

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
CITY OF ONAWA, IOWA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2009

PREPARED BY THE
OFFICE OF THE CITY CLERK

CITY OF ONAWA, IOWA
TABLE OF CONTENTS
JUNE 30, 2009

INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	1 - 4
GFOA Certificate of Achievement	5
Organizational Chart	6
City Officials	7
Appointed Boards and Commissions	8
Council Standing Committees	9
City Personnel	10

FINANCIAL SECTION

Independent Auditors' Report	11 - 12
Management's Discussion and Analysis	13 - 21

BASIC FINANCIAL STATEMENTS:

Government-wide Financial Statements:

Statement of Net Assets	22
Statement of Activities	23 - 24

Governmental Fund Financial Statements:

Balance Sheet – Governmental Funds.....	25 - 26
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	27
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	28 - 29
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities.....	30
Combining Statement of Net Assets Proprietary Funds	31 - 32
Combining Statement of Revenues, Expenses, and Changes in Net Assets Proprietary Funds	33 - 34
Combining Statement of Cash Flows Proprietary Funds	35 - 38
Notes to Financial Statements	39 - 53

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information.....	54 - 57
---	---------

SUPPLEMENTAL INFORMATION:

Governmental Nonmajor Funds:

Combining Balance Sheet	58 - 59
Combining Statement of Revenues, Expenditures, and Changes In Fund Balances	60 - 61

Internal Service Funds:

Combining Statement of Net Assets.....	62
Combining Statement of Revenues, Expenditures, and Changes In Net Assets.....	63
Combining Statement of Cash Flows	64

CITY OF ONAWA, IOWA
TABLE OF CONTENTS
JUNE 30, 2009

STATISTICAL SECTION	<u>Page</u>
Contents of Statistical Section	65
Government-Wide Net Assets by Component	66
Changes in Net Assets	67 - 68
Fund Balances of Governmental Funds.....	69 - 70
Changes in Fund Balances of Governmental Funds	71
General Government Expenditures By Function – General, Special Revenue Debt Service and Capital Projects Funds	72
General Government Revenues By Source – General, Special Revenue Debt Service and Capital Projects Funds	72
Property Tax Levies and Collections	73 - 74
Assessed and Taxable Value of Property	73 - 74
Property Tax Rates and Tax Levies – Direct and Overlapping Governments	75
Special Assessment Collections	76
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita	77
Legal Debt Margin Information	78 - 79
Computation of Legal Debt Margin	78 - 79
Computation of Direct and Overlapping Debt.....	80
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures	80
Demographic Statistics	81
Property Value, Construction, and Bank Deposits	82
Principal Taxpayers.....	82
Full-Time Equivalent City Government Employees by Function.....	83
Principal Employers.....	84
Operating Indicators by Function.....	85 - 86
Capital Asset Statistics by Function.....	87 - 88
Miscellaneous Statistics.....	89
 COMMENTS AND RECOMMENDATIONS:	
Schedule of Findings and Questioned Costs.....	90 - 92
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards.....	93 - 94

INTRODUCTORY SECTION

December 4, 2009

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, 2009. 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.

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.

Local health care continues to improve with the Burgess Health Center started a new construction project of approximately \$10 million in 2005. This project was completed in 2008. The project added additional beds to the center as well as additional space for several departments to offer the residents of Onawa access to the best health care.

The City experienced an increase in local option sales and use tax of 5.25% from fiscal 2007-2008 to 2008-2009. The local option sales tax is used for economic development (10%), infrastructure (15%) and property tax relief (75%). This increase demonstrates a stable economy especially when the country as a whole is experiencing a down economy.

LONG-TERM FINANCIAL PLANNING

The City's Public Works Department adopted a 5 year street overlay project in 2004, which was completed in the summer of 2009 or the City's fiscal year 2010.

The city is currently working on a five year comprehensive plan for the future direction of the City, including the City's goals for the community and economic development. Included in the plan is a capital improvement plan which includes all improvements of the City. This plan would address all of City's improvement projects including all governmental and enterprise functions.

The Utility Department is currently in the planning and engineering phase of an update to the water treatment plant. The estimated cost of the project is \$1,400,000 - \$1,500,000 with the project to be financed by the use of current cash reserves and the issuance of bonds. The estimated completion date of this project is fiscal year 2011 – 2012.

The Utility Department is also planning to update the waste water treatment plant in fiscal 2010 – 2011 at an estimated cost of \$300,000 to be financed from cash reserves. To meet the new federal guidelines, the Department is also in the process of evaluating the sewer system. The cost and the timing of the project won't be known until after the evaluation process.

The Utility Department is in the design stage of completing an upgrade of the electrical system for a portion of the City. The upgrade would include replacing the overhead lines with an underground system at an estimated cost of \$915,000. This project is to be financed by cash reserves and possibly issuance of debt and is to be completed in fiscal year 2011 – 2012.

