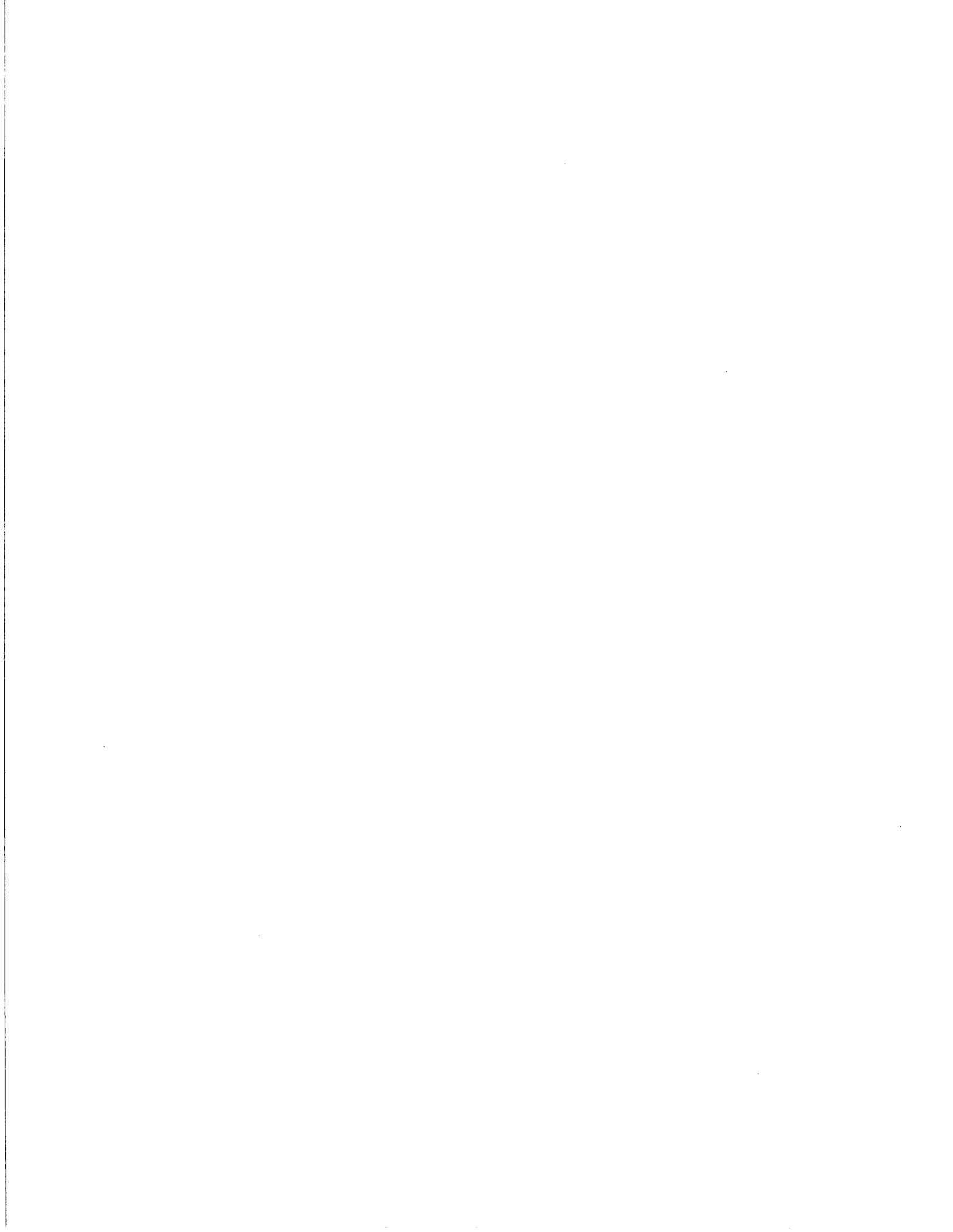


COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE  
CITY OF ONAWA, IOWA  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2007

PREPARED BY THE  
OFFICE OF THE CITY CLERK



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INTRODUCTORY SECTION



Chris R. Hogan, City Clerk  
Terry R. Christensen, Deputy Clerk  
Elaine D. Miller, Adm Assistant  
(712) 433-1181  
Fax (712) 433-1128

Jeffery Sander  
Superintendent of Utilities  
Roger Gries  
Asst. Superintendent of Utilities  
(712) 433-1511

---

**CITY OF ONAWA**

914 Diamond Street • Onawa, Iowa 51040

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December 11, 2007

Honorable Mayor and City Council  
City of Onawa  
Onawa, Iowa

We are pleased to provide you with the Comprehensive Annual Financial Report (CAFR) of the City of Onawa. This report is for the fiscal year ended June 30, 2007. The report is submitted each year as required by State Law, Chapter 11.6. The report is prepared according to generally accepted accounting principles (GAAP) for government as established by the Governmental Accounting Standards Board (GASB). It is audited by Henjes, Conner & Williams, P.C.

The City's Department of Accounting prepared our report. Management of the City is responsible for the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures. To the best of our knowledge and belief, the enclosed information is accurate in all material aspects and is presented in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various fund. All disclosures necessary to enable the reader to gain a complete understanding of the City of Onawa's financial activities have been included. Management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statement in conformity with GAAP. Since the cost of internal controls should not outweigh their benefits, the City of Onawa's internal controls have been designed to provide reasonable, rather than absolute assurance that the financial statement will be free from material misstatement.

This report is designed to meet the needs of a wide range of financial statement readers, and is presented in three sections.

The **Introductory Section** consists of this transmittal letter, a table of contents, a list of the City's principal elected and appointed officials, an organizational chart.

The **Financial Section** consists of the Independent Auditor's Report completed by Henjes, Conner & Williams, P.C., Management's Discussion and Analysis, Government Wide Financial Statements, the Fund Financial Statements, Notes to the Financial Statements, and Other Required Combining and Supplemental Information.

The **Statistical Section**, which is unaudited, consists of selected financial and demographic information for ten years, generally presented on a multi-year basis. This section is intended to offer the reader a better overall picture of the financial and economic trends of the City of Onawa.

GAAP require that management provide an introduction, overview and analysis to accompany the basic financial statement, in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement MD&A, found immediately following the report of the City's independent auditors, and should be read in conjunction therewith. The auditors' report is included in the financial section of the report.

## PROFILE OF THE CITY OF ONAWA

The City of Onawa was incorporated in 1859 under the provisions of the Iowa State Legislature. It is located in Monona County on Interstate 29 about 35 miles south of Sioux City, Iowa and 60 miles north of Omaha, Nebraska on the western edge of Iowa. The population is approximately 3100.

The City of Onawa operates under a Mayor-council form of government. One council member is elected from each of the City's four wards and two are elected at-large. The City administrator is responsible for the day-to-day management of the City. All departments and department directors report to the City Administrator, with the exception of the Library Director who is supervised by an appointed Board of Trustees.

## FINANCIAL INFORMATION

The City of Onawa maintains an internal control structure designed to provide reasonable, but not absolute assurance that the assets of the City are protected from loss, theft, or fraud and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The requirement for reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

In addition, the City recognizes the importance of leadership from management in these controls. The City Council has adopted a personnel policy that provides guidance as to certain elements of the internal control structure. The employees are updated on changes to these ethics and personnel policies to stress that internal control are an important element of the public's trust. The City has incorporated the personnel policy in the training of all employees and elected officials.

The foundation of the City's financial planning and control is the annual budget. The budget process includes sessions with staff, management, and the City Council. To ensure compliance with legal budgetary controls, the City Council and management receive monthly reports comparing budgeted amounts to actual expenditures. The City Council may make additional appropriations during the year for unanticipated revenues or capital projects which were not completed in the prior year. Budget-to-actual comparisons by fund are provided in the fund subsection of this report for all funds requiring an appropriated annual budget, and summarized in the notes to the financial statements.

State laws require audits for cities such as Onawa to be conducted by the auditor of state or by certified public accountants. In addition to meeting state requirements, the audit must meet the requirements of the federal Single Audit Act of 1984, and the Single Audit Act amendments of 1996 which substantially revised various provisions of the 1984 Act, and the related U.S. Office of Management and Budget's Circular A-133. An audit is conducted annually in accordance with generally accepted auditing standards and the standards set forth in the General Accounting Office's Government Auditing Standards. It must examine, among other things, the financial condition and resources of the City, and accuracy of the City's accounts and reports. The audit report is contained the Financial Section which follows.

## FACTORS AFFECTING FINANCIAL CONDITION

**Local Economy.** The City of Onawa is the largest City in Monona County, and also the County Seat. Onawa offers a convenient small town atmosphere while being only a 30 minute drive to a large metropolitan area.

The City's downtown as well as other areas of town continue to see improvements to buildings through the grant program established several years ago. The program gives a business that qualifies and spends money to remodel or improve the exterior of their building a \$2,500 forgivable grant and a \$2,500 loan from the Community Foundation.

The City of Onawa completed the construction of a 2.3 million dollar addition to the Onawa Public Library during the fiscal year ended June 30, 2005.

Local health care continues to improve with the Burgess Health Center started a new construction project of approximately \$10 million in 2005. This project will add additional beds to the center as well as space to several departments to offer the residents of Onawa access to the best health care.

**Long-term Financial Planning.** The City of Onawa operates with a cash and investment pool concept, whereby funds not individually invested to the credit of a particular fund are invested to the credit of the General Fund. This is consistent with state law, which provides that with the exception of bond covenants and local ordinances that require investments by fund, investments can be pooled and invested to the credit of the General Fund.

It is the policy of the City to invest public funds in a manner which will provide the maximum security, meet daily cash flow demands, and provide the highest investment return while conforming to all state and local statutes governing the investment of public funds.

The City may invest in any of the securities identified as eligible investments defined in the City of Onawa Investment Policy. In general these consist of interest bearing savings accounts, certificates of deposits, United States Treasury Notes and Bonds, Iowa Public Agency Investment Trust, and government sponsored securities.

**Risk Management.** The City also manages medical, dental, and vision insurance for its employees via a risk-retention plan administered by a third party administrator. Costs of the program include medical benefits, administration fees, and premiums for stop-loss coverage with limits of \$20,000 per covered employee per year and 125% of expected claims for the year for the City as a whole. The City continues to analyze the insurance market, and educate employees to control rising health care costs. An annual actuarial study provides analysis and information to help the City comply with local and state requirements.

The City is also exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductible and claims in the excess of coverage limitations.

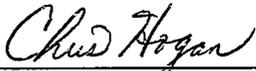
**Pension Benefits.** All permanent City employees are covered by one of two pension plans. Most uniformed employees are included in the Municipal Fire and Police Retirement System of Iowa (MFPRSI), which is a cost-sharing, defined benefit plan, administered by a Board of Trustees appointed by the State of Iowa. All other eligible City employees are covered by the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing, defined benefit plan administered by the State of Iowa.

The City of Onawa does not provide postretirement health, dental, or vision care benefits for any retirees.

**Awards and Acknowledgments.** The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Onawa for its comprehensive annual financial report (CAFR) for the year ended June 30, 2006. In order to receive this award, the City must publish an easily readable and efficiently organized CAFR. The report must also satisfy both generally accepted accounting principles and applicable legal requirements. The award is valid for one year only. The City is submitting the 2007 annual financial report to GFOA for review to determine its eligibility for an award.

The preparation of this report could not have been accomplished without the support and dedication of the entire staff of the finance and administrative departments. Appreciation is also expressed to the mayor and City council for their support and interest in the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

  
\_\_\_\_\_  
Chris Hogan  
City Clerk

  
\_\_\_\_\_  
Terry Christensen  
Deputy Clerk

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Onawa  
Iowa

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

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.



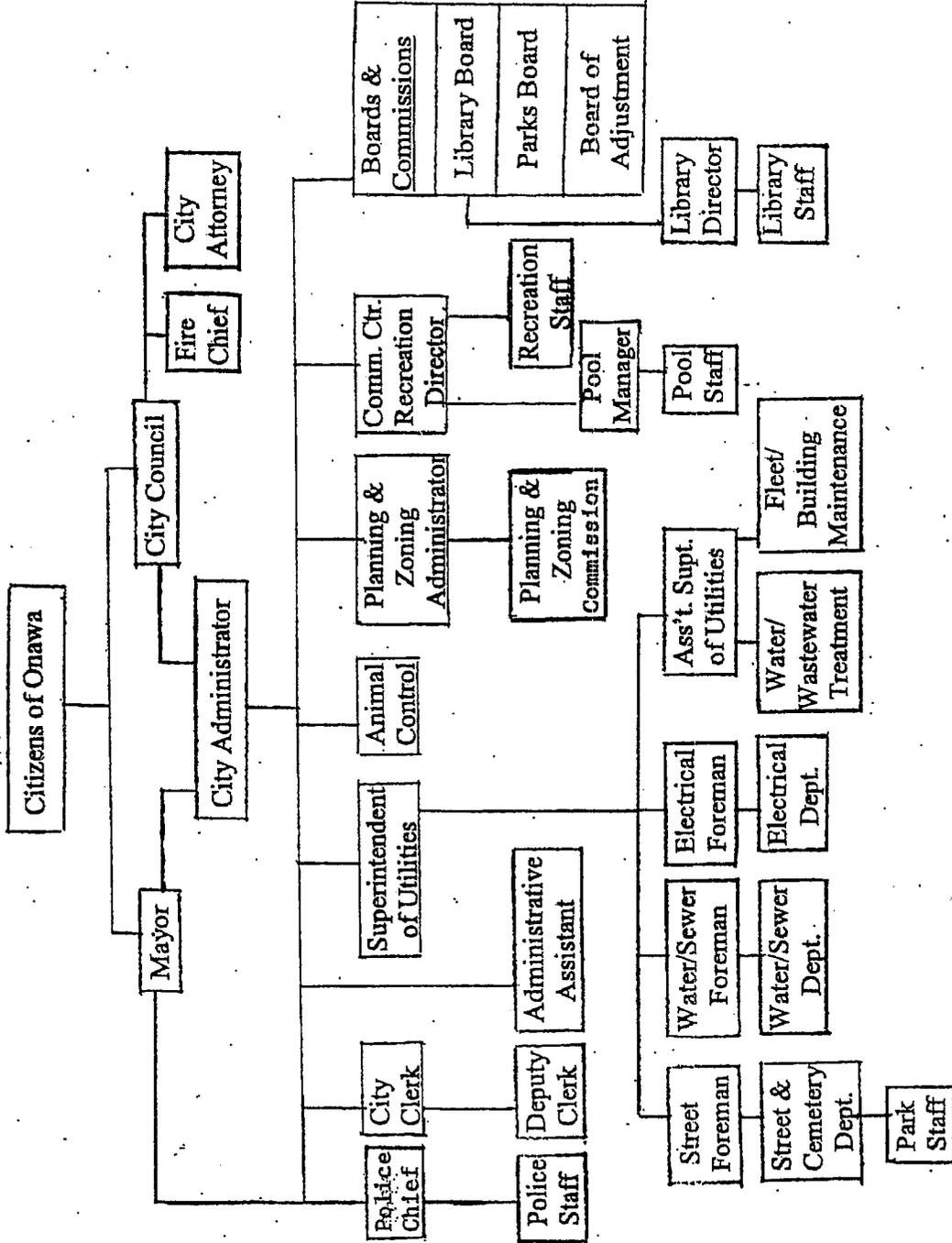
A handwritten signature in black ink, appearing to read "Thomas J. Hawn".

