 544,901,733	\$ 528,618,110	\$ 484,038,828	\$ 474,892,686	\$ 402,977,137	\$ 397,993,348
Agricultural land	1,975,080	2,229,005	2,075,291	2,122,602	1,638,657	2,020,046	1,466,919	1,741,986	1,733,377	1,734,230
Agricultural buildings	107,625	112,502	116,293	116,293	119,012	214,267	156,212	156,978	198,403	198,693
Commercial	172,873,480	169,054,432	166,845,453	162,042,544	161,191,613	150,511,036	133,939,538	127,688,407	134,259,459	135,452,351
Industrial	55,639,205	55,891,772	55,823,330	55,427,861	51,432,711	50,345,325	50,314,349	49,707,472	45,761,107	44,416,303
Personal/Real estate	-	6,876,354	16,486,325	27,442,798	38,817,188	40,712,170	43,280,529	46,196,292	50,446,497	53,579,118
Railroad	1,985,670	2,059,156	2,234,422	2,264,025	1,988,411	0	0	0	0	0
Utilities	5,297,421	4,885,266	4,383,530	4,318,077	33,509,659	34,901,815	32,964,431	32,646,485	35,529,527	28,157,354
Utility Reimburse	28,996,535	27,966,227	27,085,086	26,824,733	0	0	0	0	0	0
Other	-	506,300	0	0	0	0	0	589,775	620,816	0
Gross valuation	\$ 894,756,072	\$ 893,493,466	\$ 822,487,737	\$ 824,010,814	\$ 833,598,984	\$ 807,322,769	\$ 746,160,806	\$ 733,620,081	\$ 671,526,323	\$ 661,531,397
Less: Military exemption		4,519,996	4,592,196	4,707,946	4,579,996	4,665,188	4,736,490	4,825,386	4,926,320	4,963,360
Net valuation	\$ 894,756,072	\$ 888,973,470	\$ 817,895,541	\$ 819,302,868	\$ 829,018,988	\$ 802,657,581	\$ 741,424,316	\$ 728,794,695	\$ 666,600,003	\$ 656,568,037
Incremental value	29,806,623	29,903,510	28,615,501	28,271,364	29,998,368	16,941,882	6,678,436	17,449,907	19,849,264	18,468,267
Actual valuation	\$ 924,562,695	\$ 918,876,980	\$ 846,511,042	\$ 847,574,232	\$ 859,017,356	\$ 819,599,463	\$ 748,102,752	\$ 746,244,602	\$ 686,449,267	\$ 675,036,304
Percent change	0.619%	8.549%	-0.125%	-1.332%	4.809%	9.557%	0.249%	8.711%	1.691%	

Taxable Valuation

	As of January 1:									
	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Residential	\$ 322,651,750	\$ 322,360,590	\$ 308,016,542	\$ 298,096,943	\$ 305,003,335	\$ 290,258,918	\$ 284,752,298	\$ 278,574,632	\$ 270,552,142	\$ 270,796,266
Agricultural land	1,975,080	2,229,005	2,075,291	2,044,874	1,638,657	1,937,284	1,466,919	1,741,986	1,733,377	1,734,230
Agricultural buildings	107,625	112,502	116,293	112,034	119,012	206,597	156,212	156,978	198,403	198,693
Commercial	172,873,480	165,296,369	166,845,453	160,054,606	161,191,613	146,538,448	133,939,538	124,029,881	134,259,459	135,452,351
Industrial	55,639,205	55,891,772	55,823,330	55,427,861	51,432,711	50,345,325	50,314,349	49,707,472	45,761,107	44,416,303
Personal/Real estate	-	6,876,354	16,486,325	27,442,798	38,817,188	40,712,170	43,280,529	46,196,292	50,446,497	53,579,118
Railroad	1,985,670	2,013,239	2,234,422	2,264,025	1,988,411	0	0	0	0	0
Utilities	5,297,421	4,885,266	4,383,530	4,318,077	33,509,659	34,860,810	32,964,431	32,587,537	34,537,898	28,157,354
Utility Reimburse	28,996,535	27,966,227	27,085,086	26,824,733	0	0	0	0	0	0
Other	\$ -	\$ 506,300	0	0	0	0	0	573,747	620,816	0
Gross valuation	\$ 589,526,766	\$ 588,137,624	\$ 583,066,272	\$ 576,585,951	\$ 593,700,586	\$ 564,859,552	\$ 546,874,276	\$ 533,568,525	\$ 538,109,699	\$ 534,334,315
Less: Military exemption	4,399,923	4,519,996	4,592,196	4,707,946	4,579,996	4,665,188	4,736,490	4,825,386	4,926,320	4,963,360
Net valuation	\$ 585,126,843	\$ 583,617,628	\$ 578,474,076	\$ 571,878,005	\$ 589,120,590	\$ 560,194,364	\$ 542,137,786	\$ 528,743,139	\$ 533,183,379	\$ 529,370,955
Incremental value	29,806,623	29,903,510	28,615,501	28,271,364	29,998,368	16,941,882	6,678,436	17,449,907	19,849,264	18,468,267
Taxable valuation	\$ 614,933,466	\$ 613,521,138	\$ 607,089,577	\$ 600,149,369	\$ 619,118,958	\$ 577,136,246	\$ 548,816,222	\$ 546,193,046	\$ 553,032,643	\$ 547,839,222
Percent change	0.230%	1.059%	1.156%	-3.064%	7.274%	5.160%	0.480%	-1.237%	0.948%	