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, 2008. 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 2009 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, 2008

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.



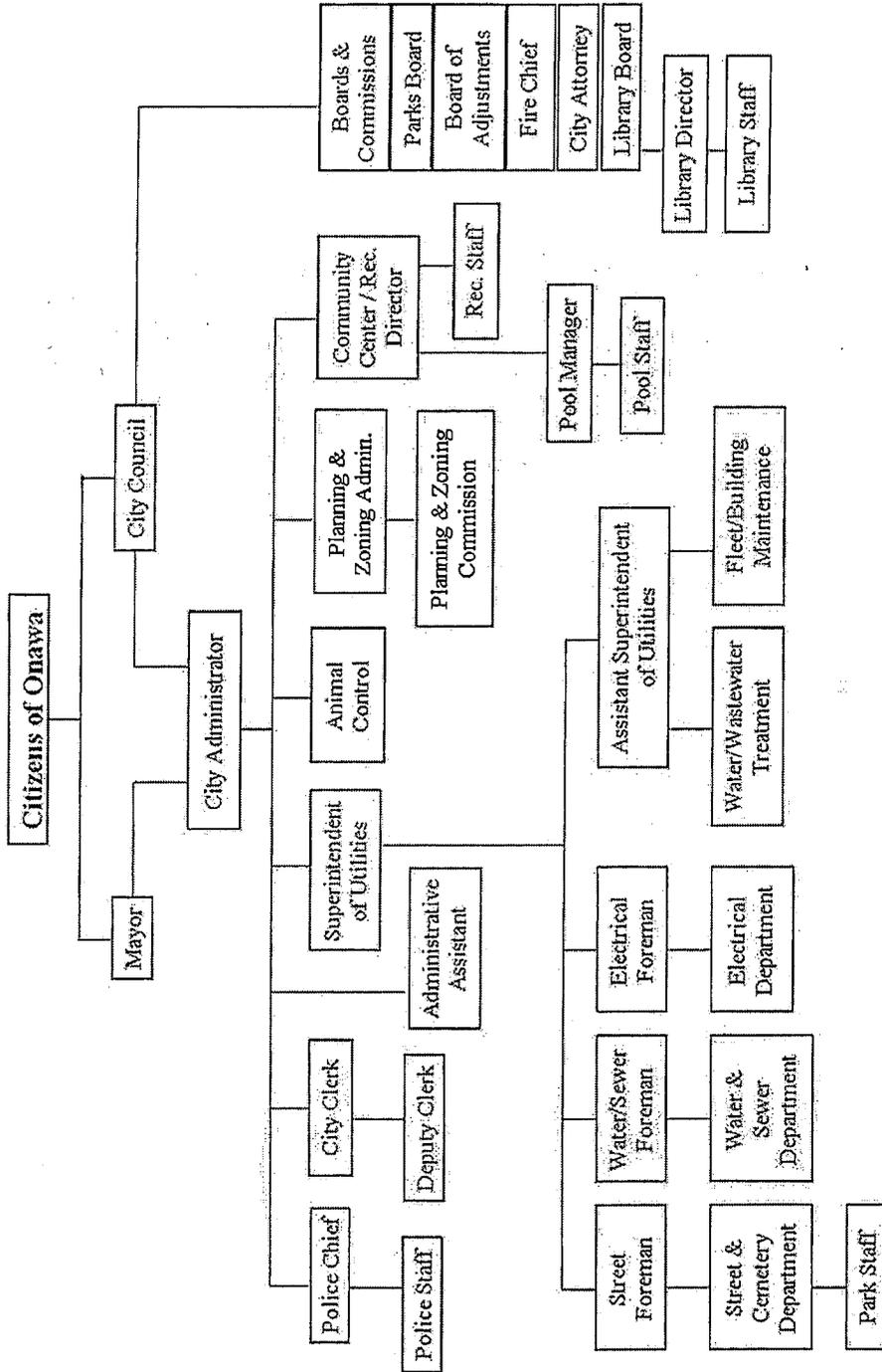
A stylized handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

City of Onawa Organizational Chart



(Revised 10.13.09)

CITY OF ONAWA, IOWA

CITY OFFICIALS

JUNE 30, 2009

ELECTED CITY OFFICERS

<u>Name</u>	<u>Title</u>
Rebecca Tanner	Mayor
Dennis Nelson	Mayor Protem
Lonnie Campbell	Council Member
Tim Coyle	Council Member
Aaron Stangel	Council Member
Rick Moser	Council Member
John Noer	Council Member

APPOINTED CITY OFFICERS

Larry Burks	City Administrator
Chris Hogan	City Clerk
Mike Schmiedt	Attorney
Sundquist Engineering	City Engineer