President

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

Executive Director

CITY OF ONAWA ORGANIZATIONAL CHART (Revised 4/29/03)



CITY OF ONAWA, IOWA

CITY OFFICIALS

JUNE 30, 2007

ELECTED CITY OFFICERS

<u>Name</u>	<u>Title</u>
Rebecca Tanner	Mayor
Dennis Nelson	Mayor Protem
Lonnie Campbell	Council Member
Tim Coyle	Council Member
Brett Ewing	Council Member
Dawn Cass	Council Member
Dick Schlitter	Council Member

APPOINTED CITY OFFICERS

Jim Hunt	City Administrator
Chris Hogan	City Clerk
Mike Schmiedt	Attorney
Sundquist Engineering	City Engineer

CITY OF ONAWA, IOWA

APPOINTED BOARDS AND COMMISSIONS

JUNE 30, 2007

ONAWA PARKS AND PLAYGROUNDS

Jill Hausman  
Lisa Meadows

LIBRARY TRUSTEES

Ann Coberly  
Dianne Kelley  
William Wonder  
Terry Virtue  
Geri Johnson

PLANNING AND ZONING BOARD

Darrell Geib  
Roger Hansen  
Two Vacant  
Ken Wingert  
Bob Lesenyie  
Gloria Maxwell  
Richard Merritt

BOARD OF ADJUSTMENTS

Bill Gantz  
Joe Scurlock  
Randy Cass  
Sandy Simpson  
Larry Duval  
Richard Driver

HEALTH OFFICER

Family Medicine Clinic

FIRE CHIEF

Jeff Sander

WIMECA BOARD DIRECTOR

Wayne Gries

HOUSING AUTHORITY COMMITTEE

Mike Carpenter

LOW RENT HOUSING

Lounell Olson  
Ruth Johnson  
Jerry Laffey  
Myron Johnson  
Dorothy Sorenson

STREET TREE COMMITTEE

Larry Duval  
Ano Wilkins  
Reta Benson  
Brett Ewing

LAW ENFORCEMENT AGENCY

Brett Ewing  
Rebecca Tanner  
Dawn Cass, Alternate

AIRPORT ADVISORY COMMITTEE

Rebecca Tanner  
Baynard Willey  
Jeff Sander  
Ed Weiner  
Dick Schlitter  
Dawn Cass  
Fran Tramp  
Vincent Willey  
William Wonder

SIMPCO

Rebecca Tanner  
Lonnie Campbell, Alternate

PERSONNEL COMMITTEE

Brett Ewing  
Gary Addy  
Vince Phillips  
Tim Coyle  
Jim Hunt  
Dawn Cass  
Jeff Sander

CITY OF ONAWA, IOWA

COUNCIL STANDING COMMITTEES

JUNE 30, 2007

FINANCE

Lonnie Campbell  
Dennis Nelson  
Tim Coyle  
Rebecca Tanner, Alternate

GOVERNMENT AFFAIRS

Lonnie Campbell  
Brett Ewing  
Rebecca Tanner

CITIZEN RELATIONS

Dennis Nelson  
Dick Schlitter  
Dawn Cass

COMMUNITY PROTECTION/SERVICES

Dick Schlitter  
Dennis Nelson  
Lonnie Campbell

UTILITIES/INFRASTRUCTURE

Brett Ewing  
Dennis Nelson  
Lonnie Campbell

CITY OF ONAWA, IOWA

CITY PERSONNEL

JUNE 30, 2007

ADMINISTRATION

Jim Hunt	City Administrator
Chris Hogan	City Clerk
Terry Christensen	Deputy Clerk
Elaine Miller	Administrative Assistant

POLICE DEPARTMENT

Gary Addy	Police Chief
Joe Farrens	Assistant Chief
Jon Pinkelman	Patrolman
James Fouts	Patrolman
Lee Kirkpatrick, Jr.	Patrolman
Kyle Tank	Patrolman

STREETS AND CEMETERY

Randy Larson	Superintendent Street & Sexton
Jerry Bellis	Street & Cemetery Crewman
Dave Fender	Street & Cemetery Crewman
Kirk Kreger	Street & Cemetery Crewman

MUNICIPAL BUILDINGS

Rod Ulven	Maintenance Shop Supervisor
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UTILITIES

Jeff Sander	Superintendent of Utilities
Roger Gries	Assistant Superintendent
Vincent Phillips	Electric Foreman
Robert Walker	Electric Crewman
Curtis Richardson	Electric Crewman
Jon Towne	Waste Water Treatment
George Carrier	Foreman
Carl Lamb	Foreman
Pete Wright	Foreman

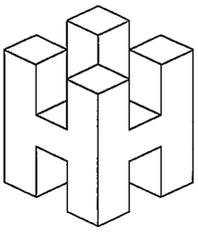
LIBRARY

Lori Beck	Librarian
Chris Zink	Part-time Clerk
Jo Keitges	Part-time Clerk
Ann Crawford	Part-time Clerk
Sally Towne	Part-time Clerk
Margaret Blatchford	Part-time Clerk

COMMUNITY CENTER

Clint Weaver	Director
Jill Hausman	Part-time Staff
Peggy Rolph	Part-time Staff
Abby Low	Part-time Staff

FINANCIAL SECTION



HENJES, CONNER &  
WILLIAMS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

800 FRANCES BUILDING  
505 FIFTH STREET  
P.O. BOX 1528  
SIOUX CITY, IOWA 51102

PH. (712) 277-3931  
(800) 274-3931  
FAX (712) 233-3431

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the CITY OF ONAWA, IOWA, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Onawa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Onawa at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, 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 December 5, 2007, on our consideration of the City of Onawa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

Management's Discussion and Analysis and budgetary comparison information on pages 13 through 21 and 53 through 56 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Onawa's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. The introductory section, supplemental information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section 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.

*Henjes, Conner + Williams, P.C.*  
Certified Public Accountants

Sioux City, Iowa  
December 5, 2007

## Management Discussion and Analysis

June 30, 2007

This discussion and analysis of the City of Onawa financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2007. We encourage the readers to consider the information presented here in conjunction with the additional information furnished in our letter of transmittal on page 1 and the City's financial statements that follow this report.

### Financial Highlights:

- The assets of the City of Onawa exceeded liabilities at June 30, 2007, by \$14,254,782. Of this amount, \$6,814,856 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$590,837 during the year. Of this amount, the assets of our Governmental Activities increased \$656,375 and the assets of our Business Activities decreased \$65,538.
- The largest factor in the increase in net assets was the increase in Cash and Investment of \$354,585
- The City's long-term debt decreased due to the scheduled retirement of long-term debt. Outstanding General Obligation debt totals \$1,695,000.

### OVERVIEW OF THE FINANCIAL STATEMENTS

In addition to the Management Discussion and Analysis, this annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government. An additional part of the basic financial statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

### REPORTING THE CITY AS A WHOLE

#### The Statement of Net Assets and the Statement of Activities

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

One of the most important questions asked about the City's finances is *"Is the City of Onawa in a better financial position at the end of this fiscal year, compared to last year?"* The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by most private-sector companies. These two statements report the City's net assets, which is the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors, such as changes in the City's property tax base and sales tax collections and condition of the City's infrastructure, are also important in making this determination.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, such as Police, Fire, Public Works and Parks departments, and general administration. Property taxes and state and federal grants finance most of these activities.
- **Business Type Activities** – The City charges fees to customers to cover the cost of these services. Included here are the City Electrical, Water and Sewer.

## REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain revenues (such as Sales Tax Revenues). The City has the following types of funds:

- **Governmental Funds** – Most of the City's basic services are included in Governmental Funds, which focus on how money moves into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using the "modified accrual basis" of accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship between Governmental Activities (reported in the Statement of Net Assets and the Statement of Activities) and Governmental Funds in a reconciliation following each Governmental Fund financial statement.
- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the Proprietary Funds report and the Business Type Activities we report in the government-wide statements is the detail and additional information, such as cash flows, provided in the Proprietary Funds report.

### THE CITY AS A WHOLE

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City's net assets reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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 the other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following comparative chart shows the changes in net assets for the years ended June 30, 2007 and 2006.

	General Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and Other Assets	\$ 3,631,013	\$ 3,298,506	\$ 4,665,578	\$ 4,746,769	\$ 8,296,591	\$ 8,045,275
Capital Assets	5,851,835	5,928,125	3,161,569	3,274,484	9,013,404	9,202,609
Total Assets	9,482,848	9,226,631	7,827,147	8,021,253	17,309,995	17,247,884
Long-Term Liabilities						
Outstanding	1,530,000	1,695,000	-	-	1,530,000	1,695,000
Other Liabilities	1,277,550	1,610,402	247,663	278,537	1,525,213	1,888,939
Total Liabilities	\$ 2,807,550	\$ 3,305,402	\$ 247,663	\$ 278,537	\$ 3,055,213	\$ 3,583,939
Net Assets:	6,675,298	5,921,229	7,579,484	7,742,716	14,254,782	13,663,945
Invested in Capital Assets,						
Net of Related Debt	4,156,835	4,083,125	3,161,569	3,274,484	7,318,404	7,357,609
Restricted	121,522	116,325	-	-	121,522	116,325
Unrestricted	2,396,941	1,721,779	4,417,915	4,468,232	6,814,856	6,190,011
Total Net Assets	\$ 6,675,298	\$ 5,921,229	\$ 7,579,484	\$ 7,742,716	\$ 14,254,782	\$ 13,663,945

This summary reflects an increase of 13% for the Governmental Activities and a decrease of 2% in the Business-Type Activities.

Total revenue reported in Fiscal 2007 was \$4,914,084. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities for Fiscal Year 2007 and 2006.

Revenue Source	General Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Program Revenues:</b>						
Charges of Services	\$ 117,612	\$ 91,924	\$ 2,448,451	\$ 2,588,507	\$ 2,566,063	\$ 2,680,431
Operating Grants and Contributions	132,585	110,258	-	-	132,585	110,258
Capital Grants and Contributions	9,271	147,895	-	-	9,271	147,895
<b>Total Program Revenues</b>	<b>259,468</b>	<b>350,077</b>	<b>2,448,451</b>	<b>2,588,507</b>	<b>2,707,919</b>	<b>2,938,584</b>
<b>General Revenues &amp; Interfund Transfers:</b>						
Property Taxes	\$ 1,128,832	\$ 1,059,464	\$ -	\$ -	\$ 1,128,832	\$ 1,059,464
Local Option Sales Tax	167,862	169,515	-	-	167,862	169,515
Interest	121,100	95,990	95,345	75,277	216,445	171,267
General Intergovernmental Revenues	301,581	293,642	-	-	301,581	293,642
Sale of Merchandise	-	-	15,823	26,583	15,823	26,583
Payment in Lieu of Taxes	92,845	86,578	-	-	92,845	86,578
Contributions	38,025	3,350	-	-	38,025	3,350
Miscellaneous Proceeds from Sale of Real Estate	92,981	34,490	136,771	111,280	229,752	145,770
	15,000	-	-	-	15,000	-
<b>Total General Revenues before Interfund Transfers</b>	<b>1,958,226</b>	<b>1,743,029</b>	<b>247,939</b>	<b>213,140</b>	<b>2,206,165</b>	<b>1,956,169</b>
Interfund Transfers	40,000	-	(40,000)	-	-	-
<b>Total General Revenues &amp; Interfund Transfers</b>	<b>1,998,226</b>	<b>1,743,029</b>	<b>207,939</b>	<b>213,140</b>	<b>2,206,165</b>	<b>1,956,169</b>
<b>Total Revenues &amp; Interfund Transfers</b>						
<b>Interfund Transfers</b>	<b>\$ 2,257,694</b>	<b>\$ 2,093,106</b>	<b>\$ 2,656,390</b>	<b>\$ 2,801,647</b>	<b>\$ 4,914,084</b>	<b>\$ 4,894,753</b>

Program revenues totaled \$2,707,919 for fiscal year 2007. Governmental Activities provided \$259,468 and Business-Type Activities provided \$2,448,451. Revenue collected for Charges for Services during fiscal year 2007 was \$2,566,063, accounting for 95% of the total program revenues.

General Revenues for fiscal year 2007 totaled \$2,206,165. Governmental Activities provided \$1,998,226 and Business-Type Activities provided \$207,939. Property Tax Revenues for fiscal year 2007 totaled \$1,128,832, accounting for 51% of General Revenues.

Expenditures for Fiscal 2007 totaled \$4,323,247. Expenditures for General Governmental Activities totaled \$1,601,319, accounting for 37% of total expenditures. Business-Type Activity expenditures totaled \$2,721,928, for 63% of the total.

The following table shows total expenditures by Function/Program for Fiscal Years 2007 and 2006.

Program Level	General Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Public Safety	\$ 512,418	\$ 445,971	\$ -	\$ -	\$ 512,418	\$ 445,971
Public Works	252,991	250,256	-	-	252,991	250,256
Culture and Recreation	504,980	491,103	-	-	504,980	491,103
Community and Economic Development	89,769	83,261	-	-	89,769	83,261
General Government	173,894	159,999	-	-	173,894	159,999
Debt Service	67,267	84,230	-	-	67,267	84,230
Electric System	-	-	1,777,438	1,766,956	1,777,438	1,766,956
Water System	-	-	395,571	376,228	395,571	376,228
Sewer System	-	-	548,919	529,236	548,919	529,236
<b>Total Expenditures</b>	<b>\$ 1,601,319</b>	<b>\$ 1,514,820</b>	<b>\$ 2,721,928</b>	<b>\$ 2,672,420</b>	<b>\$ 4,323,247</b>	<b>\$ 4,187,240</b>

The following table shows the activities included within each program level:

<u>Program Level</u>	<u>Activity</u>
Public Safety .....	Individual & Community Protection, Physical Health
Public Works .....	Roadway Construction, Airport Operations, Street Lighting, Transportation Services
Culture and Recreation .....	Education & Culture, Leisure Time Opportunities
Community and Economic Development .....	Economic Development, Community Beautification, Planning & Zoning
General Government .....	Administration, Support Services
Debt Service .....	Payment of Interest
Electric System .....	Operation of Electrical System
Sewer System .....	Operation of the Waste Water Treatment Plant/Collection System
Water System .....	Operation of Water Treatment Plant/Supply Distribution System
Internal Service .....	Payment of Rise Insurance and Health Insurance Deductible

### Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Culture and Recreation, the City spent \$504,980 and received \$96,577 in revenue, thus leaving a cost to the taxpayer of \$408,403 to be funded by various methods. The format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Taxes  
 Special Assessments  
 Licenses and Permits  
 Intergovernmental Revenue  
 Charges for Services

Fines and Forfeits  
 Contributions  
 Refunds/Reimbursements  
 Grants

The total cost of governmental activities this year was \$1,601,319. Of these costs, \$117,612 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contribution were \$141,856, leaving a Net Expense of \$1,341,851 for Governmental Activities. These expenses of \$1,341,851 were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

Functions/Programs	Net (Expense) Revenue	
	6/30/2007	6/30/2006
<b>Governmental Activities:</b>		
Public Safety	\$ (471,976)	\$ (371,528)
Public Works	(185,765)	(208,575)
Culture and Recreation	(408,403)	(282,961)
Community and Economic Development	( 89,769)	( 83,261)
General Government	(118,671)	(147,286)
Capital Projects	-	147,895
Debt Service	\$ ( 67,267)	\$ ( 84,230)
<b>Total Net (Expense) Revenue</b>		
Governmental Activities	\$(1,341,851)	\$(1,252,057)
General Revenues & Interfund Transfers	1,998,226	1,824,615
<b>Change in Net Assets</b>	<u>\$ 656,375</u>	<u>\$ 572,558</u>

Total resources available during the year to finance governmental operations were \$8,276,617, consisting of Net Assets at July 1, 2006 of \$6,018,923, Program Revenues of \$259,468 and General Revenues of \$1,998,226. Total Governmental Activities during the year expended \$1,601,319; thus, Net Assets were increased by \$656,375 to \$6,675,298.

### Business Type Activities

Business Type Activities decreased the City's net assets by \$65,538 accounting for (9%) of the growth in the City's net assets.

The cost of all Proprietary Activities this year was \$2,721,928. As shown in the Statement of Activities, the amounts paid by users of the systems were \$2,448,451, resulting in total Net Expenses for Business Type Activities of \$273,477. The Net (Expense) Revenue by Business Type Activity is shown in the following table:

<b>Business-Type Activities</b>	<b>2007 Net (Expense) Revenue</b>	<b>2006 Net (Expense) Revenue</b>
Electric System	\$ (102,538)	\$ 17,167
Water System	( 99,809)	(67,349)
Sewer System	( 71,130)	(33,731)
Total Net (Expense) Revenue		
Business-Type Activities	(273,477)	(83,913)
General Revenues	207,939	213,140
<b>Change in Net Assets</b>	<b>\$ ( 65,538)</b>	<b>\$ 129,227</b>

Total resources available during the year to finance Proprietary Fund activities were \$10,301,412, consisting of Net Assets at July 1, 2006 of \$7,645,022, Program Revenues of \$2,448,451 and General Revenues of \$207,939. Total Proprietary Fund Activities during the year expended \$2,721,928; thus Net Assets decreased by \$65,538 to \$7,579,484.