City of Burlington, Iowa

General Governmental Revenues by Source (1)
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Taxes and Assessments</u>	<u>Licenses and Permits</u>	<u>Intergovernmental</u>	<u>Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Use of Money and Property</u>	<u>Other</u>	<u>Total</u>
1995*	5,779,246	267,276	4,588,094	716,297	119,871	179,001	30,920	11,680,705
1996	9,025,799	174,568	3,653,465	510,916	84,977	505,949	240,877	14,196,551
1997	10,698,106	251,040	3,504,631	439,933	83,487	261,019	149,769	15,387,985
1998	10,406,165	305,561	3,361,395	630,711	108,441	355,342	175,293	15,342,908
1999	11,213,382	332,186	3,809,088	825,050	106,975	383,401	215,704	16,885,786
2000	12,304,136	309,382	3,824,386	865,368	106,877	330,563	203,970	17,944,682
2001	11,810,679	280,331	4,062,456	888,879	70,124	294,644	313,736	17,720,849
2002	12,251,636	319,302	4,123,205	1,043,001	65,124	320,752	646,174	18,769,194
2003	12,424,910	344,680	3,969,033	1,202,008	74,210	271,837	380,122	18,666,800
2004	12,885,128	219,816	3,262,060	1,465,067	102,293	295,746	403,607	18,633,717

* Cash basis of accounting used.

(1) Includes General, Special Revenue, and Debt Service Funds.

City of Burlington, Iowa

Property Tax Levies and Collections
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Property Taxes Collected</u>	<u>Delinquent Property Tax Collections</u>	<u>Total Property Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>
1995*	7,138,991	7,564,535	105.96%	19,230	7,583,765	106.23%
1996	6,959,679	6,888,058	98.97%	33,285	6,921,343	99.45%
1997	6,981,887	7,050,498	100.98%	10,110	7,060,608	101.13%
1998	6,711,884	6,832,866	101.80%	10,800	6,843,666	101.96%
1999	6,813,391	6,868,641	100.81%	6,352	6,874,993	100.90%
2000	7,357,016	7,360,147	100.04%	6,374	7,366,521	100.13%
2001	6,850,813	6,834,547	99.76%	5,323	6,839,870	99.84%
2002	7,109,690	7,020,999	98.75%	67,370	7,088,369	99.70%
2003	7,414,455	7,274,017	98.11%	3,203	7,277,220	98.15%
2004	7,511,062	7,536,167	100.33%	87,211	7,623,377	101.50%

* Cash basis of accounting used.