CITY OF ONAWA, IOWA

APPOINTED BOARDS AND COMMISSIONS

JUNE 30, 2009

ONAWA PARKS AND PLAYGROUNDS

Jill Hausman
Lisa Meadows

LIBRARY TRUSTEES

Ann Coberly
Dianne Kelley
William Wonder
Matt Minihan
Geri Johnson

PLANNING AND ZONING BOARD

Roger Hansen
Jim Kelley
Ken Wingert
Bob Lesenyie
John Stroeh
Darrell Geib

BOARD OF ADJUSTMENTS

Joe Scurlock
Randy Cass
Sandy Simpson
Larry Duval
David Richardson

HEALTH OFFICER

Family Medicine Clinic

FIRE CHIEF

Jeff Sander

WIMECA BOARD DIRECTOR

Wayne Gries

HOUSING AUTHORITY COMMITTEE

Mike Carpenter

LOW RENT HOUSING

LouNeil Olson
Ruth Johnson
Jerry Laffey
Myron Johnson
Beau Hupke

STREET TREE COMMITTEE

Larry Duval
Ano Wilkins
Reta Benson
Brett Ewing

LAW ENFORCEMENT AGENCY

John Noer
Rebecca Tanner
Rick Moser, Alternate

AIRPORT ADVISORY COMMITTEE

Rebecca Tanner
Baynard Willey
Jeff Sander
Ed Weiner
Aaron Stangel
Tim Coyle
Fran Tramp
Vincent Willey
William Wonder

SIMPCO

Rebecca Tanner
Lonnie Campbell, Alternate

PERSONNEL COMMITTEE

Rick Moser
Gary Addy
Vince Phillips
Tim Coyle
City Administrator
John Noer
Jeff Sander

CITY OF ONAWA, IOWA

COUNCIL STANDING COMMITTEES

JUNE 30, 2009

FINANCE

Lonnie Campbell
Dennis Nelson
Tim Coyle
Rebecca Tanner, Alternate

GOVERNMENT AFFAIRS

Lonnie Campbell
Rick Moser
Rebecca Tanner

CITIZEN RELATIONS

Dennis Nelson
Aaron Stangel
John Noer

COMMUNITY PROTECTION/SERVICES

Aaron Stangel
Dennis Nelson
Lonnie Campbell

UTILITIES/INFRASTRUCTURE

Rick Moser
Dennis Nelson
Lonnie Campbell

CITY OF ONAWA, IOWA

CITY PERSONNEL

JUNE 30, 2009

ADMINISTRATION

Larry Burks
Chris Hogan
Terry Christensen
Elaine Miller

City Administrator
City Clerk
Deputy Clerk
Administrative Assistant

POLICE DEPARTMENT

Gary Addy
Joe Farrens
Jon Pinkelman
James Fouts
Lee Kirkpatrick, Jr.
Kyle Tank

Police Chief
Assistant Chief
Patrolman
Patrolman
Patrolman
Patrolman

STREETS AND CEMETERY

Randy Larson
Dave Fender
Kirk Kreger

Superintendent Street & Sexton
Street & Cemetery Crewman
Street & Cemetery Crewman

MUNICIPAL BUILDINGS

Rod Ulven

Maintenance Shop Supervisor

UTILITIES

Jeff Sander
Roger Gries
Vincent Phillips
Robert Walker
Curtis Richardson
Jon Towne
George Carrier
Carl Lamb
David Richardson

Superintendent of Utilities
Assistant Superintendent
Electric Foreman
Electric Crewman
Electric Crewman
Waste Water Treatment
Water/Sewer Crewman
Water/Sewer Foreman
Water/Sewer Crewman

LIBRARY

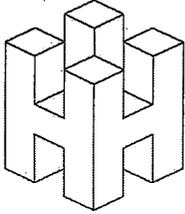
Lori Beck
Chris Zink
Jo Keitges
Ann Crawford
Samantha Beck
Pat Heisterkamp

Librarian
Part-time Clerk
Part-time Clerk
Part-time Clerk
Part-time Clerk
Part-time Clerk

COMMUNITY CENTER

Clint Weaver
Peggy Rolph
Abby Gray
Richard Wade

Director
Part-time Staff
Part-time Staff
Part-time Staff



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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the CITY OF ONAWA, IOWA, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Onawa at June 30, 2009, 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 4, 2009, 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 54 through 57 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 required 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 six years ended June 30, 2008, (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 our 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.