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of \$2,198,661. The combined Governmental Funds balance increased \$587,471 from the prior year.

The General Fund is the primary operating fund of the City. During the year, revenue exceeded expenditures in the General Fund by \$153,398. The General, Tax Increment Financing fund net assets increased \$269,090 due to the taxes collected from the TIF district. The Road Use Tax fund net assets decreased \$77,193 due to expenditures for street repairs. The Local Option Sales Tax and Debt Service Funds saw very minimal changes during the year maintaining a fund balance consistent with recent years. The Library Expansion had an increase in fund net assets of \$41,990 due to more donations received. The Street Capital Projects had an aggregate increase in fund net assets of \$97,684 due to collections on special assessments. The Community Center Capital Project had an increase in fund net assets due to transfers from other funds.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The fiscal year 2007 original (adopted) General Fund amount was \$1,149,299 with no amendments.

The following table shows the General Fund budget variances by program structure:

Expenditures	Budget		Variance
	Original	Actual	
Public Safety	\$ 511,668	\$ 481,879	\$ 29,789
Public Works	16,675	21,162	( 4,487)
Culture and Recreation	427,206	386,380	40,826
Community and Economic Development	24,000	46,675	( 22,675)
General Government	<u>169,750</u>	<u>124,660</u>	<u>45,090</u>
Total Expenditures	<u>\$ 1,149,299</u>	<u>\$ 1,060,756</u>	<u>\$ 88,543</u>

Public Safety was under budget primarily due to the expenditures of the police department being under budget. Public Works was over budget due to expenditures for the airport. Culture and Recreation was under budget by \$7,000 for library services, \$16,000 for the community center, and \$17,000 for the cemetery. Community and Economic Development was over budget because of funds that were budgeted in the Special Revenue funds but expended from the General Fund. General Government was under budget because of legal and other general government costs were under budget.

## CAPITAL ASSETS

The City's investment in capital assets, including land, buildings and improvements and equipment represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2007, was \$7,318,404 (net of accumulated depreciation and outstanding financings).

The gross additions to capital assets for Fiscal Years 2007 and 2006 are as follows:

	General Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Construction in Progress	\$122,327	\$269,858			\$122,327	\$269,858
Buildings		8,781	\$ 9,865	\$ 2,293	9,865	11,074
Improvements - Other than Buildings				185,727		185,727
Equipment	35,119	167,107	100,983	11,425	136,102	178,532
Infrastructure	171,169				171,169	
	<u>\$328,615</u>	<u>\$445,746</u>	<u>\$110,848</u>	<u>\$199,445</u>	<u>\$439,463</u>	<u>\$645,191</u>

Construction in Progress for governmental activities consisted of costs associated with the capital projects in the Public Works Program.

See Note 6 to the financial statements for more information on the City's capital assets.

## **DEBT ADMINISTRATION**

At year-end the City had \$1,695,000 of debt outstanding. This is a decrease of \$150,000 from the prior year due to the retirement of General Obligation Bonds.

Debt administration is on track, with over 85% of all City debt repaid within the next 10 years. This rapid repayment, when used with TIF, has allowed the City to maintain our good rating. This reflects well on our community.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$ 4,820,322. With outstanding General Obligation Debt applicable to this limit of \$1,695,000, we are utilizing less than 35% of this limit. More detailed information on debt administration is provided in Note 7 of the financial statements.

## **ECONOMIC FACTORS**

The City of Onawa continues to work hard to maintain a positive approach to growth and development. Continued improvement in downtown façade and the addition to the library continues to make a positive effect on the City's image.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department at 712-433-1181.

CITY OF ONAWA, IOWA

**CITY OF ONAWA, IOWA  
STATEMENT OF NET ASSETS  
JUNE 30, 2007**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 797,494	\$ 468,559	\$ 1,266,053
Investments	886,166	1,998,042	2,884,208
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	-	225,489	225,489
Taxes	32,809	-	32,809
Subsequent Year Taxes	960,272	-	960,272
Accrued Interest	18,912	10,856	29,768
Other	13,891	6,099	19,990
Special Assessments	24,662	-	24,662
Subsequent Year Special Assessments	132,991	-	132,991
Due from Other Governments - Note 4	79,659	1,396	81,055
Inventories	-	347,902	347,902
Prepaid Assets	57,890	25,901	83,791
Investment in WIMECA - Note 13	-	1,379,196	1,379,196
Restricted Assets:			
Cash and Cash Equivalents	-	49,366	49,366
Temporary Cash Investments for Equipment	595,118	152,772	747,890
Bond Issue Cost - Net of Amortization	11,932	-	11,932
Bond Discount - Net of Amortization	19,217	-	19,217
Land - Note 6	437,239	9,050	446,289
Construction in Progress - Note 6	29,035	-	29,035
Infrastructure, Property and Equipment, Net of Accumulated Depreciation - Note 6	5,385,561	3,152,519	8,538,080
<b>Total Assets</b>	<b>9,482,848</b>	<b>7,827,147</b>	<b>17,309,995</b>
<b>LIABILITIES</b>			
Accounts Payable	71,987	114,944	186,931
Accrued Wages and Compensated Absences	74,748	81,854	156,602
Accrued Expenses	5,543	1,499	7,042
Unearned Revenue - Subsequent Year Taxes	960,272	-	960,272
Payables from Restricted Assets:			
Customer Deposits	-	49,366	49,366
Noncurrent Liabilities:			
Due within one year:			
Revenue Bonds Payable	165,000	-	165,000
Due in more than one year:			
General Obligation Bonds - Note 7	1,530,000	-	1,530,000
<b>Total Liabilities</b>	<b>2,807,550</b>	<b>247,663</b>	<b>3,055,213</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	4,156,835	3,161,569	7,318,404
Restricted for:			
Endowments:			
Nonexpendable	121,522	-	121,522
Unrestricted	2,396,941	4,417,915	6,814,856
<b>Total Net Assets</b>	<b>\$ 6,675,298</b>	<b>\$ 7,579,484</b>	<b>\$ 14,254,782</b>

**CITY OF ONAWA, IOWA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
Public Safety	\$ 512,418	\$ 12,306	\$ 28,136	-
Public Works	252,991	-	67,226	-
Culture and Recreation	504,980	87,306	-	\$ 9,271
Community and Economic Development	89,769	-	-	-
General Government	173,894	18,000	37,223	-
Debt Service	67,267	-	-	-
Total governmental activities	<u>1,601,319</u>	<u>117,612</u>	<u>132,585</u>	<u>9,271</u>
<b>Business-Type Activities:</b>				
Electric System	1,777,438	1,674,900	-	-
Water System	395,571	295,762	-	-
Sewer System	548,919	477,789	-	-
Total Business-Type Activities:	<u>2,721,928</u>	<u>2,448,451</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 4,323,247</u>	<u>\$ 2,566,063</u>	<u>\$ 132,585</u>	<u>\$ 9,271</u>

General Revenues:  
Property taxes  
Local Option Sales Tax  
Interest  
General Intergovernmental Revenues  
Sale of Merchandise  
Payment in Lieu of Taxes  
Contributions  
Miscellaneous  
Proceeds from Sale of Real Estate  
Interfund Transfers  
Total general revenues and transfers  
Change in net assets  
Net assets - beginning  
Net assets - ending

<b>Net (Expense) Revenue and Changes in Net Assets</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (471,976)		\$ (471,976)
(185,765)		(185,765)
(408,403)		(408,403)
(89,769)		(89,769)
(118,671)		(118,671)
(67,267)		(67,267)
<u>(1,341,851)</u>		<u>(1,341,851)</u>
	\$ (102,538)	(102,538)
	(99,809)	(99,809)
	(71,130)	(71,130)
	<u>(273,477)</u>	<u>(273,477)</u>
<u>(1,341,851)</u>	<u>(273,477)</u>	<u>(1,615,328)</u>
1,128,832	-	1,128,832
167,862	-	167,862
121,100	95,345	216,445
301,581	-	301,581
-	15,823	15,823
92,845	-	92,845
38,025	-	38,025
92,981	136,771	229,752
15,000	-	15,000
40,000	(40,000)	-
<u>1,998,226</u>	<u>207,939</u>	<u>2,206,165</u>
656,375	(65,538)	590,837
6,018,923	7,645,022	13,663,945
<u>\$ 6,675,298</u>	<u>\$ 7,579,484</u>	<u>\$ 14,254,782</u>

**CITY OF ONAWA, IOWA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007**

	General	TIF	Road Use Tax
<b>Assets</b>			
Cash and Pooled Investments	\$ 396,484	-	\$ 42,008
Investments	803,566	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Taxes	8,941	\$ 18,933	-
Subsequent Year Taxes	495,282	274,415	-
Accrued Interest	15,081	-	-
Other	11,065	-	-
Special Assessments	10,700	-	-
Subsequent Year Special Assessments	32,963	-	-
Due from Other Funds	-	-	500,000
Due from Other Governmental Agencies	7,618	-	45,585
Temporary Cash Investments Designated for Equipment	543,028	-	52,090
Total Assets	<u>2,324,728</u>	<u>293,348</u>	<u>639,683</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts Payable	44,704	4,577	7,708
Accrued Wages and Compensated Absences	58,021	-	16,727
Accrued Expenses	115	-	-
Due to Other Funds	32,483	212,738	-
Deferred Revenue - Subsequent Year Taxes	495,282	274,415	-
Deferred Revenue - Subsequent Year Assessments	32,963	-	-
Total Liabilities	<u>663,568</u>	<u>491,730</u>	<u>24,435</u>
Fund Balances:			
Reserved for:			
Perpetual Care	-	-	-
Endowment	-	-	-
Unreserved (Deficit)			
General Fund	1,661,160	-	-
Debt Service	-	-	-
Special Revenue Funds	-	(198,382)	615,248
Capital Project Funds	-	-	-
Total Fund Balances (Deficits)	<u>1,661,160</u>	<u>(198,382)</u>	<u>615,248</u>
Total Liabilities and Equity	<u>\$ 2,324,728</u>	<u>\$ 293,348</u>	<u>\$ 639,683</u>

See Accompanying Notes to Financial Statements

Local Option Sales Tax	Debt Service	Library Expansion	2006 Street Capital Project	2005 Street Capital Project	Other Governmental Funds	Total Governmental Funds
\$ 197,375	\$ 9,026	-	-	-	\$ 52,227	\$ 697,120
-	-	-	-	-	82,600	886,166
-	3,344	-	-	-	1,591	32,809
-	132,575	-	-	-	58,000	960,272
-	-	-	\$ 651	\$ 314	2,866	18,912
-	-	-	-	-	-	11,065
-	-	-	3,957	1,910	8,095	24,662
-	-	-	35,613	17,191	47,224	132,991
244,679	-	-	-	-	-	744,679
26,456	-	-	-	-	-	79,659
-	-	-	-	-	-	595,118
468,510	144,945	-	40,221	19,415	252,603	4,183,453
-	-	-	-	-	14,998	71,987
-	-	-	-	-	-	74,748
-	-	-	-	-	-	115
-	-	\$ 146,268	140,322	181,517	31,351	744,679
-	132,575	-	-	-	58,000	960,272
-	-	-	35,613	17,191	47,224	132,991
-	132,575	146,268	175,935	198,708	151,573	1,984,792
-	-	-	-	-	88,323	88,323
-	-	-	-	-	33,199	33,199
-	-	-	-	-	-	1,661,160
-	12,370	-	-	-	-	12,370
468,510	-	-	-	-	(15,723)	869,653
-	-	(146,268)	(135,714)	(179,293)	(4,769)	(466,044)
468,510	12,370	\$ (146,268)	(135,714)	(179,293)	101,030	2,198,661
\$ 468,510	\$ 144,945	-	\$ 40,221	\$ 19,415	\$ 252,603	\$ 4,183,453

CITY OF ONAWA, IOWA

**CITY OF ONAWA, IOWA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 29)	\$ 2,198,661
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	5,851,835
Deferred assessments that provide current financial resources for governmental activities	132,991
Internal service fund used by management to fund and maintain the City's health insurance deductible account provided by user departments and are included in the statement of net assets.	747
Internal service fund used by management to fund and maintain the City's deductible account provided by user departments and are included in the statement of net assets.	102,453
Accrued expenses from the balance sheet that require current financial resources for governmental activities	(5,428)
Bond issue costs and Bond Discounts are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	31,149
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	57,890
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(1,695,000)</u>
Total Net Assets - Governmental Activities (page 22)	<u>\$ 6,675,298</u>

**CITY OF ONAWA, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	General	TIF	Road Use Tax
<b>Revenue:</b>			
Taxes	\$ 468,881	\$ 439,712	-
Special Assessments	16,331	-	-
Licenses and Permits	34,298	-	-
Intergovernmental Revenue	42,952	-	\$ 258,629
Charges for Services	84,727	-	-
Fines and Forfeits	14,885	-	-
Contributions	28,136	-	-
Sale of Real Estate	-	-	-
Interest	112,174	-	-
Payment in Lieu of Taxes	92,785	-	-
Miscellaneous	63,832	-	26,244
<b>Total Revenue</b>	<b>959,001</b>	<b>439,712</b>	<b>284,873</b>
<b>Expenditures:</b>			
Public Safety	481,879	-	-
Public Works	21,162	-	211,657
Culture and Recreation	386,380	-	-
Community and Economic Development	46,675	28,116	-
General Government	124,660	-	-
Capital Projects	-	-	-
Debt Service			
Principal Retirements	-	-	-
Interest	-	-	-
<b>Total Expenditures</b>	<b>1,060,756</b>	<b>28,116</b>	<b>211,657</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(101,755)</b>	<b>411,596</b>	<b>73,216</b>
<b>Other financing sources (uses):</b>			
Transfers In	276,674	-	-
Transfers Out	(21,521)	(142,506)	(150,409)
<b>Total other financing sources (uses)</b>	<b>255,153</b>	<b>(142,506)</b>	<b>(150,409)</b>
<b>Net Change in Fund Balance</b>	<b>153,398</b>	<b>269,090</b>	<b>(77,193)</b>
<b>Fund Balances (Deficit) beginning of year</b>	<b>1,507,762</b>	<b>(467,472)</b>	<b>692,441</b>
<b>Fund Balances (Deficit) End of Year</b>	<b>\$ 1,661,160</b>	<b>\$ (198,382)</b>	<b>\$ 615,248</b>

See Accompanying Notes to Financial Statements

Local Option Sales Tax	Debt Service	Library Expansion	2006 Street Capital Project	2005 Street Capital Project	Other Governmental Funds	Total Governmental Funds
-	\$ 137,151	-	-	-	\$ 83,088	\$ 1,128,832
-	-	-	\$ 31,113	\$ 26,014	8,914	82,372
-	-	-	-	-	-	34,298
\$ 167,862	-	-	-	-	-	469,443
-	-	-	-	-	-	84,727
-	-	-	-	-	-	14,885
-	-	\$ 36,000	-	-	2,025	66,161
-	-	-	-	-	15,000	15,000
-	-	-	650	314	7,962	121,100
-	-	-	-	-	-	92,785
2,700	-	9,271	-	-	265	102,312
170,562	137,151	45,271	31,763	26,328	117,254	2,211,915
-	-	-	-	-	-	481,879
-	-	-	-	-	-	232,819
-	-	-	-	-	-	386,380
11,346	-	-	-	-	-	86,137
-	-	-	-	-	2,757	127,417
-	-	3,281	89,600	3,691	31,279	127,851
-	150,000	-	-	-	-	150,000
-	71,961	-	-	-	-	71,961
11,346	221,961	3,281	89,600	3,691	34,036	1,664,444
159,216	(84,810)	41,990	(57,837)	22,637	83,218	547,471
-	92,506	-	-	-	221,930	591,110
(150,000)	-	-	-	-	(86,674)	(551,110)
(150,000)	92,506	-	-	-	135,256	40,000
9,216	7,696	41,990	(57,837)	22,637	218,474	587,471
459,294	4,674	(188,258)	(77,877)	(201,930)	(117,444)	1,611,190
\$ 468,510	\$ 12,370	\$ (146,268)	\$ (135,714)	\$ (179,293)	\$ 101,030	\$ 2,198,661