City of Burlington, Iowa

**Property Tax Rates - All Direct and Overlapping Governments
Per \$1,000 Assessed Valuation
Last Ten Fiscal Years**

Fiscal Year	Burlington School District Levy	City of Burlington Levy	Other Levies	Total Levy	Percent of City of Burlington Levy to Total Levy
1994/95	16.1622	13.4966	6.7104	36.3692	37.11%
1995/96	16.2674	12.2266	6.0107	34.5047	35.43%
1996/97	15.8054	12.2863	7.5852	35.6769	34.44%
1997/98	15.6457	12.1138	7.2749	35.0345	34.58%
1998/99	15.1878	12.1346	7.2478	34.5702	35.10%
1999/00	14.4788	12.2787	7.3314	34.0889	36.02%
2000/01	14.5734	12.3560	8.1427	35.0722	35.23%
2001/02	14.5401	12.7558	8.1577	35.4535	35.98%
2002/03	14.2585	13.1348	8.8979	36.2912	36.19%
2003/04	14.1205	13.2841	8.8183	36.2229	36.67%

City of Burlington, Iowa

Ratio of Net General Obligation Bonded Debt to Taxable Valuation
and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Taxable Valuation	Gross General Obligation Bonded Debt	Less Debt Service Fund	Debt Payable from Proprietary Funds	Debt Payable from TIF Revenues	Net Bonded Debt	Ratio of Net Bonded Debt to Taxable Valuation	Net Bonded Debt Per Capita
1995*	27,209	529,370,955	4,450,000	(39,682)	185,000	1,100,000	3,204,682	0.6054%	117.78
1996	27,209	533,183,379	3,840,000	(19,735)	165,000	880,000	2,814,735	0.5279%	103.45
1997	27,209	528,743,139	7,665,000	(11,927)	695,000	2,447,500	4,534,427	0.8576%	166.65
1998	27,209	542,137,786	11,450,000	32,394	618,064	4,598,573	6,200,969	1.1438%	227.90
1999	27,209	560,194,364	16,070,000	22,361	637,245	6,711,900	8,698,494	1.5528%	319.69
2000	27,209	589,120,590	21,690,000	14,988	2,689,029	6,272,615	12,713,368	2.1580%	467.25
2001	26,839	571,878,005	19,810,000	(26,361)	2,591,057	4,520,000	12,725,304	2.2252%	474.13
2002	26,839	578,474,076	25,080,000	(49,986)	2,514,243	3,910,000	18,705,743	3.2336%	696.96
2003	26,839	583,617,628	24,980,000	1,595,430	1,499,646	3,434,334	18,450,590	3.1614%	687.45
2004	26,839	583,044,138	29,585,000	(152,490)	6,860,010	2,800,734	20,076,746	3.4434%	748.04

* Cash basis of accounting used.

(1) Source: U.S. Census Bureau.

City of Burlington, Iowa

General Governmental Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	Public Safety	Culture and Recreation	Public Works	Community and Economic Development	Health and Social Services	General Government	Debt Service	Total	Ratio of Debt Service to General Government Expenditures
1995*							351,924	11,880,498	2.96%
1996							540,245	14,074,244	3.84%
1997							523,425	13,470,244	3.89%
1998							1,876,834	15,198,526	12.35%
1999							2,234,154	16,334,840	13.68%
2000							2,598,473	17,653,625	14.72%
2001							2,760,255	17,929,656	15.39%
2002							3,055,806	19,388,193	15.76%
2003	7,364,258	3,284,973	3,285,576	703,826	3,014	1,253,311	3,379,005	19,273,963	17.53%
2004	7,550,767	3,098,643	3,329,587	524,932	1,481	1,138,810	3,028,117	18,672,337	16.22%

* Cash basis of accounting used.

(1) Includes General, Special Revenue, and Debt Service Funds.

Note: Fiscal 2002-2003 represents the first year in which the city reported using the nine functions

City of Burlington, Iowa

Enterprise Activity Operating Revenues
Last Ten Fiscal Years

Activity	Year Ended June 30									
	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995*
Parking	\$ 66,297	\$ 59,954	\$ 62,608	\$ 78,207	\$ 129,984	\$ 137,625	\$ 184,836	\$ 104,308	\$ 116,133	\$ 117,742
Bridge (1)	0	0	0	0	0	0	0	0	0	82,541
Sewer	3,056,042	2,910,312	2,843,597	2,802,098	2,749,570	2,547,871	2,575,108	2,415,178	2,319,134	2,332,442
Airport (2)	0	0	0	0	0	0	0	0	640,640	402,041
Solid Waste Management	1,053,177	1,066,272	1,062,608	1,052,534	1,047,524	1,165,627	1,022,740	1,119,330	1,015,611	832,749
Flint Hills Golf Course	395,733	357,447	284,261	400,756	450,865	420,891	404,425	415,872	321,583	360,434
Recplex (3)	326,815	303,828	243,417	236,641	160,940	7,867	0	0	0	0

* Cash basis of accounting used.