Hoyler, Connor, & Williams, PC
Certified Public Accountants

Sioux City, Iowa
December 4, 2009

Management Discussion and Analysis

June 30, 2009

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, 2009. 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, 2009, by \$14,950,421. Of this amount, \$7,040,318 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by .6% or \$84,830 during the year. Of this amount, the net assets of our Governmental Activities increased \$338,672 and the net assets of our Business Activities decreased \$253,842.
- The largest factors in the increase in net assets were the increase in Accounts Receivables of \$87,071, the increase in Investment in WIMECA of \$86,004, decrease in General Obligation Bonds of \$175,000, and an offsetting decrease in Cash and Investments of \$277,346.
- The City's long-term debt decreased due to the scheduled retirement of long-term debt. Outstanding General Obligation debt totals \$1,355,000.

USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- Government-wide Financial Statements consists of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the City of Onawa as a whole and present an overall view of the City's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City of Onawa's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basis financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor Governmental Funds

REPORTING THE CITY FINANCIAL STATEMENTS

Government-wide Financial Statements

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 three 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.
- **Component Unit** – The activity of the Onawa Library Advocates Foundation is included here.

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, 2009 and 2008.

	General Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 3,848,618	\$ 4,430,410	\$ 4,698,530	\$ 4,756,010	\$ 8,547,148	\$ 9,186,420
Capital Assets	6,065,430	5,846,440	3,075,590	3,198,303	9,141,020	9,044,743
Total Assets	9,914,048	10,276,850	7,774,120	7,954,313	17,688,168	18,231,163
Long-Term Debt Outstanding	1,355,000	1,530,000	-	-	1,355,000	1,530,000
Other Liabilities	1,047,457	1,571,931	337,290	263,641	1,382,747	1,835,572
Total Liabilities	2,400,457	3,101,931	337,290	263,641	2,737,247	3,365,572
Net Assets:	7,513,591	7,174,919	7,436,830	7,690,672	14,950,421	14,865,591
Invested in Capital Assets, Net of Related Debt	4,710,430	4,273,940	3,075,590	3,198,303	7,786,020	7,472,243
Restricted	1,310,684	1,288,965	-	-	1,310,684	1,288,965
Unrestricted	1,492,477	1,612,014	4,361,240	4,492,369	5,853,717	6,104,383
Total Net Assets	\$ 7,513,591	\$ 7,174,919	\$ 7,436,830	\$ 7,690,672	\$ 14,950,421	\$ 14,865,591

This summary reflects an increase of 4.72% for the Governmental Activities and a decrease of 3.30% in the Business-Type Activities. The Total Net Assets increased by .57%.

Total revenue reported in Fiscal 2009 was \$5,042,592. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities for Fiscal Year 2009 and 2008.

Revenue Source	General Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Program Revenues:						
Charges of Services	\$ 111,958	\$ 108,611	\$ 2,800,528	\$ 2,560,926	\$ 2,912,486	\$ 2,669,537
Operating Grants and Contributions	448,699	443,136			448,699	443,136
Capital Grants and Contributions	54,741	125,000			54,741	125,000
Total Program Revenues	615,398	676,747	2,800,528	2,560,926	3,415,296	3,237,673
General Revenues & Interfund Transfers:						
Property Taxes	885,342	965,446			885,342	965,446
Local Option Sales Tax	195,433	185,688			195,433	185,688
Interest	64,522	104,733	60,091	92,421	124,613	197,154
General Intergovernmental Revenues	48,533	24,319			48,533	24,319
Sale of Merchandise			16,774	23,619	16,774	23,619
Payment in Lieu of Taxes	92,484	88,672			92,484	88,672
Contributions					-	-
Miscellaneous	64,518	61,569	182,902	190,377	247,420	251,946
Gain on Sale of Assets	13,600	8,325	-	4,064	13,600	12,389
Total General Revenues before Interfund Transfers and Activity in Endowment Fund	1,364,432	1,438,752	259,767	310,481	1,624,199	1,749,233
Activity in Nonexpendable Endowment Funds						
Interest	1,642	5,704			1,642	5,704
Contributions	825	1,275			825	1,275
Less Transfers to General Fund	(847)	(6,039)			(847)	(6,039)
Net Activity in Nonexpendable Endowment Funds	1,620	940			1,620	940
Total General Revenues before Interfund Transfers	1,366,052	1,439,692	259,767	310,481	1,625,819	1,750,173
Interfund Transfers	12,847	18,039	(12,000)	(12,000)	847	6,039
Total General Revenues & Interfund Transfers	1,378,899	1,457,731	247,767	298,481	1,626,666	1,756,212
Total Revenues & Interfund Transfers	\$ 1,994,297	\$ 2,134,478	\$ 3,048,295	\$ 2,859,407	\$ 5,042,592	\$ 4,993,885

Program revenues totaled \$3,415,926 for fiscal year 2009. Governmental Activities provided \$615,398 and Business-Type Activities provided \$2,800,528. Revenue collected for Charges for Services during fiscal year 2009 was \$2,912,486, accounting for 85% of the total program revenues.