**CITY OF ONAWA, IOWA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007**

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

Net change in fund balances - total governmental funds (page 29)	\$ 587,471
<p>Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays were exceeded by depreciation expense in the current year as follows:</p>	
Expenditures for capital assets	\$ 157,446
Depreciation expense	<u>(233,735)</u> (76,289)
Revenues reported in the funds that are not available to provide current financial resources	(12,221)
Prepaid expenses are not reported in the governmental funds as it is not available to provide current financial resources	1,144
Accrued interest expense that does not require current financial resources	4,694
Internal service fund used by management to fund and maintain the City's health insurance deductible account provided by user departments and are included in the statement of net assets. The net revenue of this internal revenue fund is reported with governmental activities	(2,494)
Internal service fund used by management to fund and maintain the City's deductible account provided by user departments and are included in the statement of net assets. The net revenue of this internal revenue fund is reported with governmental activities	8,000
The effect of bond issuance costs and bond discounts when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities	(3,930)
The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was:	<u>150,000</u>
Change in net assets of governmental activities (page 24)	<u>\$ 656,375</u>

CITY OF ONAWA, IOWA

**CITY OF ONAWA, IOWA**  
**COMBINING STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2007**

	<b>Business Type Activities</b>	
	<b>Electric System</b>	<b>Water System</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 363,799	\$ 33,254
Investments	1,569,455	217,458
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	151,188	30,760
Accrued Interest	7,949	407
Other	4,973	1,126
Due from Other Funds	-	-
Due from Other Governmental Agencies	1,188	104
Inventories	319,151	27,226
Prepaid Assets	14,715	6,888
Investment in WIMECA	1,379,196	-
Restricted Assets:		
Cash and Cash Equivalents	49,366	-
Temporary Cash Investments for Equipment	230	131,010
<b>Total Current Assets</b>	<u>3,861,210</u>	<u>448,233</u>
<b>Non Current Assets</b>		
Land	-	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	1,938,864	264,162
<b>Total Non Current Assets</b>	<u>1,938,864</u>	<u>264,162</u>
<b>Total Assets</b>	<u>5,800,074</u>	<u>712,395</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable	89,144	4,597
Accrued Wages and Compensated Absences	36,810	18,571
Accrued Expenses	1,468	31
Due to Other Funds	-	-
Payables from Restricted Assets:		
Customer Deposits	49,366	-
<b>Total Current Liabilities</b>	<u>176,788</u>	<u>23,199</u>
<b>NET ASSETS</b>		
Invested in Capital Assets	1,938,864	264,162
Unrestricted	3,684,422	425,034
<b>Total Net Assets</b>	<u>\$ 5,623,286</u>	<u>\$ 689,196</u>

See Accompanying Notes to Financial Statements

<u>Business Type Activities</u>		<u>Business Type Activities</u>	
<u>Sewer System</u>	<u>Total</u>	<u>Internal Service</u>	
\$ 71,506	\$ 468,559	\$ 100,374	
211,129	1,998,042	-	
43,541	225,489	-	
2,500	10,856	-	
-	6,099	2,826	
-	-	2,079	
104	1,396	-	
1,525	347,902	-	
4,298	25,901	-	
-	1,379,196	-	
-	49,366	-	
21,532	152,772	-	
<u>356,135</u>	<u>4,665,578</u>	<u>105,279</u>	
9,050	9,050	-	
<u>949,493</u>	<u>3,152,519</u>	-	
<u>958,543</u>	<u>3,161,569</u>	-	
<u>1,314,678</u>	<u>7,827,147</u>	<u>105,279</u>	
21,203	114,944	-	
26,473	81,854	-	
-	1,499	-	
-	-	2,079	
-	49,366	-	
<u>47,676</u>	<u>247,663</u>	<u>2,079</u>	
958,543	3,161,569	-	
308,459	4,417,915	103,200	
<u>\$ 1,267,002</u>	<u>\$ 7,579,484</u>	<u>\$ 103,200</u>	

**CITY OF ONAWA, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Business Type Activities</u>	
	<u>Electric System</u>	<u>Water System</u>
<b>Operating Revenues:</b>		
Charges for Services	\$ 1,674,900	\$ 295,762
<b>Total Operating Revenue</b>	<u>1,674,900</u>	<u>295,762</u>
<b>Operating Expenses:</b>		
Production	1,205,255	91,200
Distribution	370,536	189,679
Customer Accounts/Administration	93,269	60,555
Solid Waste	-	-
Depreciation	108,378	54,137
Deductibles	-	-
<b>Total Operating Expenses</b>	<u>1,777,438</u>	<u>395,571</u>
<b>Operating Income (Loss)</b>	(102,538)	(99,809)
<b>Non-Operating Income (Expense):</b>		
Interest Income	70,537	14,123
Sale of Merchandise	1,614	14,084
Equity in Net Income of WIMECA	83,834	-
WIMECA Member Charge Refund	48,111	-
FEMA Grant	1,084	-
Other Non-operating Revenues	2,715	923
<b>Total Non-Operating Income (Expenses)</b>	<u>207,895</u>	<u>29,130</u>
<b>Income (Loss) before Transfers</b>	105,357	(70,679)
<b>Transfers Out</b>	<u>(40,000)</u>	<u>-</u>
<b>Change in Net Assets</b>	65,357	(70,679)
<b>Net Assets - Beginning</b>	<u>5,557,929</u>	<u>759,875</u>
<b>Net Assets - Ending</b>	<u>\$ 5,623,286</u>	<u>\$ 689,196</u>

See Accompanying Notes to Financial Statements

<b>Business Type Activities</b>		<b>Business Type Activities</b>
<b>Sewer System</b>	<b>Total</b>	<b>Internal Service</b>
\$ 477,789	\$ 2,448,451	\$ 18,000
477,789	2,448,451	18,000
64,946	1,361,401	-
136,809	697,024	-
59,973	213,797	-
231,669	231,669	-
55,522	218,037	-
-	-	12,494
548,919	2,721,928	12,494
(71,130)	(273,477)	5,506
10,685	95,345	-
125	15,823	-
-	83,834	-
-	48,111	-
-	1,084	-
104	3,742	-
10,914	247,939	-
(60,216)	(25,538)	5,506
-	(40,000)	-
(60,216)	(65,538)	5,506
1,327,218	7,645,022	97,694
\$ 1,267,002	\$ 7,579,484	\$ 103,200

**CITY OF ONAWA, IOWA  
 COMBINING STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2007**

	<b>Business Type Activities</b>	
	<b>Electric System</b>	<b>Water System</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers	\$ 1,688,475	\$ 298,142
Cash Paid to Suppliers for Goods and Services	(1,485,776)	(123,196)
Cash Paid to Employees for Services	(296,032)	(207,653)
Other Nonoperating Income	57,373	13,987
Cash Received for Customer Deposits	7,204	-
Net Cash Provided (Used) by Operating Activities	<u>(28,756)</u>	<u>(18,720)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Operating Transfers from (to) Other Funds	(40,000)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and Construction of Capital Assets	(95,257)	(9,865)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Temporary Cash Investments	(504,990)	(9,039)
Purchase of Temporary Cash Investments-Equipment	(8)	(4,584)
Proceeds from Sale of Temporary Cash Investments	450,000	-
Proceeds from Sale of Temporary Cash Investments -Equipment	70,639	-
Proceeds from Patranage Dividend from WIMECA	58,610	-
Interest Received	82,906	14,157
Net Cash Provided (Used) for Investing Activities	157,157	534
Net Increase (Decrease) in Cash and Cash Equivalents	(6,856)	(28,051)
Cash and Cash Equivalents at Beginning of Year	<u>370,655</u>	<u>61,305</u>
Cash and Cash Equivalents at End of Year	<u>\$ 363,799</u>	<u>\$ 33,254</u>

See Accompanying Notes to Financial Statements

<u>Business Type Activities</u>		<u>Business Type Activities</u>	
<u>Sewer System</u>	<u>Total</u>	<u>Internal Service</u>	
\$ 482,309	\$ 2,468,926	\$ 18,000	
(297,680)	(1,906,652)	(15,320)	
(192,874)	(696,559)	-	
336	71,696	-	
-	7,204	-	
<u>(7,909)</u>	<u>(55,385)</u>	<u>2,680</u>	
-	(40,000)	-	
-	(105,122)	-	
(104,619)	(618,648)	-	
(754)	(5,346)	-	
100,000	550,000	-	
-	70,639	-	
-	58,610	-	
<u>12,326</u>	<u>109,389</u>	<u>-</u>	
6,953	164,644	-	
(956)	(35,863)	2,680	
<u>72,462</u>	<u>504,422</u>	<u>97,694</u>	
<u>\$ 71,506</u>	<u>\$ 468,559</u>	<u>\$ 100,374</u>	

(Continued)

**CITY OF ONAWA, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS (Continued)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<b>Business Type Activities</b>	
	<b>Electric System</b>	<b>Water System</b>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ (102,538)	\$ (99,809)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	108,378	54,137
Other Non-Operating Income	53,524	15,007
(Increase) Decrease in Assets:		
Accounts Receivable	13,575	2,380
Other Receivable	3,743	(1,126)
Prepaid Expenses	(981)	(10)
Due From Other Governments	106	106
Inventories	(82,327)	23,946
Increase (Decrease) in Liabilities		
Accounts Payable	(34,752)	(10,211)
Accrued Wages and Compensated Absences	5,796	(3,149)
Accrued Expenses	(484)	9
Customer Deposits	7,204	-
Total Adjustments	<u>73,782</u>	<u>81,089</u>
Net Cash Provided (Used) by Operating Activities	<u>(28,756)</u>	<u>(18,720)</u>

See Accompanying Notes to Financial Statements

<u>Business Type Activities</u>		<u>Business Type</u>
<u>Sewer</u>		<u>Activities</u>
<u>System</u>	<u>Total</u>	<u>Internal</u>
		<u>Service</u>
\$ (71,130)	\$ (273,477)	\$ 5,506
55,522	218,037	-
230	68,761	-
4,520	20,475	(2,826)
(486)	2,617	-
106	(1,477)	-
(1,384)	318	-
	(59,765)	-
(1,093)	(46,056)	-
5,806	8,453	-
-	(475)	-
-	7,204	-
<u>63,221</u>	<u>218,092</u>	<u>(2,826)</u>
<u>(7,909)</u>	<u>(55,385)</u>	<u>\$ 2,680</u>

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Onawa, Iowa is a political subdivision of the State of Iowa located in Monona County, and was incorporated in 1859, and operates under the Home Rule Provisions of the Constitution of Iowa. The City operates under a Mayor-Council form of government with an appointed administrator and finance director and administers the following programs as authorized by its charter: public safety, public works, culture and recreation, community and economic development and general government services. The City also has municipal electric, water and sewer utility systems, which are governed by the City Council.

The City's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The City applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The more significant accounting policies established in GAAP and used by the City are discussed below.

**A. Reporting Entity**

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

The City of Onawa does not include any component units within its reporting unit.

Jointly Governed Organizations - The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards and Commissions: Monona County Assessors' Conference Board, Monona County Emergency Management Commission, Monona County Joint E911 Service Board, and Monona County Landfill Commission.

**B. Basic Financial Statements-Government-Wide Statements**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's general, special revenue, debt service, and capital projects funds are classified as governmental activities. The City's health insurance and risk insurance internal service funds are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts-invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first uses restricted resources to finance qualifying activities.

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (public safety, public works, culture and recreation, community and economic development, general government, etc.) and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenue, operating grants, and capital grants. Program revenue must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The City does not allocate indirect costs. Certain expenses of the City are accounted for through the internal service fund on a cost-reimbursement basis.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year activities.

**C. Fund Accounting**

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues or receipts, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria for the determination of major funds. The City electively added funds, as major funds, which had a specific community focus. The non-major funds are combined into a single column in the fund financial statements.

The City reports the following major governmental funds:

**Governmental Fund Types** – The governmental fund financial statements are reported using the current financial resources measurement focus. This means that the focus of the governmental funds' measurement is upon the determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the City:

- 1) **General Fund** – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general administration, police and fire protection, maintenance of public streets, economic development, and culture and recreation.

- 2) **Special Revenue Funds**

The TIF (Tax Incremental Financing Fund) is used to account for property taxes received to be expended for constructions of specific projects within the TIF District.

The Road Use Tax Fund is used to account for the operation of street maintenance and construction financed by allocations of state fuel taxes.

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The Local Option Sales Tax Fund is used to account for the collection of a 1% local option sales tax to be expended for industrial development and infrastructure and for property tax relief.

- 3) Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs.
- 4) Capital Project Funds

The Library Expansion Fund is used to account for the construction of capital assets related to the library expansion financed through individual contributions, grants and bond proceeds.

The 2005 Street Project and 2006 Street Project are used to account for the resurfacing of various streets within the City of Onawa.

**Proprietary Fund Types** – The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

- 1) Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City maintains several business-type activities. The major enterprise funds are listed as follows:

The Electric Fund is used to account for the operation and maintenance of the City's electric system.

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

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

The City's internal service funds are presented in the proprietary fund financial statements.

CITY OF ONAWA, IOWA  
Notes to Financial Statements  
June 30, 2007

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Risk Insurance – The City operates an insurance deductible fund that accounts for all deductibles on insurance claims owed by the other organizational units of the City. The financial statements of the risk insurance internal service fund are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

Health Insurance Deductibles – The City operates a health insurance deductible fund that accounts for all deductibles on employee health insurance claims owed by the other organizational units of the City. The financial statements of the health insurance deductible internal service fund are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

**Fiduciary Fund Types** – Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements.

**D. Basis of Accounting**

Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual basis of accounting is used for all activities in the government-wide financial statements and for the proprietary and fiduciary activities in the fund financial statements. Revenues are recognized when earned and expenses are recognized when incurred.

Modified accrual basis of accounting is used by all governmental funds in the fund financial statements. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

Expenditures are recorded when the related fund liability is incurred. An exception to this general rule is that principal and interest on general obligation debt, if any, is recognized when due.

Those revenues susceptible to accrual are property taxes, assessments, and intergovernmental revenues. Licenses, fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

**E. Budgets**

Chapter 384, Section 16, of the State Code of Iowa requires the adoption of an annual budget on or before March 15 of each year, which becomes effective July 1 and constitutes the appropriation for each program specified therein until amended. The City budget may be amended for specified level purposes and budget amendments must be prepared and adopted in the same manner as the original budget. Appropriations, as adopted and amended, lapse at the end of the fiscal year.

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Annual budgets are adopted on the cash basis of accounting for all governmental funds. The City's budget is prepared on the cash basis of accounting. The legal level of control (the level on which expenditures may not legally exceed appropriations) is the program level for all funds combined rather than at the individual fund level. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental fund types with expenses of proprietary fund types on a program level basis and to compare such program totals to program budgeted totals in order to demonstrate legal compliance with budget. Legal budget compliance for cities in the State of Iowa is applied only to expenditures.

The Budgetary comparison and related disclosures are reported as Required Supplementary Information.

**F. Cash And Cash Equivalents And Investments**

The City is authorized by statute to invest public funds not currently needed for operating expenses in notes, certificates, bonds, prime eligible bankers acceptances, certain high rated commercial paper, perfected repurchase agreements, or other evidences of indebtedness which are obligations of or guaranteed by the United States of America or any of its agencies, or in time deposits or savings accounts in depositories approved by the City Council.

1) Cash and Cash Equivalents

Includes investments with original maturities of three months or less.

2) Investments

The City and uses the following methods in determining the reported amounts.

<u>Type</u>	<u>Method</u>
Nonnegotiable Certificates of Deposit	Cost

**G. Property Tax Receivable**

Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City Council to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006. Any county collections on the 2006-2007 tax levy remitted to the City within 60 days subsequent to June 30, 2007, are recorded as property tax revenue.