(1) Bridge fund was reclassified as a special revenue fund after the demolition of the Mac Arthur Bridge and the construction of the Great River Bridge. The City does not have ownership of the Great River Bridge and cannot collect tolls on its usage.

(2) The airport was transferred to the Southeast Iowa Regional Airport Authority on July 1, 1996. The City no longer has ownership of the airport operations and the Airport Fund has been discontinued.

(3) The Recplex opened for operations late in the spring of 1999.

City of Burlington, Iowa

**Computation of Legal Debt Margin
June 30, 2004**

Total assessed valuation as of January 1, 2002	\$ 924,562,695
Debt limit - 5% of assessed valuation	\$ 46,228,135
Amount of debt applicable to limit:	
General obligation bonds	\$ 29,585,000
Note from Grow Greater Burlington	\$ 223,200
Total Applicable to Limit	<u>\$ 29,808,200</u>
Legal debt margin	<u>\$ 16,419,935</u>
Percent of debt limit	35.52%

City of Burlington, Iowa

Computation of Direct and Overlapping Bonded Debt
General Obligation Bonds
June 30, 2004

	<u>Net General Bonded Debt June 30, 2004</u>	<u>Percent Applicable to City</u>	<u>Direct and Overlapping Bonded Debt</u>	<u>Underlying Bonded Debt</u>
City of Burlington	\$ 20,076,746 (1)	100.0000%	\$ 20,076,746	\$ 0
Great River Area Education Agency	2,000,000	20.7400%	414,800	1,585,200
Southeastern Community College	14,566,638	20.7400%	3,021,121	11,545,517
West Burlington Community School District	3,565,000	14.0300%	500,170	3,064,831
Des Moines County	500,000	51.1100%	255,550	244,450
Burlington Community School District	<u>0</u>	79.5000%	<u>0</u>	<u>0</u>
Total direct and overlapping bonded debt	<u>\$ 40,708,384</u>		<u>\$ 24,268,386</u>	<u>\$ 16,439,998</u>

(1) Excludes general obligation bonds reported in proprietary funds and general obligation bonds payable from TIF revenues.

City of Burlington, Iowa

Principal Taxpayers

<u>Taxpayer</u>	<u>Type of Business</u>	<u>January 1, 2002 Taxable Valuation</u>	<u>Percent of Total Taxable Value</u>
Case New Holland (CNH)	Industrial wheel and crawler tractors, loaders, forklifts, and accessories	\$ 14,624,400	2.41%
Qwest Communications	Communications and networking services	5,097,287	0.84%
Federal Mogul Company	Champion spark plugs	7,240,859	1.19%
Winegard Company	Distribution systems and related products	9,144,800	1.51%
Burlington Northern & Sante Fe Railroad	Locomotive rebuilding and repair	8,700,980	1.43%
Vista Bakery	Cookies and crackers	6,196,500	1.02%
Aldi, Inc.	Grocery Distribution	5,527,600	0.91%
Tuthill Corporation	Steam Turbines	5,086,800	0.84%
Mesker Investment Co. L.C.	Holding Company	5,606,700	0.92%
		<u>\$ 67,225,926</u>	<u>11.07%</u>