General Revenues for fiscal year 2009 totaled \$1,626,666. Governmental Activities provided \$1,378,899 and Business-Type Activities provided \$247,767. Property Tax Revenues for fiscal year 2009 totaled \$885,342, accounting for 54% of General Revenues.

Expenses for Fiscal 2009 totaled \$4,957,762. Expenses for General Governmental Activities totaled \$1,655,625, accounting for 33% of total expenses. Business-Type Activity expenses totaled \$3,302,137, for 67% of the total.

The following table shows total expenses by Function/Program for Fiscal Years 2009 and 2008.

Program Level	General Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Public Safety	\$ 531,966	\$ 522,880	\$ -	\$ -	\$ 531,966	\$ 522,880
Public Works	223,606	261,866	-	-	223,606	261,866
Culture and Recreation	550,496	560,377	-	-	550,496	560,377
Community and Economic Development	74,567	81,891	-	-	74,567	81,891
General Government	217,204	187,646	-	-	217,204	187,646
Debt Service	57,786	62,696	-	-	57,786	62,696
Electric System	-	-	2,315,641	1,846,979	2,315,641	1,846,979
Water System	-	-	406,944	354,763	406,944	354,763
Sewer System	-	-	579,552	546,477	579,552	546,477
Total Expenditures	\$ 1,655,625	\$ 1,677,356	\$ 3,302,137	\$ 2,748,219	\$ 4,957,762	\$ 4,425,575

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 Risk 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 \$550,496 and received \$151,742 in revenue, thus leaving a cost to the taxpayer of \$398,754 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 \$1,655,625. Of these costs, \$111,958 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contributions were \$503,440, leaving a Net Expense of \$1,040,227 for Governmental Activities. These expenses of \$1,040,227 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	
	6/30/2009	6/30/2008
Governmental Activities:		
Public Safety	\$ (495,095)	\$ (485,690)
Public Works	147,146	115,666
Culture and Recreation	(398,754)	(348,863)
Community and Economic Development	(74,567)	(81,891)
General Government	(161,171)	(137,135)
Debt Service	\$ (57,786)	\$ (62,696)
Total Net (Expense) Revenue		
Governmental Activities	\$(1,040,227)	\$(1,000,609)
General Revenues	1,366,899	1,445,731
Excess of Revenues over Expenses Before Transfers in	326,672	445,122
Transfers In	12,000	12,000
Change in Net Assets	\$ 338,672	\$ 457,122

Total resources available during the year to finance governmental operations were \$9,169,216, consisting of Net Assets at July 1, 2008 of \$7,174,919, Program Revenues of \$615,398 and General Revenues of \$1,378,899. Total Governmental Activities during the year expended \$1,655,625; thus, Net Assets were increased by \$338,672 to \$7,513,591.

Business Type Activities

Business Type Activities decreased the City's net assets by \$253,842.

The cost of all Proprietary Activities this year was \$3,302,137. As shown in the Statement of Activities, the amounts paid by users of the systems were \$2,800,528, resulting in total Net Expenses for Business Type Activities of \$501,609. The Net (Expense) Revenue by Business Type Activity is shown in the following table:

Business-Type Activities	2009 Net (Expense) Revenue	2008 Net (Expense) Revenue
Electric System	\$ (436,247)	\$ (64,181)
Water System	(48,635)	(59,689)
Sewer System	(16,727)	(63,243)
Total Net (Expense) Revenue		
Business-Type Activities	(501,609)	(187,293)
General Revenues	247,767	298,481
Change in Net Assets	\$ (253,842)	\$ 111,188

Total resources available during the year to finance Proprietary Fund activities were \$10,738,967 consisting of Net Assets at July 1, 2008 of \$7,690,672, Program Revenues of \$2,800,528 and General Revenues of \$247,767. Total Proprietary Fund Activities during the year expended \$3,302,137; thus Net Assets decreased by \$253,842 to \$7,436,830.

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 \$2,488,333. The combined Governmental Funds balance decreased \$49,164 from the prior year.

The General Fund is the primary operating fund of the City. During the year, expenditures exceeded revenues in the General Fund by \$13,853. The General, Tax Increment Financing fund balances decreased \$8,227 due to less taxes collected than expenditures from the TIF district. The Road Use Tax fund balances decreased \$36,050 due to expenditures for street repairs. The Local Option Sales Tax fund balances increased by \$54,822 due to accumulation of funds for future infrastructure expenditures. Debt Service Funds saw very minimal changes during the year maintaining a fund balance consistent with recent years. The Street Capital Projects had an aggregate decrease in fund balances of \$53,017 due to expenditures for street repairs. The Community Center Capital Project had an increase in fund balances due to transfers from other funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The fiscal year 2009 original (adopted) General Fund amount was \$1,201,715 with an amendment of \$10,000 adopted on June 10, 2008. The amended budget for the General fund was \$1,211,715.