**H. Short-Term Interfund Receivables/Payables**

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2007, balances of interfund amounts payable or receivable have been recorded as "due to other funds" and "due from other funds", respectively. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

**I. Inventories**

Inventories of the proprietary fund types are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. The inventory amounts are not material and therefore not recorded on the balance sheet.

**J. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2007 are recorded as prepaid items.

**K. Property and Equipment**

Assets with an initial individual cost of \$1,000 or more are considered capital assets. Property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at their fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Historical infrastructure has not been recorded on these financial statements other than buildings and improvements. GASB 34 does not require the City of Onawa to record the historical infrastructure costs. Depreciation on all assets is provided on the straight-line basis over the following estimated lives:

Buildings	39 – 50 Years
Utility Plant	20 – 33 Years
Machinery & Equipment	3 - 20 Years
Infrastructure	15 – 70 Years

**L. Compensated Absences**

Vested or accumulated vacation leave including related employee benefits that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**M. Long-Term Obligations**

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the government-wide financial statements. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**N. Fund Equity**

Reserves represent those portions of fund equity legally segregated for a specific future use.

**O. Interfund Transactions**

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services provided and used transactions and reimbursements, are reported as transfers.

**P. Landfill Closure Costs**

The City is part of an Iowa Code Section 28F agreement with the Monona County Landfill Commission and, therefore, not required to account for landfill post closure costs.

**Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS**

The City's deposits at June 30, 2007, were entirely covered by Federal Depository Insurance collateralized with securities or letters of credit held by the City or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

Deposits at June 30, 2007, are shown below:

	<b>Primary Government</b>	<b>Bank Balance</b>
Demand Deposits	\$ 1,379,553	\$ 1,388,761
Savings Deposits	1,901,652	1,901,652
Time Deposits	<u>1,666,257</u>	<u>1,666,257</u>
	<u>\$ 4,947,462</u>	<u>\$4,956,670</u>

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)**

The primary government's investments are categorized to give an indication of the level of risk assumed by the City at year-end. At June 30, 2007, the City's investments are in a category characterized as investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. The City did not hold any investments at June 30, 2007.

There were no significant changes in investments held during the fiscal year ended June 30, 2007.

**Note 3 - RECEIVABLES**

Receivables at June 30, 2007 are net of allowance for uncollectibles. The allowance for uncollectibles of the enterprise funds of the primary government was \$11,868 at June 30, 2007.

**Note 4 - DUE FROM OTHER GOVERNMENTS**

At June 30, 2007, amounts due from other governments were as follows:

Due from the Iowa Department of Transportation for road use tax allocations	\$ 21,165
Due from the State of Iowa for local option sales taxes	26,456
Due from the State of Iowa for miscellaneous refunds	312
Due from the FEMA for snow storm and flood damages	33,122
Total Due from Other Governments	\$ 81,055

**Note 5 - INTERFUND RECEIVABLES AND PAYABLES**

As of June 30, 2007, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
Special Revenue – Road Use Tax	TIF Fund	\$ 212,738
Special Revenue – Road Use Tax	2005 Street Project	181,517
Special Revenue – Road Use Tax	2006 Street Project	105,745
Special Revenue – Local Option Sales Tax	2006 Street Project	34,577
Special Revenue – Local Option Sales Tax	Library Expansion	146,268
Special Revenue – Local Option Sales Tax	General Fund	32,483
Special Revenue – Local Option Sales Tax	Nonmajor Governmental Funds	31,351
		\$ 744,679
Proprietary – Risk Insurance	Proprietary – Health Insurance Deductibles	\$ 2,079

**Note 6 - CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	<u>Balance</u> <u>July 1,</u> <u>2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,</u> <u>2007</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 437,239			\$ 437,239
Construction in Progress	77,877	\$ 122,327	\$ 171,169	29,035
Total capital assets not being depreciated	515,116	122,327	171,169	466,274

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
Capital assets being depreciated:				
Buildings	\$ 4,226,436			\$ 4,226,436
Improvements	440,194			440,194
Equipment	1,706,548	\$ 35,119		1,741,667
Infrastructure	492,021	171,169		663,190
Total capital assets being depreciated	<u>6,865,199</u>	<u>206,288</u>	<u>-</u>	<u>7,071,487</u>
Less: Accumulated Depreciation for:				
Buildings	410,553	85,357		495,910
Improvements	117,272	18,715		135,987
Equipment	893,334	98,465		991,799
Infrastructure	31,032	31,198		62,230
Total Accumulated Depreciation	<u>1,452,191</u>	<u>233,735</u>		<u>1,685,926</u>
Total capital assets being depreciated, net	<u>5,413,008</u>	<u>( 27,447)</u>		<u>5,385,561</u>
Governmental activities capital assets, net	<u>5,928,124</u>	<u>94,880</u>	<u>\$ 171,169</u>	<u>5,851,835</u>
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	9,050			9,050
Construction in Progress	-			-
Total capital assets not being depreciated	<u>9,050</u>	<u>-</u>	<u>-</u>	<u>9,050</u>
Capital assets being depreciated:				
Equipment	1,367,314	100,983	62,464	1,405,833
Buildings, Utility Plant, Lines, Etc.	5,991,516	9,865		6,001,381
Total capital assets being depreciated	<u>7,358,830</u>	<u>110,848</u>	<u>62,464</u>	<u>7,407,214</u>
Less: Accumulated Depreciation for:				
Equipment	1,628,258	106,439	56,738	1,677,959
Buildings, Utility Plant, Lines, Etc.	2,465,138	111,598		2,576,736
Total Accumulated Depreciation	<u>4,093,396</u>	<u>218,037</u>	<u>56,738</u>	<u>4,254,695</u>
Total capital assets being depreciated, net	<u>\$ 3,265,434</u>	<u>\$( 107,189)</u>	<u>\$ 5,726</u>	<u>\$ 3,152,519</u>

Construction in progress at June 30, 2007 consisted of costs associated with the 2007 Street Capital Project.

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

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

<b>Governmental Activities:</b>	
Public Safety	\$ 45,589
Public Works	17,929
Culture and Recreation	135,388
Community and Economic Development	3,632
General Government	<u>31,197</u>

Total depreciation expense – governmental activities	<u>233,735</u>
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<b>Business-Type Activities:</b>	
Electric	108,378
Water	54,137
Sewer	<u>55,522</u>

Total depreciation expense – business-type activities	<u>\$ 218,037</u>
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**Reconciliation of Investment in Capital Assets:**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Land	\$ 437,239	\$ 9,050
Construction in Progress	29,035	
Capital Assets (net of accumulated depreciation)	5,385,561	3,152,519
Less: General Obligation Bonds Payable	<u>(1,695,000)</u>	
Investment in Capital Assets, Net of Related Debt	<u>\$ 4,156,835</u>	<u>\$ 3,161,569</u>

**Note 7 - LONG-TERM DEBT**

**General Obligation Bonds**

The City issues general obligation bonds to provide funds for the construction of the library expansion project. General obligation bonds have been issued for the governmental activities. These bonds are direct obligations and pledge the full faith and credit of the City.

The City has issued general obligation bonds as follows:

\$1,500,000 2003 General Obligation Bonds due in annual installments of \$85,000 to \$130,000 through 2019.

\$505,000 2006 General Obligation Bonds due in annual installments of \$80,000 to \$95,000 through 2012.

General obligation bonds outstanding as of June 30, 2007 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
Governmental Activities – Library	2.70 - 4.40%	\$ 1,260,000
Governmental Activities – TIF	3.40 - 3.80%	435,000
		<u>\$ 1,695,000</u>

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 7 - LONG-TERM DEBT – (Continued)**

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

<u>Year Ending June 30,</u>	<u>Governmental Activities Principal</u>	<u>Interest</u>
2008	165,000	63,270
2009	175,000	58,255
2010	175,000	52,625
2011	185,000	46,685
2012	190,000	40,125
2013-2017	550,000	124,675
2018-2019	255,000	16,815
<b>Total</b>	<b>\$ 1,695,000</b>	<b>\$ 402,450</b>

**Changes in Long-Term Liabilities**

Long-Term liability activity for the year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Primary Government: Governmental Activities:</b>				
Bonds Payable:				
General Obligation	\$ 1,845,000	\$ 150,000	\$ 1,695,000	\$ 165,000
<b>Total</b>	<b>\$ 1,845,000</b>	<b>\$ 150,000</b>	<b>\$ 1,695,000</b>	<b>\$ 165,000</b>

**Note 8 - TRANSFERS**

The following is a summary of transfers between funds:

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Governmental Fund Types</u>
Business Type Activities	\$ 40,000			\$ 40,000
TIF		\$ 92,506	\$ 50,000	142,506
General Fund			21,521	21,521
Road Use Tax			150,409	150,409
Local Option Sales Tax	150,000			150,000
Nonmajor Governmental	86,674			86,674
<b>Total Transfers</b>	<b>\$ 276,674</b>	<b>\$ 92,506</b>	<b>\$ 221,930</b>	<b>\$ 591,110</b>

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 8 - TRANSFERS (Continued)**

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. To move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due.
3. To use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.
4. To move receipts collected by Business Type activity Funds to General Fund in accordance with budgetary authorizations.

**Note 9 - PENSION AND RETIREMENT**

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

Plan members are required to contribute 3.70 percent of their annual covered salary and the City is required to contribute 5.75 percent of annual covered payroll except for police employees, in which case, the percentages are 6.08 for employees and 9.12 for the city contribution. For the year ended June 30, 2006, the contribution rates for police employees and the City were 6.16 percent and 9.23 percent, respectively, and for the year ended June 30, 2005, the contribution rates for police employees and the City were 6.16 percent and 9.23 percent, respectively. Contribution requirements are established by state statute. The City contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$ 66,386, \$60,721, and \$60,195, respectively, equal to the required contributions for each year.

**Note 10 - DEFICIT FUND EQUITY**

The City has seven funds with deficit equity balances at June 30, 2007. The City intends to finance these deficits from various resources including general funds, special assessments to be collected and future property tax levies.

The individual fund deficits were as follows:

Special Revenue – Employee Benefits .....	\$ 15,723
Special Revenue – TIF.....	198,382
Capital Project – 2007 Street Project.....	29,035
Capital Project – 2005 Street Project.....	179,293
Capital Project – 2006 Street Project.....	135,714
Capital Project – Library Expansion .....	146,268

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 11 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There are no claims reported in the financial statements as a liability and no losses in excess of insurance coverage have occurred in the last three years.

There were no significant reductions in insurance coverage over the past three years.

**Note 12 - INVESTMENT IN WIMECA**

Western Iowa Municipal Electric Cooperative Association (WIMECA) was incorporated on December 4, 1973, under the laws of Iowa. The Association operates as a cooperative for six municipalities. The primary activity of the Association is the acquisition of electric power and energy which is sold to its member municipalities.

It is the intent of the Association to operate on a nonprofit basis and, accordingly, earnings are distributed in accordance with the provisions of Chapter 499 of the Code of Iowa. In order to comply with such provisions, earnings must first be allocated to meet certain reserve and surplus requirements with remaining earnings allocated to the account of each member municipality based on the proportion of business which each municipality has done with the Association during the year. The City of Onawa's Electric Enterprise Fund's proportion of business for the year ended December 31, 2006 represents 31.7% of the total member business.

The last available information for WIMECA is from its December 31, 2006 independent audit report. These financial statements are available at the City office.

The summary financial information of WIMECA is as follows:

	December 31, 2006
Total Assets	\$ <u>4,430,356</u>
Total Liabilities	295,997
Total Equity	<u>4,134,359</u>
Total Liabilities and Equity	<u>4,430,356</u>
Total Revenue	3,531,552
Total Expense	<u>3,267,404</u>
Net Earnings	\$ <u>264,148</u>

At December 31, 2006, WIMECA had no outstanding bonds.

At June 30, 2007, the City of Onawa Electric Enterprise Fund investment in WIMECA was as follows:

	June 30, 2007
Beginning Balance	\$ 1,353,973
Add: Net Earnings	<u>83,834</u>
Balance	1,437,807
Less: Dividends Received	<u>58,611</u>
Ending Balance at June 30, 2007	\$ <u>1,379,196</u>

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

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**Note 13 - CONTINGENCIES & COMMITMENTS**

On June 14, 2005, the City Council approved the City to enter into a garbage hauling contract with Ross Enterprises, Inc. for the period of July 1, 2005 through June 30, 2010 at an annual cost of approximately \$120,000 based on the number of customers.

In December 2006, the City placed an order for a new Bobcat at a cost of \$27,478, which was subsequently received in September 2007.

CITY OF ONAWA, IOWA

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF ONAWA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING**  
**YEAR ENDED JUNE 30, 2007**

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

Formal and legal budgetary control is based upon 9 major classes of disbursements known as functions, not by fund or fund type. These 9 functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

The following schedule demonstrates the City's legal compliance to the budget.

<u>Function</u>	<u>Budgeted Original</u>	<u>5-22-07 Amendment</u>	<u>Amended Budget</u>
Public Safety	\$ 511,668		\$ 511,668
Public Works	475,200		475,200
Culture & Recreation	427,206		427,206
Community & Economic Development	94,000		94,000
General Government	169,750		169,750
Debt Service	221,961		221,961
Capital Projects	161,075	\$ 125,000	286,075
Business Type/Enterprise	3,440,782		3,440,782
Total	<u>\$ 5,501,642</u>	<u>\$ 125,000</u>	<u>\$ 5,626,642</u>

**CITY OF ONAWA**  
**Required Supplementary Information - Budgetary Reporting**  
**For the Year Ended June 30, 2007**

	<u>Governmental Fund Types</u>	<u>Proprietary Fund Types</u>
<b>Revenue:</b>		
Taxes	\$ 1,138,932	
Special Assessments	97,771	
Licenses and Permits	29,061	
Intergovernmental Revenue	494,156	
Charges for Services	84,727	\$ 2,494,130
Fines and Forfeits	15,033	
Contributions	66,161	
Sale of Real Estate	15,000	
Interest	125,051	110,391
Payment in Lieu of Taxes	92,785	
Miscellaneous	101,059	130,307
	<u>2,259,736</u>	<u>2,734,828</u>
Total Revenue		
<b>Expenditures/Expenses:</b>		
Public Safety	476,226	
Public Works	245,474	
Culture and Recreation	372,695	
Community and Economic Development	76,636	
General Government	125,033	
Capital Projects	342,059	
Debt Service	221,961	
Business Type Activities		2,853,512
	<u>1,860,084</u>	<u>2,853,512</u>
Total Expenditures/Expenses		
Excess (Deficiency) of revenues over Expenditures/Expenses	<u>399,652</u>	<u>(118,684)</u>
<b>Other financing sources (uses):</b>		
Transfers In	591,110	
Transfers Out	(551,110)	(40,000)
	<u>40,000</u>	<u>(40,000)</u>
Total other financing sources (uses)		
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures/Expenses and Other Uses	359,652	(78,684)
Fund Balance/Retained Earnings at Beginning of Year	<u>1,742,162</u>	<u>2,799,041</u>
Fund Balance/Retained Earnings at End of Year	<u>\$ 2,101,814</u>	<u>\$ 2,720,357</u>

Total	Adopted Budget	Variance Favorable (Unfavorable)
\$ 1,138,932	\$ 1,074,524	\$ 64,408
97,771	30,000	67,771
29,061	13,850	15,211
494,156	457,506	36,650
2,578,857	3,142,460	(563,603)
15,033		15,033
66,161		66,161
15,000		15,000
235,442	51,000	184,442
92,785		92,785
231,366	165,350	66,016
<u>4,994,564</u>	<u>4,934,690</u>	<u>59,874</u>
476,226	511,668	35,442
245,474	475,200	229,726
372,695	427,206	54,511
76,636	94,000	17,364
125,033	169,750	44,717
342,059	286,075	(55,984)
221,961	221,961	-
2,853,512	3,440,782	587,270
<u>4,713,596</u>	<u>5,626,642</u>	<u>913,046</u>
<u>280,968</u>	<u>(691,952)</u>	<u>972,920</u>
591,110	364,670	(226,440)
(591,110)	(364,670)	226,440
<u>-</u>	<u>-</u>	<u>-</u>
280,968	(691,952)	972,920
<u>4,541,203</u>	<u>4,541,203</u>	<u>-</u>
<u>\$ 4,822,171</u>	<u>\$ 3,849,251</u>	<u>\$ 972,920</u>