607,089,577.00

City of Burlington, Iowa**Major Area Employers**

Name	Product	Approximate Number of Employees
Aldi, Incorporated	Grocery/Distribution Center	100-200
Alfagomma	Hydraulic Tubing	50-100
American Ordinance	Explosives and ammunition	1,000-2,000
Antennacraft, Division of RadioShack Corporation	TV antenna and associated electronics	50-100
APAC Customer Service & Sales		100-200
Borghi International	Hydraulic Piping	50-100
Burlington Basket Company	Baby and picnic baskets, play pens and clothes hampers	100-200
Burlington Northern Santa Fe, Inc.	Locomotive rebuilding and repair	200-500
Case New Holland	Industrial wheel and crawler tractors, loaders, forklifts, and accessories	200-500
Cessford Construction Company	Concrete aggregate, agricultural limestone, asphalt, sand and gravel	100-200
Champion Spark Plug, Division of Federal Mogul	Champion spark plugs	500-1,000
Chittenden & Eastman Co	Upholstered furniture-mattresses	50-100
CSI Employment		200-500
Diamond Vogel Paint Company	Paint	50-100
ESCP Corporation		50-100
Flint Cliffs Mfg.	Feeders, waterers, egg laying nests, metal fabricating, slotted steel doors	50-100
General Electric Company	Low and medium voltage switch gear	500-1,000
Great River Medical Center	Healthcare	1,000-2,000
Hawk Eye, The	Daily newspaper, printing	100-200
Hawkeye Concrete Products	Concrete products	100-200
Lamont Limited	Wicker furniture and shelving	200-500
Manpower Temporary Services	Employment Services	100-200
Modern Welding Company	Steel tanks, storage bins and hoppers	50-100
P.P.G. Industries	Tempered glass	50-100
Precision Resistive Products		50-100
Raider Precast Concrete	Concrete Products	200-500
Ron Weber & Associates		50-100
Sterzing Food Company	Potato Chips	50-100
Tuthill Corporation, Murray Turbo Division	Steam turbines	100-200
U.S. Gypsum Company	Gypsum products, wallboard	200-500
Vista Bakery	Cookies and crackers	500-1,000
Wal-Mart Stores	Discount store	200-500
Winegard Company	Distribution systems and related products	200-500

City of Burlington, Iowa

Historical Economic Data
Last Ten Years

Employment			Retail Sales (3)			Building Permits			Banking (3)	
Calendar Year	Population (1)	Unemployment Rate (2)	Year Ended 3/31	Retail Permits	Retail Sales	Fiscal Year	Number of Permits Issued	Dollar Value of Permits Issued	Calendar Year	Combined Deposits
1994	27,209	5.5%	1994	848	273,421,999	1995	1,004	14,179,413	1993	377,700,000
1995	27,209	5.2%	1995	857	272,276,940	1996	915	18,776,784	1994	347,511,000
1996	27,209	4.9%	1996	863	275,478,106	1997	822	14,992,629	1995	312,553,000
1997	27,209	3.6%	1997	846	282,766,323	1998	769	18,458,064	1996	328,285,000
1998	27,209	3.4%	1998	843	259,558,335	1999	712	14,044,333	1997	347,337,000
1999	27,209	4.1%	1999	836	269,407,908	2000	697	8,285,573	1998	356,288,000
2000	26,839	4.5%	2000	831	270,701,424	2001	795	24,293,373	1999	354,163,000
2001	26,839	5.7%	2001	807	266,956,374	2002	644	18,244,317	2000	361,044,000
2002	26,839	5.9%	2002	793	253,673,761	2003	223	23,637,000	2001	381,794,000
2003	26,839	6.7%	2003	745	262,295,174	2004	223	18,739,000	2002	464,494,000

(1) U.S. Census Bureau.

(2) Job Service of Iowa.

(3) Piper Jaffray, Inc.

City of Burlington, Iowa

Miscellaneous Statistical Data

Date of incorporation	July 2, 1836
Form of government	Council-Manager
Area	14 Square Miles
Employees as of June 30, 2004:	
Permanent	225
Part-time and temporary	136
Police protection:	
Number of stations	1
Number of sworn officers	42
Fire protection:	
Number of stations	2
Number of fire fighting personnel	46
Recreation:	
Number of parks	13
Number of acres	220
Golf courses	2
Swimming pools	1
Minor league baseball	Class A
Wastewater Treatment Facilities:	
Number of facilities	1
Daily average treatment in gallons	7.6 million
Maximum daily capacity in gallons	18 million
Major pumping stations	3
Minor pumping stations	10
Airports:	
Number of airports	1
Number of runways	2
Number of commercial carriers	1
Other facilities:	
Apple trees museum	1
Community field	1
Municipal auditorium	1
Port of Burlington	1
Public library	1
Senior center	1
Transportation depot	1
Schools:	
Public	11
Parochial	3
Community colleges	1
Cemeteries	5