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

Expenditures	Budget Amended	Actual (Cash Basis)	Variance
Public Safety	\$ 554,715	\$ 635,322	\$ (80,607)
Public Works	20,175	19,180	995
Culture and Recreation	457,175	491,721	(34,546)
Community and Economic Development	16,000	13,000	3,000
General Government	<u>163,650</u>	<u>149,680</u>	<u>13,970</u>
 Total Expenditures	 <u>\$ 1,211,715</u>	 <u>\$ 1,308,903</u>	 <u>\$ (97,188)</u>

Public Safety was over budget due to the expenditures of the fire department. Culture and Recreation was over budget due to the expenditures for the skate park.

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, 2009, was \$7,786,020 (net of accumulated depreciation and outstanding financings).

The gross additions to capital assets for Fiscal Years 2009 and 2008 are as follows:

	General Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Construction in Progress	\$ 26,791	\$ 2,268			\$ 26,791	\$ 2,268
Buildings	12,570	38,169			12,570	38,169
Improvements - Other than Buildings			\$ 22,485	\$ 157,350	22,485	157,350
Equipment	271,315	74,539	88,794	100,238	360,109	174,777
Infrastructure	241,175	200,517	-	-	241,175	200,517
	<u>\$ 551,851</u>	<u>\$ 315,493</u>	<u>\$ 111,279</u>	<u>\$ 257,588</u>	<u>\$ 663,130</u>	<u>\$ 573,081</u>

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

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

DEBT ADMINISTRATION

At year-end the City had \$1,355,000 of debt outstanding. This is a decrease of \$175,000 from the prior year due to the retirement of General Obligation Bonds.

Debt administration is on track, with 100% 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 \$5,055,370. With outstanding General Obligation Debt applicable to this limit of \$1,355,000, we are utilizing less than 27% 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.

The General Fund is projected to end fiscal 2010 with a fund balance of approximately \$8,560,000, a 9.00% decrease from fiscal 2009.

The tax levy rates per \$1,000 of taxable valuation for fiscal 2010 are provided below:

General Levy	\$ 8.10
Civic Center Levy	.135
Library Levy	.270
Debt Service levy	2.12548
FICA, IPERS & Employee Benefits	1.60857
Tort Liability levy	<u>1.00794</u>
Total	\$ <u>13.24699</u>

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
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Onawa Library Advocates Foundation
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 748,015	\$ 36,961	\$ 784,976	\$ 21,485
Investments	1,193,028	2,180,018	3,373,046	
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	-	315,150	315,150	
Taxes	24,855	-	24,855	
Subsequent Year Taxes	895,854	-	895,854	
Accrued Interest	18,242	14,496	32,738	
Other	26,328	625	26,953	
Special Assessments	41,698	-	41,698	
Subsequent Year Special Assessments	170,630	-	170,630	
Due from Other Governments	51,743	-	51,743	
Inventories	-	331,523	331,523	
Prepaid Assets	59,175	26,938	86,113	
Temporary Cash Investments for Equipment	595,760	150,976	746,736	
Investment in WIMECA	-	1,590,810	1,590,810	
Total Current Assets	<u>3,825,328</u>	<u>4,647,497</u>	<u>8,472,825</u>	<u>21,485</u>
Non-Current Assets:				
Restricted Assets - Cash	-	51,033	51,033	
Unamortized Bond Issue Cost	9,149	-	9,149	
Unamortized Bond Discount	14,141	-	14,141	
Land	417,239	9,050	426,289	
Construction in Progress	26,791	-	26,791	
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	5,621,400	3,066,540	8,687,940	
Total Non-Current Assets	<u>6,088,720</u>	<u>3,126,623</u>	<u>9,215,343</u>	<u>-</u>
Total Assets	<u>9,914,048</u>	<u>7,774,120</u>	<u>17,688,168</u>	<u>21,485</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	68,011	192,303	260,314	
Accrued Wages and Benefits	29,544	26,905	56,449	
Accrued Expenses	46	2,130	2,176	
Accrued Interest Payable	4,386	-	4,386	
Deferred Revenue - Subsequent Year Taxes	895,854	-	895,854	
Bonds Payable due within one year	175,000	-	175,000	
Compensated Absences due within one year	11,904	16,231	28,135	
Total Current Liabilities	<u>1,184,745</u>	<u>237,569</u>	<u>1,422,314</u>	<u>-</u>
Liabilities Payable from Restricted Assets:				
Customer Deposits	-	51,033	51,033	
Total Liabilities Payable from Restricted Assets	<u>-</u>	<u>51,033</u>	<u>51,033</u>	<u>-</u>
Non-Current Liabilities:				
Bonds Payable due in more than one year	1,180,000	-	1,180,000	
Compensated Absences due in more than one year	35,712	48,688	84,400	
Total Non-Current Liabilities	<u>1,215,712</u>	<u>48,688</u>	<u>1,264,400</u>	<u>-</u>
Total Liabilities	<u>2,400,457</u>	<u>337,290</u>	<u>2,737,747</u>	<u>-</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	4,710,430	3,075,590	7,786,020	
Restricted for:				
Debt Service	14,708	-	14,708	
Local Option Sales Tax Purposes	551,102	-	551,102	
Road Use Tax Purposes	620,791	-	620,791	
Endowments:				
Nonexpendable	124,083	-	124,083	
Unrestricted	1,492,477	4,361,240	5,853,717	21,485
Total Net Assets	<u>\$ 7,513,591</u>	<u>\$ 7,436,830</u>	<u>\$ 14,950,421</u>	<u>\$ 21,485</u>