**CITY OF ONAWA**  
**Required Supplementary Information - Budgetary Reporting**  
**For the Year Ended June 30, 2007**

	Governmental Fund Types		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
<b>Revenue:</b>			
Taxes	\$ 1,138,932	\$ (10,100)	\$ 1,128,832
Special Assessments	97,771	(15,399)	82,372
Licenses and Permits	29,061	5,237	34,298
Intergovernmental Revenue	494,156	(23,629)	470,527
Charges for Services	2,578,857	(27,679)	2,551,178
Fines and Forfeits	15,033	(148)	14,885
Contributions	66,161	-	66,161
Sale of Real Estate	15,000	-	15,000
Interest	235,442	(18,997)	216,445
Payment in Lieu of Taxes	92,785	-	92,785
Miscellaneous	231,366	22,456	253,822
<b>Total Revenue</b>	<b>4,994,564</b>	<b>(68,259)</b>	<b>4,926,305</b>
<b>Expenditures/Expenses:</b>			
Public Safety	476,226	5,653	481,879
Public Works	245,474	(12,655)	232,819
Culture and Recreation	372,695	13,685	386,380
Community and Economic Development	76,636	9,501	86,137
General Government	125,033	2,384	127,417
Capital Projects	342,059	(214,208)	127,851
Debt Service	221,961	-	221,961
Business Type Activities	2,853,512	(119,090)	2,734,422
<b>Total Expenditures/Expenses</b>	<b>4,713,596</b>	<b>(314,730)</b>	<b>4,398,866</b>
Excess (Deficiency) of revenues over Expenditures/Expenses	280,968	246,471	527,439
<b>Other financing sources (uses):</b>			
Transfers In	591,110	-	591,110
Transfers Out	(591,110)	-	(591,110)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures/Expenses and Other Uses	280,968	246,471	527,439
Fund Balance/Retained Earnings at Beginning of Year	4,541,203	4,812,703	9,353,906
Fund Balance/Retained Earnings at End of Year	4,822,171	5,059,174	9,881,345

SUPPLEMENTAL INFORMATION

CITY OF ONAWA, IOWA

**CITY OF ONAWA, IOWA  
 COMBINING BALANCE SHEET  
 GOVERNMENTAL NONMAJOR FUNDS  
 JUNE 30, 2007**

	Special Revenue Funds		Capital Projects	
	Employee Benefits	2004 Street Project	Community Center	15th and Marble
<b>Assets</b>				
Cash and Pooled Investments	-	\$ 603	-	\$ 370
Investments	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Taxes	\$ 1,591	-	-	-
Subsequent Year Taxes	58,000	-	-	-
Accrued Interest	-	1,603	-	839
Special Assessments	-	5,269	-	2,826
Subsequent Year Special Assessments	-	31,255	-	15,969
<b>Total Assets</b>	<b>59,591</b>	<b>38,730</b>	<b>-</b>	<b>20,004</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts Payable	-	-	-	-
Due to Other Funds	17,314	-	-	-
Deferred Revenue - Subsequent Year Taxes	58,000	-	-	-
Deferred Revenue - Subsequent Year Assessments	-	31,255	-	15,969
<b>Total Liabilities</b>	<b>75,314</b>	<b>31,255</b>	<b>-</b>	<b>15,969</b>
<b>Fund Balances:</b>				
Reserved for:				
Endowment	-	-	-	-
Unreserved (Deficit)	(15,723)	7,475	-	4,035
<b>Total Fund Balances (Deficits)</b>	<b>(15,723)</b>	<b>7,475</b>	<b>-</b>	<b>4,035</b>
<b>Total Liabilities and Equity</b>	<b>\$ 59,591</b>	<b>\$ 38,730</b>	<b>-</b>	<b>\$ 20,004</b>

Capital Projects		Permanent Fund		Total Governmental Nonmajor Funds
Airport Project	2007 Street Project	Cemetery Perpetual Care Fund	Library Endowment Fund	
\$ 12,756	-	\$ 5,498	\$ 33,000	\$ 52,227
-	-	82,600	-	82,600
-	-	-	-	1,591
-	-	-	-	58,000
-	-	225	199	2,866
-	-	-	-	8,095
-	-	-	-	47,224
12,756	-	88,323	33,199	252,603
-	\$ 14,998	-	-	14,998
-	14,037	-	-	31,351
-	-	-	-	58,000
-	-	-	-	47,224
-	29,035	-	-	151,573
-	-	88,323	33,199	121,522
12,756	(29,035)	-	-	(20,492)
12,756	\$ (29,035)	88,323	33,199	101,030
\$ 12,756	\$	\$ 88,323	\$ 33,199	\$ 252,603

**CITY OF ONAWA, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL NONMAJOR FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	Special	Capital Projects		
	Revenue Fund Employee Benefits	2004 Street Project	Community Center	15th and Marble
Revenue:				
Taxes	\$ 83,088		-	-
Special Assessments	-	\$ 6,062	-	\$ 2,852
Charges for Services	-	-	-	-
Contributions	-	-	-	-
Proceeds from Sale of Real Estate	-	-	-	-
Interest	-	1,208	-	1,123
Miscellaneous	-	205	-	60
Total Revenue	83,088	7,475	-	4,035
Expenditures:				
Culture and Recreation	-	-	-	-
General Government	2,757	-	-	-
Capital Projects	-	-	-	-
Total Expenditures	2,757	-	-	-
Excess (deficiency) of revenues over expenditures	80,331	7,475	-	4,035
Other financing sources (uses):				
Transfers In	-	137,924	\$ 71,521	12,485
Transfers Out	(84,215)	-	-	-
Total other financing sources (uses)	(84,215)	137,924	71,521	12,485
Net Change in Fund Balance	(3,884)	145,399	71,521	16,520
Fund balances (deficits) -beginning of year	(11,839)	(137,924)	(71,521)	(12,485)
Fund balances (deficits) - end of year	\$ (15,723)	\$ 7,475	\$ -	\$ 4,035

Capital Projects		Permanent Fund		Total
Airport Project	2007 Street Project	Cemetery Perpetual Care Fund	Library Endowment Fund	Governmental Nonmajor Funds
-	-	-	-	\$ 83,088
-	-	-	-	8,914
-	-	-	-	-
-	-	\$ 2,025	-	2,025
\$ 15,000	-	-	-	15,000
-	-	3,889	\$ 1,742	7,962
-	-	-	-	265
15,000	-	5,914	1,742	117,254
-	-	-	-	-
-	-	-	-	2,757
2,244	\$ 29,035	-	-	31,279
2,244	29,035	-	-	34,036
12,756	(29,035)	5,914	1,742	83,218
-	-	-	-	221,930
-	-	(180)	(2,279)	(86,674)
-	-	(180)	(2,279)	135,256
12,756	(29,035)	5,734	(537)	218,474
-	-	82,589	33,736	(117,444)
\$ 12,756	\$ (29,035)	\$ 88,323	\$ 33,199	\$ 101,030

**CITY OF ONAWA, IOWA  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 JUNE 30, 2007**

	Risk Insurance	Health Insurance Deductibles	Totals
<b>ASSETS</b>			
Cash	\$ 100,374		\$ 100,374
Accounts Receivable		\$ 2,826	2,826
Due from Other funds	2,079		2,079
<b>Total Assets</b>	<b>102,453</b>	<b>2,826</b>	<b>105,279</b>
<b>LIABILITIES</b>			
Due to Other Funds		2,079	2,079
<b>Total Liabilities</b>		<b>2,079</b>	<b>2,079</b>
<b>NET ASSETS</b>			
	<b>\$ 102,453</b>	<b>\$ 747</b>	<b>\$ 103,200</b>

**CITY OF ONAWA, IOWA  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2007**

	Risk Insurance	Health Insurance Deductibles	Totals
<b>Operating revenues:</b>			
Charges for services to operating funds	\$ 8,000	\$ 10,000	\$ 18,000
<b>Operating expenses:</b>			
General Government		12,494	12,494
<b>Total operating expenses</b>		<b>12,494</b>	<b>12,494</b>
<b>Operating Income (Loss)</b>	<b>8,000</b>	<b>(2,494)</b>	<b>5,506</b>
<b>Net assets - beginning</b>	<b>94,453</b>	<b>3,241</b>	<b>97,694</b>
<b>Net assets - ending</b>	<b>\$ 102,453</b>	<b>\$ 747</b>	<b>\$ 103,200</b>

**CITY OF ONAWA, IOWA  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2007**

	Risk Insurance	Health Insurance Deductibles	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 8,000	\$ 10,000	\$ 18,000
Cash Paid to Suppliers	(2,079)	(13,241)	(15,320)
Net Increase (Decrease) in Cash and Cash Equivalents	5,921	(3,241)	2,680
Cash and Cash Equivalents at Beginning of Year	94,453	3,241	97,694
Cash and Cash Equivalents at End of Year	<u>\$ 100,374</u>	<u>\$ -</u>	<u>\$ 100,374</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 8,000	\$ (2,494)	\$ 5,506
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:			
(Increase) in Accounts Receivable	-	(2,826)	(2,826)
(Increase) Decrease In Due to (From) Other Funds	(2,079)	2,079	-
Total Adjustments	(2,079)	(747)	(2,826)
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,921</u>	<u>\$ (3,241)</u>	<u>\$ 2,680</u>

STATISTICAL SECTION

(NOT COVERED BY AUDITORS' REPORT)

CITY OF ONAWA, IOWA

TABLE I

Government-Wide Net Assets by Component<sup>2</sup>  
 Last Four Fiscal Years<sup>1</sup>  
 (accrual basis of accounting)

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Governmental Activities</b>				
Invested in Capital Assets, net of related debt	\$ 1,297,694	\$ 3,708,775	\$ 4,083,125	\$ 4,156,835
Restricted	232,713	114,345	116,325	121,522
Unrestricted	<u>2,777,798</u>	<u>1,525,551</u>	<u>1,721,779</u>	<u>2,396,941</u>
Total Governmental Activities Net Assets	<u>\$ 4,308,205</u>	<u>\$ 5,348,671</u>	<u>\$ 5,921,229</u>	<u>\$ 6,675,298</u>
<b>Business-type Activities</b>				
Invested in Capital Assets, net of related debt	\$ 3,331,990	\$ 3,291,706	\$ 3,274,484	\$ 3,161,569
Restricted	-	-	-	-
Unrestricted	<u>4,157,395</u>	<u>4,316,055</u>	<u>4,468,232</u>	<u>4,417,915</u>
Total Business-type Activities	<u>\$ 7,489,385</u>	<u>\$ 7,607,761</u>	<u>\$ 7,742,716</u>	<u>\$ 7,579,484</u>
<b>Primary Government</b>				
Invested in Capital Assets, net of related debt	\$ 4,629,684	\$ 7,000,481	\$ 7,357,609	\$ 7,318,404
Restricted	232,713	114,345	116,325	121,522
Unrestricted	<u>6,935,193</u>	<u>5,841,606</u>	<u>6,190,011</u>	<u>6,814,856</u>
Total Primary Government Activities Net Assets	<u>\$ 11,797,590</u>	<u>\$ 12,956,432</u>	<u>\$ 13,663,945</u>	<u>\$ 14,254,782</u>

Notes:

<sup>1</sup> The City Implemented GASB Statement No. 34 in fiscal year 2004, therefore, four years of governmental-wide financial data is presented.

<sup>2</sup> Accounting standards require that net assets be reported in three components in the financial statements: Invested in capital assets, net of related debt; restricted and unrestricted. Net assets are considered restricted only when (1) an external party, such as the State of Iowa or the federal government, places restrictions on how the resources may be used, or (2) enabling legislation is enacted by the City.

CITY OF ONAWA, IOWA

TABLE II

Changes in Net Assets  
Last Four Fiscal Years<sup>1</sup>  
(accrual basis of accounting)

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Expenses<sup>1</sup></b>				
<b>Governmental Activities</b>				
Public Safety	\$ 435,037	\$ 481,673	\$ 445,971	\$ 512,418
Public Works	252,568	200,448	250,256	252,991
Culture and Recreation	364,443	420,950	491,103	504,980
Community and Economic Development	133,273	57,791	83,261	89,769
General Government	173,618	156,050	159,999	173,894
Debt Service	70,732	40,511	84,230	67,267
<b>Total Governmental Activities Expenses</b>	<u>\$ 1,429,671</u>	<u>\$ 1,357,423</u>	<u>\$ 1,514,820</u>	<u>\$ 1,601,319</u>
<b>Business-type Activities</b>				
Electric System	\$ 1,417,066	\$ 1,593,206	\$ 1,766,956	\$ 1,777,438
Water System	281,441	361,903	376,228	395,571
Sewer System	500,891	520,473	529,236	548,919
<b>Total Business-type Activities Expenses</b>	<u>\$ 2,199,398</u>	<u>\$ 2,475,582</u>	<u>\$ 2,672,420</u>	<u>\$ 2,721,928</u>
<b>Total Primary Government Expenses</b>	<u>\$ 3,629,069</u>	<u>\$ 3,833,005</u>	<u>\$ 4,187,240</u>	<u>\$ 4,323,247</u>
<b>Program Revenues</b>				
<b>Governmental Activities:</b>				
Charges for Services				
Public Safety	\$ 10,859	\$ 6,107	\$ 11,419	\$ 12,306
Culture and Recreation	74,488	86,297	80,353	87,306
General Government	14,500	14,500	15,000	18,000
Operating Grants and Contributions	464,282	164,912	95,410	132,585
Capital Grants and Contributions	60,000	240,342	147,895	9,271
<b>Total Governmental Activities Program Revenues</b>	<u>\$ 624,129</u>	<u>\$ 512,158</u>	<u>\$ 350,077</u>	<u>\$ 259,468</u>
<b>Business-type Activities:</b>				
Charges for Services				
Electric System	\$ 1,646,711	\$ 1,654,084	\$ 1,784,123	\$ 1,674,900
Water System	304,472	286,369	308,879	295,762
Sewer System	478,166	463,509	495,505	477,789
<b>Total Business-type Activities Program Revenues</b>	<u>\$ 2,429,349</u>	<u>\$ 2,403,962</u>	<u>\$ 2,588,507</u>	<u>\$ 2,448,451</u>
<b>Total Primary Government Program Revenues</b>	<u>\$ 3,053,478</u>	<u>\$ 2,916,120</u>	<u>\$ 2,938,584</u>	<u>\$ 2,707,919</u>
<b>Net (Expense)/Revenue<sup>2</sup></b>				
<b>Governmental Activities:</b>				
	\$ (805,542)	\$ (845,265)	\$ (1,164,743)	\$ (1,341,851)
<b>Business-type Activities:</b>				
	229,951	(71,620)	(83,913)	(273,477)
<b>Total Primary Government Net Expense</b>	<u>\$ (575,591)</u>	<u>\$ (916,885)</u>	<u>\$ (1,248,656)</u>	<u>\$ (1,615,328)</u>

CITY OF ONAWA, IOWA

TABLE II (Continued)

Changes in Net Assets  
Last Four Fiscal Years<sup>1</sup>  
(accrual basis of accounting)

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>General Revenues</b>				
<b>Governmental Activities:</b>				
Property Taxes	\$ 1,010,564	\$ 1,119,067	\$ 1,059,464	\$ 1,128,832
Local Option Sales Tax	163,564	164,447	169,515	167,862
Interest	63,561	75,957	95,990	121,100
General Intergovernmental Revenues	304,616	333,136	293,642	301,581
Payment in Lieu of Taxes	84,552	87,654	86,578	92,845
Contributions	1,100	2,079	3,350	38,025
Miscellaneous	46,107	31,136	34,490	92,981
Proceeds from Sale of Real Estate	-	-	-	15,000
Transfers	-	77,293	-	40,000
<b>Total Governmental Activities</b>	<u>\$ 1,674,064</u>	<u>\$ 1,890,769</u>	<u>\$ 1,743,029</u>	<u>\$ 1,998,226</u>
<b>Business-type Activities:</b>				
Interest	\$ 9,242	\$ 33,343	\$ 75,277	\$ 95,345
Sale of Merchandise	16,897	29,573	26,583	15,823
Miscellaneous	241,753	187,335	111,280	136,771
Assets Acquired Through Annexation	-	12,000	-	-
Transfers	-	(77,293)	-	(40,000)
<b>Total Business-type Activities</b>	<u>\$ 267,892</u>	<u>\$ 184,958</u>	<u>\$ 213,140</u>	<u>\$ 207,939</u>
<b>Total Primary Government</b>	<u>\$ 1,941,956</u>	<u>\$ 2,075,727</u>	<u>\$ 1,956,169</u>	<u>\$ 2,206,165</u>
<b>Change in Net Assets</b>				
Governmental Activities	\$ 868,522	\$ 1,045,504	\$ 578,286	\$ 656,375
Business-type Activities	497,843	113,338	129,227	(65,538)
<b>Total Primary Government</b>	<u>\$ 1,366,365</u>	<u>\$ 1,158,842</u>	<u>\$ 707,513</u>	<u>\$ 590,837</u>

Notes:

<sup>1</sup> The City implemented GASB Statement No. 34 in fiscal year 2004 therefore, four years of government-wide financial data is presented.