City of Burlington, Iowa

**Principal Officials
Salaries and Length of Service
June 30, 2004**

	Annual Salary	Years of Service
Elected officials:		
Mike Edwards, Mayor	\$ 6,600	6 1/2
Mary M. Baker, Council Member	6,000	2 1/2
Mike Campbell, Council Member	6,000	1/2
William Ell, Council Member	6,000	1/2
Chris King, Council Member	6,000	2 1/2
Appointed officials:		
Bruce Slagle, City Manager	\$ 83,821	6 1/2
Scott Power, City Attorney	18,000	8
Kathleen P. Salisbury, City Clerk	42,454	18 1/2
John Mercer, Director of Development	56,156	5 1/2
Douglas J. Worden, Deputy City Manager	65,958	26 1/2
Tom Clements, Fire Chief	62,210	4
Karen Weiss, Library Director	59,622	16 1/2
Phillip Collier, Parks and Recreation Superintendent	58,726	27
Bev Hunter, Personnel Director	47,454	9
Dave Wunnenberg, Police Chief	64,550	6
Ron Knoke, Public Works Director	72,372	7 1/2
Donald Fitting, Wastewater Treatment Facility Superintendent	59,640	22

City of Burlington, Iowa

Insurance Schedule

June 30, 2004

Insurance Company	Policy Number	Type of Coverage	Liability Limits	Policy Expiration
Iowa Underground Storage Tank	8811049	Underground Storage Tank Policy	\$1,000,000 per occurrence \$1,000,000 aggregate	10/26/2005
Westfield Insurance Company	CWP-3 757 861	Money and Securities Policy	Varies	3/29/2005
Mount Vernon Fire Insurance Company	CL2232957C	Dramshop Liability - Flint Hills Golf Course	\$500,000 each occurrence \$1,000,000 aggregate	6/16/2005
Mount Vernon Fire Insurance Company	CL2231649	Dramshop Liability - RecPlex	\$1,000,000 each occurrence \$2,000,000 aggregate	5/1/2005
Westfield Insurance Company	CBP-5 256 197	Public Employees Blanket Bond	\$100,000 each occurrence \$100,000 aggregate	1/13/2005
Travelers - reinsurance Royal Indemnity - reinsurance Midwest Employees Casualty - reinsurance ASC - claims adjusting	None	Comprehensive General Liability (\$250,000 self insurance retention)	\$250,000 each occurrence \$5,000,000 excess	12/1/2004
		Property (\$50,000 self insurance retention)	\$1,000,000 each occurrence \$64,790,880	
		Automobile Liability (\$250,000 self insurance retention)	\$250,000 each occurrence \$5,000,000 excess	
		Public Officials Liability (\$250,000 self insurance retention)	\$5,000,000 each occurrence \$5,000,000 aggregate	
		Workers' Compensation (\$100,000 self insurance retention)	Statutory	

City of Burlington, Iowa

Revenue Bond Coverage
Sewer Fund
Last Five Years

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available For Debt Service	Maximum Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
2000	3,010,517	2,214,012	796,505	310,000	80,643	390,643	2.039
2001	3,037,540	2,368,175	669,365	310,000	80,643	390,643	1.713
2002	2,926,996	2,404,248	522,748	390,000	117,608	507,608	1.030
2003	2,960,478	2,518,196	442,282	390,000	117,608	507,608	0.871
2004	3,071,163	2,457,700	613,463	390,000	117,608	507,608	1.209

(1) Total revenues (including interest) exclusive of tap fees.

(2) Total operating expenses exclusive of depreciation.

(3) Includes principal and interest of revenue bonds only.



CPAs & BUSINESS ADVISORS

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

To the Honorable Mayor and
Members of the City Council
City of Burlington, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Burlington, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 4, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of Burlington, Iowa. 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 except for items IV-B-04 and IV-G-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item II-A-04.

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A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of the City of Burlington, Iowa, in a separate letter dated November 4, 2004. There were no prior year reportable conditions.

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 Burlington, Iowa, and other parties to whom the City of Burlington, Iowa, 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 Burlington, Iowa, during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Sida Bailey LLP

Dubuque, Iowa
November 4, 2004



CPAs & BUSINESS ADVISORS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
ITS MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and
Members of the City Council
City of Burlington, Iowa

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; Chapter 11 of the Code of Iowa; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Burlington, Iowa, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item III-A-04.