CITY OF ONAWA, IOWA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 531,966	\$ 8,905	\$ 27,966	-
Public Works	223,606	-	370,752	-
Culture and Recreation	550,496	82,070	14,931	\$ 54,741
Community and Economic Development	74,567	-	-	-
General Government	217,204	20,983	35,050	-
Debt Service	57,786	-	-	-
Total governmental activities	<u>1,655,625</u>	<u>111,958</u>	<u>448,699</u>	<u>54,741</u>
Business-Type Activities:				
Electric System	2,315,641	1,879,394	-	-
Water System	406,944	358,309	-	-
Sewer System	579,552	562,825	-	-
Total Business-Type Activities:	<u>3,302,137</u>	<u>2,800,528</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 4,957,762</u>	<u>\$ 2,912,486</u>	<u>\$ 448,699</u>	<u>\$ 54,741</u>
Component Unit:				
Onawa Library Advocates Foundation	<u>\$ 3,808</u>			
General Revenues:				
Property taxes				
Local Option Sales Tax				
Interest				
General Intergovernmental Revenues				
Sale of Merchandise				
Payment in Lieu of Taxes				
Miscellaneous				
Gain on Sale of Assets				
Contributions				
Interfund Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning (as previously reported)				
Prior Period Adjustment-Note 14				
Net assets - beginning (as restated)				
Net assets - ending				

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Primary Government		Component Unit
	Business-Type Activities	Total	Onawa Library Advocates Foundation
\$ (495,095)		\$ (495,095)	
147,146		147,146	
(398,754)		(398,754)	
(74,567)		(74,567)	
(161,171)		(161,171)	
(57,786)		(57,786)	
<u>(1,040,227)</u>		<u>(1,040,227)</u>	
	\$ (436,247)	(436,247)	
	(48,635)	(48,635)	
	<u>(16,727)</u>	<u>(16,727)</u>	
	<u>(501,609)</u>	<u>(501,609)</u>	
<u>(1,040,227)</u>	<u>(501,609)</u>	<u>(1,541,836)</u>	
			<u>\$ (3,808)</u>
885,342	-	885,342	
195,433	-	195,433	
66,164	60,091	126,255	
48,533	-	48,533	
-	16,774	16,774	
92,484	-	92,484	
64,518	182,902	247,420	
13,600	-	13,600	
825	-	825	7,090
12,000	(12,000)	-	
<u>1,378,899</u>	<u>247,767</u>	<u>1,626,666</u>	<u>7,090</u>
<u>338,672</u>	<u>(253,842)</u>	<u>84,830</u>	<u>3,282</u>
7,132,419	7,690,672	14,823,091	18,203
42,500	-	42,500	
<u>7,174,919</u>	<u>7,690,672</u>	<u>14,865,591</u>	<u>18,203</u>
<u>\$ 7,513,591</u>	<u>\$ 7,436,830</u>	<u>\$ 14,950,421</u>	<u>\$ 21,485</u>

**CITY OF ONAWA, IOWA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	General	TIF	Road Use Tax	Local Option Sales Tax
Assets				
Cash and Pooled Investments	\$ 347,278	-	\$ 208,331	\$ 30,322
Investments	815,527	-	256,488	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Taxes	17,596	\$ 833	-	-
Subsequent Year Taxes	570,320	97,155	-	-
Accrued Interest	10,425	-	-	-
Other	24,768	-	-	-
Special Assessments	16,970	-	-	-
Subsequent Year Special Assessments	15,956	-	-	-
Due from Other Funds	-	-	146,807	490,000
Due from Other Governmental Agencies	-	-	20,925	30,818
Temporary Cash Investments Designated for Equipment	594,244	-	1,516	-
Total Assets	2,413,084	97,988	634,067	551,140
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	57,133	2,584	7,556	38
Accrued Wages and Compensated Absences	23,824	-	5,720	-
Accrued Expenses	46	-	-	-
Due to Other Funds	-	36,583	-	-
Deferred Revenue - Subsequent Year Taxes	570,320	97,155	-	-
Deferred Revenue - Subsequent Year Assessments	15,956	-	-	-
Total Liabilities	667,279	136,322	13,276	38
Fund Balances:				
Reserved for:				
Perpetual Care	-	-	-	-
Endowment	-	-	-	-
Debt Service	-	-	-	-
Unreserved Reported in:				
General Fund	1,745,805	-	-	-
Special Revenue Funds	-	(38,334)	620,791	551,102
Capital Project Funds	-	-	-	-
Total Fund Balances (Deficits)	1,745,805	(38,334)	620,791	551,102
Total Liabilities and Fund Balances	\$ 2,413,084	\$ 97,988	\$ 634,067	\$ 551,140