<sup>2</sup> Net (expense)/revenue is the difference between the expenses and program revenues of a function or program. It indicates the degree to which a function or program supports itself with its own fees and grants versus its reliance upon funding from taxes and other general revenues.

CITY OF ONAWA, IOWA

TABLE III

Fund Balances of Governmental Funds  
Last Ten Fiscal Years<sup>1</sup>  
(modified accrual basis of accounting)

	Fiscal Year				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>679,469</u>	<u>694,581</u>	<u>839,028</u>	<u>1,519,438</u>	<u>1,620,545</u>
Total General Fund	<u>\$ 679,469</u>	<u>\$ 694,581</u>	<u>\$ 839,028</u>	<u>\$ 1,519,438</u>	<u>\$ 1,620,545</u>
All Other Governmental Funds					
Reserved	\$ 194,590	\$ 196,316	\$ 222,633	\$ 217,435	\$ 220,442
Unreserved, reported in:					
Debt Service Fund	29,444	-	-	-	(10,863)
Special Revenue Funds	609,861	424,439	568,372	846,058	521,398
Capital Projects Funds	<u>(55,908)</u>	<u>(143,228)</u>	<u>(155,253)</u>	<u>69,756</u>	<u>(617,401)</u>
Total All Other Governmental Funds <sup>1</sup>	<u>\$ 777,987</u>	<u>\$ 477,527</u>	<u>\$ 635,752</u>	<u>\$ 1,133,249</u>	<u>\$ 113,576</u>
Total Governmental Funds					
Reserved	\$ 194,590	\$ 196,316	\$ 222,633	\$ 217,435	\$ 220,442
Unreserved, reported in:	<u>1,262,866</u>	<u>975,792</u>	<u>1,252,147</u>	<u>2,435,252</u>	<u>1,513,679</u>
Total Governmental Funds	<u>\$ 1,457,456</u>	<u>\$ 1,172,108</u>	<u>\$ 1,474,780</u>	<u>\$ 2,652,687</u>	<u>\$ 1,734,121</u>

Notes:

<sup>1</sup> The fluctuations in the fund balance result from construction projects in which funds are borrowed in one year and spent in another fiscal year.

**Fiscal Year**

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ -	\$ -	\$ -	\$ -	\$ -
<u>1,547,064</u>	<u>1,387,212</u>	<u>1,408,105</u>	<u>1,507,762</u>	<u>1,661,160</u>
\$ 1,547,064	\$ 1,387,212	\$ 1,408,105	\$ 1,507,762	\$ 1,661,160
\$ 228,774	\$ 232,713	\$ 114,345	\$ 116,325	\$ 121,522
(21,324)	(40,842)	(8,348)	4,674	12,370
100,543	391,229	525,367	684,263	869,653
<u>(270,394)</u>	<u>854,744</u>	<u>(599,243)</u>	<u>(701,834)</u>	<u>(466,044)</u>
<u>\$ 37,599</u>	<u>\$ 1,437,844</u>	<u>\$ 32,121</u>	<u>\$ 103,428</u>	<u>\$ 537,501</u>
\$ 228,774	\$ 232,713	\$ 114,345	\$ 116,325	\$ 121,522
<u>1,355,889</u>	<u>2,592,343</u>	<u>1,325,881</u>	<u>1,494,865</u>	<u>2,077,139</u>
<u>\$ 1,584,663</u>	<u>\$ 2,825,056</u>	<u>\$ 1,440,226</u>	<u>\$ 1,611,190</u>	<u>\$ 2,198,661</u>

CITY OF ONAWA, IOWA

TABLE IV

Changes in Fund Balances of Governmental Funds  
Last Four Fiscal Years<sup>1</sup>  
(modified accrual basis of accounting)

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Revenues</b>				
Taxes	\$ 1,010,540	\$ 1,124,437	\$ 1,055,853	\$ 1,128,832
Special Assessments	63,047	82,285	28,791	82,372
Licenses and Permits	21,470	28,813	26,446	34,298
Intergovernmental Revenue	468,180	497,583	496,157	469,443
Charges for Services	71,991	84,338	76,924	84,727
Fines and Forfeits	13,356	8,066	14,848	14,885
Contributions	364,420	278,773	146,917	66,161
Grants	60,000	-	-	-
Proceeds from Sale of Bonds	1,500,000	-	505,000	-
Sale of Real Estate	-	-	-	15,000
Interest	68,431	75,957	95,990	121,100
Payment in Lieu of Taxes	84,552	87,654	86,578	92,785
Miscellaneous	46,107	31,136	34,490	102,312
Total Revenues	<u>\$ 3,772,094</u>	<u>\$ 2,299,042</u>	<u>\$ 2,567,994</u>	<u>\$ 2,211,915</u>
<b>Expenditures<sup>1</sup></b>				
Public Safety	\$ 419,319	\$ 495,741	\$ 449,045	\$ 481,879
Public Works	296,917	195,237	282,362	232,819
Culture and Recreation	448,863	363,075	403,074	386,380
Community and Economic Development	153,740	359,477	95,261	86,137
General Government	153,604	140,858	162,244	127,417
Capital Projects	932,109	1,975,890	278,639	127,851
Debt Service				
Principal Retirements	60,000	145,000	645,000	150,000
Interest	67,148	85,887	81,405	71,961
Total Expenditures	<u>\$ 2,531,700</u>	<u>\$ 3,761,165</u>	<u>\$ 2,397,030</u>	<u>\$ 1,664,444</u>
Excess (Deficiency) of Revenues over (under) Expenditures	\$ 1,240,394	\$ (1,462,123)	\$ 170,964	\$ 547,471
<b>Other Financing Sources (Uses)</b>				
Transfers In	\$ 387,915	\$ 545,989	\$ 341,755	\$ 591,110
Transfers Out	<u>(387,915)</u>	<u>(468,696)</u>	<u>(341,755)</u>	<u>(551,110)</u>
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ 77,293</u>	<u>\$ -</u>	<u>\$ 40,000</u>
Net change in fund balances	<u>\$ 1,240,394</u>	<u>\$ (1,384,830)</u>	<u>\$ 170,964</u>	<u>\$ 587,471</u>
Debt service as a percentage of non-capital expenditures <sup>2</sup>	7.95%	12.93%	34.29%	14.45%

Notes:

<sup>1</sup> The City implemented GASB Statement No. 34 in fiscal year 2004 therefore, four years of government-wide financial data is presented..

CITY OF ONAWA, IOWA

TABLE V

General Government Expenditures By Function  
General, Special Revenue, Debt Service and Capital Projects Funds  
Last Ten Fiscal Years

<u>Year</u>	<u>Community Protection</u>	<u>Human Development</u>	<u>Home and Community Environment</u>	<u>Policy and Administration</u>	<u>Debt Service</u>	<u>Capital Outlay</u>	<u>Total</u>
1997-98	\$ 406,194	\$ 185,730	\$ 740,153	\$ 115,199	\$ 155,818	\$ 96,465	\$ 1,699,559
1998-99	466,236	207,092	579,648	120,831	202,882	196,426	1,773,115
1999-00	353,731	230,316	300,288	158,120	195,133	12,025	1,249,613
2000-01	385,793	214,248	293,990	133,187	172,227	92,469	1,291,914
2001-02	\$ 439,022	\$ 209,693	\$ 427,963	\$ 140,767	\$ 165,595	\$ 1,706,647	\$ 3,089,687

<u>Year</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Culture &amp; Recreation</u>	<u>Community &amp; Economic Development</u>	<u>General Government</u>	<u>Debt Service</u>	<u>Capital Outlay</u>	<u>Total</u>
2002-03	\$ 521,334	\$ 272,125	\$ 310,817	\$ 281,796	\$ 118,987	\$ 168,878	\$ 694,118	\$ 2,368,055
2003-04	419,319	296,917	448,863	153,740	153,604	127,148	932,109	2,531,700
2004-05	495,741	195,237	363,075	359,477	140,858	230,887	1,975,890	3,761,165
2005-06	449,045	282,362	403,074	95,261	162,244	726,405	278,639	2,397,030
2006-07	\$ 481,879	\$ 232,819	\$ 386,380	\$ 86,137	\$ 127,417	\$ 221,961	\$ 127,851	\$ 1,664,444

Note: Expenditures by function category changed in the fiscal year 2002-03.

TABLE VI

General Government Revenues By Source  
General, Special Revenue, Debt Service and Capital Projects Funds  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter-Governmental</u>	<u>Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Contributions from Property Owners</u>	<u>Miscellaneous</u>	<u>Total</u>
1997-98	\$ 635,620	\$ 48,603	\$ 537,078	\$ 44,648	\$ 3,829		\$ 202,330	\$ 1,472,108
1998-99	656,421	29,986	583,463	48,253	4,381		183,365	1,505,869
1999-00	713,653	27,466	485,109	48,928	6,712		219,569	1,501,437
2000-01	819,998	21,735	485,917	60,735	7,821	\$ 4,708	1,055,282	2,456,196
2001-02	928,628	35,068	846,263	56,540	15,420	22,959	251,380	2,156,258
2002-03	915,903	24,665	725,562	66,004	19,521	17,092	315,724	2,084,471
2003-04	1,010,540	21,470	468,180	71,991	13,356	63,047	2,123,510	3,772,094
2004-05	1,124,437	28,813	497,583	84,338	8,066	82,285	473,520	2,299,042
2005-06	1,055,853	26,446	496,157	76,924	14,848	28,791	868,975	2,567,994
2006-07	\$ 1,128,832	\$ 34,298	\$ 469,443	\$ 84,727	\$ 14,885	\$ 82,372	\$ 397,358	\$ 2,211,915

CITY OF ONAWA, IOWA

TABLE VII

Property Tax Levies and Collections  
Last Ten Fiscal Years

<u>Collection Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>
1997-98	\$ 575,979	\$ 569,313	98.84%	\$ 4,928
1998-99	523,051	519,651	99.35	4,842
1999-00	544,844	536,954	98.55	5,689
2000-01	544,579	533,282	97.93	5,086
2001-02	568,509	555,848	97.77	5,261
2002-03	594,770	580,538	97.61	5,673
2003-04	552,236	544,837	98.66	5,634
2004-05	612,963	587,517	95.85	5,863
2005-06	702,767	682,672	97.14	4,889
2006-07	\$ 674,524	\$ 650,773	96.48%	\$ 5,305

TABLE VIII

Assessed and Taxable Value of Property  
Last Ten Fiscal Years

<u>Collection Year</u>	<u>Real Property</u>		<u>Personal Property</u>	
	<u>Assessed Value</u>	<u>Taxable Value</u>	<u>Assessed Value</u>	<u>Taxable Value</u>
1997-98	\$ 54,066,576	\$ 35,307,268	\$ 1,093,729	\$ 1,093,729
1998-99	68,886,186	45,033,276	407,992	407,992
1999-00	69,283,251	46,774,491	297,923	297,923
2000-01	82,515,977	53,986,280	184,202	184,202
2001-02	85,284,452	57,317,876	110,247	110,247
2002-03	91,249,971	55,719,712	\$ 66,148	\$ 66,148
2003-04	91,062,986	58,404,414	-	-
2004-05	92,909,936	57,335,289	-	-
2005-06	96,444,611	60,112,322	-	-
2006-07	\$ 95,895,362	\$ 58,453,898	-	-

<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>
\$ 528,381	99.47%
574,241	99.70
524,493	100.28
542,643	99.60
538,368	98.86
561,109	98.70
580,211	98.56
550,471	99.68
593,380	96.81
687,561	97.84
\$ 656,078	97.84%

<u>Utilities</u>		<u>Total</u>		<u>Ratio of Total Taxable Value</u>
<u>Assessed Value</u>	<u>Taxable Value</u>	<u>Assessed Value</u>	<u>Taxable Value</u>	
\$ 2,026,765	\$ 2,026,765	\$ 57,187,070	\$ 38,427,762	67.20%
2,075,304	2,067,484	71,369,482	47,508,752	66.57
1,980,002	1,980,002	71,561,176	49,052,416	68.55
1,508,501	1,508,501	84,208,680	55,678,983	66.12
1,408,426	1,408,426	86,803,125	58,836,549	67.78
1,308,730	1,308,730	92,624,849	57,094,591	61.64
1,607,102	1,607,102	92,670,088	60,011,516	64.76
406,150	406,150	93,316,086	57,741,439	61.88
442,291	442,291	96,886,902	60,554,613	62.50
\$ 511,068	\$ 511,068	\$ 96,406,430	\$ 58,964,966	61.16%

CITY OF ONAWA, IOWA

TABLE IX

Property Tax Rates and Tax Levies  
Direct and Overlapping Governments  
(Per \$1,000 of Assessed Value)  
Last Ten Fiscal Years

<u>Year</u>	<u>City</u>	<u>School District</u>	<u>County Consolidated</u>	<u>Area Vocational School</u>	<u>State Levy</u>	<u>Total</u>
1997-98	14.66973	10.61512	5.86845	.60796	.005	31.76626
1998-99	12.36841	11.03105	5.61720	.59515	.005	29.61681
1999-00	12.57794	10.38155	5.37794	.55951	.005	28.90194
2000-01	11.82399	10.74693	5.36311	.60985	.005	28.54888
2001-02	12.03710	10.91229	6.29521	.62121	.005	29.87071
2002-03	11.92593	10.95505	6.45078	.94866	.004	30.28442
2003-04	12.20166	11.84505	6.38161	.54141	.004	30.97373
2004-05	13.65668	12.34320	6.86233	.57204	.004	33.43825
2005-06	13.61467	13.38780	7.06811	.69873	.004	34.77331
2006-07	13.97673	15.68733	7.11172	.70282	.004	37.48260

TAX LEVIES

1997-98	\$ 575,979	\$ 407,915	\$ 225,511	\$ 22,755	\$ 192	\$ 1,232,352
1998-99	523,051	524,071	266,866	28,275	238	1,342,501
1999-00	544,844	509,236	263,799	27,445	245	1,345,569
2000-01	544,579	598,378	298,613	33,956	278	1,475,804
2001-02	568,509	642,041	370,388	36,550	294	1,617,782
2002-03	594,770	634,348	373,530	54,932	232	1,657,812
2003-04	552,236	710,839	382,970	32,491	240	1,678,776
2004-05	612,963	712,714	396,240	33,030	231	1,755,178
2005-06	702,767	810,693	428,007	42,311	242	1,984,020
2006-07	\$ 674,524	\$ 925,003	\$ 419,342	\$ 41,442	\$ 236	\$ 2,060,547

State law limits maximum tax rate for the General Fund to \$8.10 per thousand dollars of assessed valuation (100 percent basis) effective July 1, 1976.

Limitation does not include debt service.

Taxes Due July 1.

Taxes Delinquent First Half - October 1; Second Half - April 1.

Penalties for Delinquency: 1 Percent per month.