Internal Control Over Compliance

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

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described as item III-B-04 in the accompanying Schedule of Findings and Questioned Costs.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

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 Burlington, Iowa, and other parties to whom the City of Burlington, Iowa, may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Dubuque, Iowa
November 4, 2004

City of Burlington, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2004

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Direct:			
Department of Justice:			
Local Law Enforcement Block Grants Program	16.592	2002-LB-BX-0788	\$ <u>29,560</u>
Environmental Protection Agency:			
Surveys, Studies, Investigations, and Special Purpose Grants	66.606	XP997533-01-0	<u>2,865,807</u>
Total Direct			<u>2,895,367</u>
Indirect:			
Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/ State's Program	14.228	99-HSG-059	<u>127,966</u>
Department of Justice:			
Office of Drug Control Policy and Des Moines County, Iowa:			
Byrne Formula Grant Program	16.579	03F-0433	21,029
Byrne Formula Grant Program	16.579	00-AO266	<u>32,861</u>
			<u>53,890</u>
Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BRM-0977(620)- - 8N-29	<u>233,094</u>
Formula Grants for Other Than Urbanized Areas	20.509	18-4022-097-02	<u>104,879</u>
Governor's Traffic Safety Bureau:			
State and Community Highway Safety	20.600	PAP 04-04, Task 03	3,827
State and Community Highway Safety	20.600	PAP 03-04, Task 03	<u>3,019</u>
			<u>6,846</u>
Total Indirect			<u>526,675</u>
Total			<u>\$3,422,042</u>

See notes to the Schedule of Expenditures of Federal Awards.

City of Burlington, Iowa

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2004

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Burlington, Iowa, and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

City of Burlington, Iowa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements but was not considered a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A reportable condition in internal control over the major program was disclosed by the audit of the financial statements but was not considered a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 66.606 – Surveys, Studies, Investigations, and Special Purpose Grants.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Burlington, Iowa, qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

REPORTABLE CONDITION

II-A-04 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. Currently, the deputy city manager posts all journal entries to the general ledger, is an authorized check signer, and reconciles cash and investments. No one else reviews the reconciliations.

Recommendation – We recommend that the City review operating procedures in order to obtain the maximum internal control possible.

Response – With the limited number of employees in the Finance Department, it is impossible to achieve a perfect system of internal accounting control. We will continue to review the situation, and the City Manager will begin reviewing the monthly reconciliations.

Conclusion – Response accepted.

City of Burlington, Iowa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCE OF NONCOMPLIANCE

CFDA Number 66.606: Surveys, Studies, Investigations, and Special Purpose Grants
Grant Number: XP997533-01-0
Environmental Protection Agency

III-A-04 Reporting – The Financial Status Report (Form 269A), which is required to be filed annually, has not been completed since federal fiscal year ended September 30, 2001.

Recommendation – We recommend that the City contact the Environmental Protection Agency to determine what steps should be taken to come into compliance with the reporting requirements of the grant agreement.

Response – We will contact the Environmental Protection Agency regarding this issue.

Conclusion – Response accepted.

REPORTABLE CONDITION

III-B-04 Segregation of Duties – The deputy city manager posts all journal entries to the general ledger, is an authorized check signer, and reconciles cash and investments. No one else reviews the reconciliations. See item II-A-04.

Part IV: Other Findings Related to Statutory Reporting:

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

IV-B-04 Certified Budget – Disbursements during the year ended June 30, 2004, exceeded the amount budgeted in the community and economic development function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget was amended; but in a subsequent amendment, the original amendment amount for the community and economic development function was inadvertently reversed.

Conclusion – Response accepted.

IV-C-04 Questionable Expenditures – We noted no expenditures that we believe may fail to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

City of Burlington, Iowa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Part IV: Other Findings Related to Statutory Reporting: (continued)

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

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

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Tim Scott, Mayor, owner of Drain-Tainer	Services	\$ 250

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction with Tim Scott does not appear to represent a conflict of interest since the total transaction was less than \$1,500 during the fiscal year.

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

IV-G-04 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not. Although minutes of Council proceedings were published, they were not normally published within 15 days of the meeting as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should take measures to publish Council minutes within 15 days of the meeting.

Response – It is the City's position that Council meeting minutes are not official until approved by the City Council, and therefore, the 15 day limitation does not apply until approval.

Conclusion – Response acknowledged.

IV-H-04 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.

IV-I-04 Revenue Bonds – We noted no instances of noncompliance with the provisions of the City's revenue bond resolutions.