Discount Allowed: None

Uncollected Taxes Handled as Follows: Delinquent real estate tax list published in newspaper prior to May 16.

Taxes collected by Monona County and distributed to the City of Onawa in proportion of its levy to all levies.

Tax Sale Date: First Monday in June.

CITY OF ONAWA, IOWA

TABLE X

Special Assessment Collections  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Current Assessments Due</u>	<u>Current Assessments Collected</u>	<u>Ratio of Collections to Amount</u>	<u>Total Outstanding Due Assessments</u>
2001-02	\$ 140,038	\$ 19,792	14.13%	\$ 120,246
2002-03	120,246	12,029	10.00	108,217
2003-04	174,527	46,788	26.81	127,739
2004-05	127,739	36,693	28.72	91,046
2005-06	148,005	29,471	32.37	118,534
2006-07	\$ 184,465	\$ 30,030	16.28%	\$ 154,435

TABLE XI

Ratio of Net General Obligation Bonded Debt  
to Assessed Value and Net General Obligation Bonded Debt Per Capita  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Popula- tion</u>	<u>Taxable Value</u>	<u>Gross Bonded Debt</u>	<u>Less: Debt Service Monies Available</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Taxable Value</u>	<u>Net Bonded Debt Per Capita</u>
1997-98	2,936	\$ 38,427,762	\$ 1,380,000	\$ 29,444	\$ 1,350,556	.035 to 1	\$ 459.99
1998-99	2,936	47,508,752	1,239,286	22,495	1,216,791	.026 to 1	414.44
1999-00	2,936	49,052,416	1,098,572	13,397	1,085,175	.022 to 1	369.61
2000-01	3,091	55,678,983	972,857	1,872	970,985	.017 to 1	314.13
2001-02	3,091	58,836,549	847,143	-	847,143	.014 to 1	274.07
2002-03	3,091	57,904,591	711,429	-	711,249	.012 to 1	230.10
2003-04	3,091	60,011,516	2,151,429	-	2,151,429	.036 to 1	696.03
2004-05	3,091	57,741,439	1,995,715	-	1,995,715	.035 to 1	645.65
2005-06	3,091	60,554,613	1,845,000	4,674	1,840,326	.035 to 1	595.38
2006-07	3,091	\$ 58,964,966	\$ 1,695,000	\$ 4,674	\$ 1,690,326	.029 to 1	\$ 546.85

CITY OF ONAWA, IOWA

TABLE XII

Legal Debt Margin Information  
Last Ten Fiscal Years

	Fiscal Year				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Debt Limit	\$ 2,921,343	\$ 3,635,729	\$ 3,578,058	\$ 4,210,229	\$ 4,340,156
Total Net Debt Applicable to Limit	<u>1,350,556</u>	<u>1,216,791</u>	<u>1,085,175</u>	<u>970,985</u>	<u>847,143</u>
Legal Debt Margin	\$ 1,570,787	\$ 2,418,938	\$ 2,492,883	\$ 3,239,244	\$ 3,493,013
Total Net Debt Applicable to the Limit as a percentage of debt limit	46.23%	33.47%	30.33%	23.06%	19.52%

TABLE XIII

Computation of Legal Debt Margin  
June 30, 2007

Assessed Property Value Total Real Estate and Corporation	<u>\$ 96,406,430</u>
Debt Limit - 5% of Total Actual Valuation	\$ 4,820,322
Amount of Debt Applicable to Debt Limit: Total Bonded Debt	<u>1,695,000</u>
Legal Debt Margin	<u>\$ 3,125,322</u>

<b>Fiscal Year</b>				
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 4,631,242	\$ 4,633,504	\$ 4,665,804	\$ 4,817,537	\$ 4,820,322
<u>711,249</u>	<u>2,151,429</u>	<u>1,995,715</u>	<u>1,845,000</u>	<u>1,695,000</u>
\$ 3,919,993	\$ 2,482,075	\$ 2,670,089	\$ 2,972,537	\$ 3,125,322
15.36%	46.43%	42.77%	38.30%	35.16%

TABLE XIV

Computation of Direct and Overlapping Debt  
June 30, 2007

<u>Name of Governmental Unit</u>	Percentage Applicable Net Debt* <u>Outstanding</u>	To This Governmental Unit	City of Onawa Share of <u>Debt</u>
City of Onawa, Iowa	\$ <u>1,690,326</u>	100%	\$ <u>1,690,326</u>
Total	\$ <u>1,690,326</u>		\$ <u>1,690,326</u>

\* Net debt outstanding is total bonds outstanding less funds available for debt service.

CITY OF ONAWA, IOWA

TABLE XV

Ratio of Annual Debt Service Expenditures for  
General Bonded Debt to Total General Expenditures  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures</u>	<u>Ratio of Debt Service to Total General Expenditures</u>
1997-98	\$ 70,000	\$ 85,818	\$ 155,818	\$ 1,013,318	15.37%
1998-99	130,000	72,882	202,882	909,597	22.30
1999-00	130,000	65,133	195,133	844,152	23.12
2000-01	115,000	57,227	172,227	851,002	20.24
2001-02	115,000	50,595	165,595	931,644	17.77
2002-03	125,000	43,878	168,878	1,024,885	16.48
2003-04	60,000	67,148	127,148	1,081,972	11.75
2004-05	145,000	85,887	230,887	1,027,126	22.48
2005-06	140,000	81,405	221,405	1,009,479	21.93
2006-07	\$ 150,000	\$ 71,961	\$ 221,961	\$ 1,060,756	20.92%

TABLE XVI

Demographic Statistics

	(1)	(1)	(1)	(2)	(3)
<u>Per Fiscal Year</u>	<u>Population</u>	<u>Capita Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Monona County Unemployment Rate</u>
1970	3,154	\$ 2,659	38.3	1,154	4.1 %
1980	3,283	7,168	39.2	833	5.4 %
1990	2,936	10,826	43.2	733	4.2 %
2000	3,091	17,928	42.3	679	3.1%

Sources:

- (1) Bureau of Census
- (2) Annual School Census
- (3) Iowa Department of Job Service

CITY OF ONAWA, IOWA

CITY OF ONAWA, IOWA

TABLE XVII

Property Value, Construction, and Bank Deposits  
Last Ten Fiscal Years

Fiscal Year	Commercial (1) Construction		Residential (1) Construction		Bank (2) (3) Deposits (in Thousands)
	No. of Units	Value	No. of Units	Value	
1997-98	6	\$ 1,611,709	4	\$ 942,664	\$ 75,655
1998-99	3	3,349,853	1	6,482,623	80,342
1999-00	(6)	389,133	3	1,027,724	84,020
2000-01	(6)	1,371,424	3	1,350,230	82,253
2001-02	(3)	2,229,289	3	3,543,752	83,553
2002-03	(3)	( 24,634)	(7)	641,368	83,867
2003-04	(2)	( 28,771)	(3)	2,585	93,954
2004-05	21	3,125,585	(1)	( 267,178)	85,037
2005-06	(1)	(233,809)	(2)	559,460	95,877
2006-07	(1)	\$ 496,074	(1)	\$ 4,585,830	\$ 100,527

The 2004-2005 information includes annexed property (including land).

- (1) Includes new construction and remodeling.
- (2) Combined deposits in three banks (Source: Bank Financial Statements).
- (3) Combined deposits in four banks for 2006-2007 (Source: Bank Financial Statements).

TABLE XVIII

Principal Taxpayers  
June 30, 2007

<u>Taxpayer</u>	<u>FY2006-07 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Regal Manors of Onawa, Inc.	\$ 2,299,145	2.38%
Western Iowa Cooperative	1,688,462	1.75
Onawa – Pam Limited Partnership	1,146,494	1.19
Westendorf, Inc.	1,061,653	1.10
Vetter Equipment	850,000	.88
Bradley Properties, LLC	824,000	.85
NILS Holdings LLC	738,098	.77
Brett and Debra Ewing	647,179	.67
Longlines, Inc.	629,199	.65
James W & Diane P Stangel	<u>593,720</u>	<u>.62</u>
Total	\$ <u>10,477,950</u>	<u>10.86%</u>

CITY OF ONAWA, IOWA

TABLE XI

Operating Indicators by Function  
Last Ten Fiscal Years

Function	Fiscal Year				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<b>Police</b>					
Physical Arrests	n/a	n/a	151	130	201
Parking Violations	n/a	n/a	n/a	27	33
Traffic Violations	n/a	n/a	252	240	526
<b>Fire</b>					
Number of Calls Answered	49	54	42	50	58
<b>Highways and Streets</b>					
Street Maintenance (Miles)	0	0	39	39	39
Street Reconstruction (Blocks)	0	0	0	0	15
<b>Building Permits</b>					
Number	46	73	115	129	121
Value	1,492,483	5,076,075	3,079,892	1,379,447	4,397,493
Permit Fees	2,340	3,570	4,775	3,820	4,715
<b>Water</b>					
Water Pumped (in thousands of gallons)	148,048	152,208	172,496	169,353	170,959
Water Billed (in thousands of gallons)	97,681	95,523	92,005	101,881	101,960
Percent Accountable	66%	63%	53%	60%	60%

**Fiscal Year**

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
183	174	154	136	190
94	48	203	47	24
461	462	174	222	183
41	43	46	64	47
39	40	40	40	40
2	10	19	14	17
106	88	87	81	67
1,851,757	3,717,616	4,841,880	1,904,285	5,353,689
4,785	2,000	3,315	4,565	2,420
178,120	183,600	177,991	193,084	173,487
104,466	107,433	96,013	103,043	99,765
59%	59%	54%	53%	58%

CITY OF ONAWA, IOWA

TABLE XII

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	Fiscal Year				
	1998	1999	2000	2001	2002
Police					
Stations	n/a	1	1	1	1
Patrol Units	6	6	6	6	6
Fire Stations	1	1	1	1	2
Highways and Streets					
Streets City Maintained (miles)	39	39	39	39	39
Culture and Recreation					
Parks Acreage	n/a	n/a	n/a	n/a	n/a
Parks	4	4	4	4	4
Miles of Recreational Trails	0	0	0	0	0
Swimming Pools	1	1	1	1	1
Libraries	1	1	1	1	1
Community Centers	0	0	0	0	0
Airports	1	1	1	1	1
Golf Courses	1	1	1	1	1
Boat Dock and Ramp	0	0	0	0	0
Skate Parks	0	0	0	0	0
Cemetery					
Cemeteries (acres)	21	21	21	21	21
Water					
Water Mains (miles)	n/a	n/a	n/a	n/a	n/a
Number of Service Connections	n/a	1,363	1,372	1,365	1,381
Daily Ave. Consumption in Gallons	406,662	417,055	472,597	463,865	468,271
Fire Hydrants	n/a	n/a	n/a	n/a	n/a
Maximum Daily Capacity (thousands in gallons)	1,728,000	1,728,000	1,728,000	1,728,000	1,728,000
Sewer					
Sanitary Sewer (miles)	n/a	n/a	n/a	n/a	n/a
Number of Treatment Plants	1	1	1	1	1
Number of Service Connections	n/a	1,335	1,344	1,337	1,355
Daily Ave. Treatments in Gallons	400,684	601,870	368,580	279,756	248,089
Maximum Daily Capacity (thousands in gallons)	852,000	852,000	852,000	852,000	852,000

**Fiscal Year**

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
1	1	1	1	1
6	6	6	6	6
2	2	2	2	2
39	40	40	40	40
n/a	n/a	n/a	n/a	n/a
4	4	4	4	4
0	0	0	0	0
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
0	0	0	0	0
0	0	0	0	0
21	21	21	21	21
n/a	n/a	n/a	n/a	28
1,389	1,389	1,384	1,385	1,391
453,761	501,546	485,912	527,396	473,807
n/a	n/a	n/a	n/a	96
1,728,000	1,728,000	1,728,000	1,728,000	1,728,000
n/a	n/a	28	28	28
1	1	1	1	1
1,361	1,361	1,355	1,356	1,364
252,396	264,406	241,986	262,988	230,645
852,000	852,000	852,000	852,000	852,000

CITY OF ONAWA, IOWA

TABLE XIII

Miscellaneous Statistics  
June 30, 2007

Date of Incorporation	1859
Form of Government	Mayor - Council
Area	4.7
Miles of Streets	40
Number of Street Lights	357
Fire Protection:	
Number of Stations	2
Number of Volunteer Firemen	23
Police Protection:	
Number of Stations	1
Number of Policemen and Officers	6
Education:	
Number of Schools	1 Public (Elementary, Middle, High School Early Childhood Development)
Municipal Water Department:	
Number of Consumers	1,446
Average Daily Consumption	483,807 Gallons
Miles of Water Mains	39.5 Miles
Miles of Sewers:	
Sanitary Sewers	28 Miles
Lift Stations	4
Building Permits Issued 2006-07	76
Recreation and Culture	
Number of Parks	4
Number of Libraries	1
Number of Volumes	25,231
Total Library Circulation	30,941

COMMENTS AND RECOMMENDATIONS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2007

Part I: Summary Of the Independent Auditors' Results

- A. Unqualified opinions were issued on the financial statements.
- B. A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements and is considered a material weakness.
- C. The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

Reportable Condition:

II-A-07 Segregation of Accounting Functions

Observation - An important aspect of internal control is the segregation of accounting functions among employees. Several incompatible accounting functions regarding cash receipts are handled by the same employee.

Recommendations - We recommend that one employee be designated to open the mail and make a prelist of receipts, one employee post the receipts and the employee who opens the mail make the bank deposit.

Response - Due to the limited number of personnel in the office, it is not feasible at this time to break down the segregation of duties any further.

Conclusion - We realize that there are limited number of personnel available and we agree with the City's response. Our purpose in making this observation is to remind management of the careful attention and scrutiny of the records that is necessary when a limited number of personnel are available which makes ideal control impossible.

Instances of Non-Compliance:

No matters were reported.

Part III: Other Findings Related to Required Statutory Reporting

III-A-07 Certified Budget - Disbursements during the year ended June 30, 2007, exceeded the amount budgeted in the capital projects function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - While the budget was amended by May 31 in accordance with Chapter 384.18 of the Code of Iowa, the amended amount was not sufficient to cover disbursements. The budget should have been amended to an amount such that disbursements would not exceed the budget.

Response - The budget will be properly amended in the future, if applicable.

Conclusion - Response accepted.

III-B-07 Questionable Disbursements - We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

III-C-07 Travel Expense - No expenditures of City money for travel expense of spouses of City officials or employees were noted.

III-D-07 Business Transactions - No significant transactions between the City and City officials or employees were noted.

III-E-07 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

III-F-07 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not. Closed sessions appear to have been handled and documented according to Chapter 21 of the Code of Iowa.

III-G-07 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

III-H-07 Financial Condition - There were fund deficits in the following individual funds at June 30, 2007:

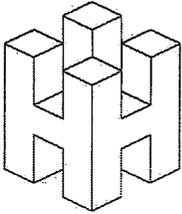
Special Revenue - TIF	\$ 198,382
Special Revenue - Employee Benefits	\$ 15,723
Capital Project - Library Expansion	\$ 146,268
Capital Project - 2007 Street Project	\$ 29,035
Capital Project - 2005 Street Project	\$ 179,293
Capital Project - 2006 Street Project	\$ 135,714

Recommendation - The City should monitor these funds and investigate alternatives to eliminate these deficits.

Response - The City intends to finance these deficits from various resources including general funds, special assessments to be collected, and future property tax levies.

Conclusion - Response accepted.

CITY OF ONAWA, IOWA



HENJES, CONNER &  
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 Onawa, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF ONAWA, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated December 5, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Onawa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Onawa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Onawa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Onawa's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of the City of Onawa's financial statements that is more than inconsequential will not be prevented or detected by the City of Onawa's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Onawa's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe item II-A-07 is material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Onawa'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 noncompliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Onawa's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Onawa's responses and, accordingly, we express no opinion on them.

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 Onawa and other parties to whom the City of Onawa may report, including federal awarding agencies and pass-through entities. This report is not tended 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 Onawa 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.

*Henges, Conner + Williams, P.C.*  
Certified Public Accountants

Sioux City, Iowa  
December 5, 2007

CITY OF ONAWA, IOWA