See Accompanying Notes to Financial Statements

Debt Service	2008 Street Capital Project	2007 Street Capital Project	2006 Street Capital Project	2005 Street Capital Project	Other Non-major Governmental Funds	Total Governmental Funds
\$ 10,522	-	-	-	-	\$ 39,387	\$ 635,840
-	-	-	-	-	121,013	1,193,028
4,186	-	-	-	-	2,240	24,855
132,625	-	-	-	-	95,754	895,854
-	\$ 268	\$ 2,483	\$ 1,340	\$ 534	3,192	18,242
-	-	-	-	-	-	24,768
-	4,287	7,066	4,585	1,617	7,173	41,698
-	38,587	49,075	26,061	10,382	30,569	170,630
-	-	-	-	-	-	636,807
-	-	-	-	-	-	51,743
-	-	-	-	-	-	595,760
147,333	43,142	58,624	31,986	12,533	299,328	4,289,225
-	-	-	-	-	700	68,011
-	-	-	-	-	-	29,544
-	-	-	-	-	-	46
-	131,738	129,226	123,342	173,187	42,731	636,807
132,625	-	-	-	-	95,754	895,854
-	38,587	49,075	26,061	10,382	30,569	170,630
132,625	170,325	178,301	149,403	183,569	169,754	1,800,892
-	-	-	-	-	90,987	90,987
-	-	-	-	-	33,096	33,096
14,708	-	-	-	-	-	14,708
-	-	-	-	-	-	1,745,805
-	-	-	-	-	(19,356)	1,114,203
-	(127,183)	(119,677)	(117,417)	(171,036)	24,847	(510,466)
14,708	(127,183)	(119,677)	(117,417)	(171,036)	129,574	2,488,333
\$ 147,333	\$ 43,142	\$ 58,624	\$ 31,986	\$ 12,533	\$ 299,328	\$ 4,289,225

CITY OF ONAWA, IOWA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

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

Total Fund Balance - Governmental Funds (page 26)	\$ 2,488,333
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	6,065,430
Subsequent year assessments are not available to pay for current period expenditures and are deferred in the funds	170,630
Deficit in Internal service fund used by management to fund and maintain the City's health insurance deductible account and is included in the statement of net assets.	(4,718)
Internal service fund used by management to fund and maintain the City's deductible account and is included in the statement of net assets.	118,453
Accrued interest expense does not require the use of current financial resources and is not reported in the governmental activities funds	(4,386)
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	23,290
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	59,175
Long-term liabilities including bonds and compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds	<u>(1,402,616)</u>
Total Net Assets - Governmental Activities (page 22)	<u>\$ 7,513,591</u>

CITY OF ONAWA, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	General	TIF	Road Use Tax	Local Option Sales Tax
Revenue:				
Taxes	\$ 546,566	\$ 132,903	-	-
Special Assessments	16,120	-	-	-
Licenses and Permits	35,050	-	-	-
Intergovernmental Revenue	48,533	-	\$ 256,183	\$ 195,433
Charges for Services	82,322	-	-	-
Fines and Forfeits	11,636	-	-	-
Contributions	97,102	-	-	-
Interest	54,936	-	-	-
Payment in Lieu of Taxes	92,484	-	-	-
Miscellaneous	61,606	2,801	4,264	-
Total Revenue	1,046,355	135,704	260,447	195,433
Expenditures:				
Public Safety	652,694	-	-	-
Public Works	19,302	-	296,497	-
Culture and Recreation	489,568	-	-	-
Community and Economic Development	13,000	45,956	-	15,611
General Government	141,641	-	-	-
Capital Projects	-	-	-	-
Debt Service				
Principal Retirements	-	-	-	-
Interest	-	-	-	-
Total Expenditures	1,316,205	45,956	296,497	15,611
Excess (deficiency) of revenues over expenditures	(269,850)	89,748	(36,050)	179,822
Other financing sources (uses):				
Sale of Assets	50,000	-	-	-
Transfers In	205,997	-	-	-
Transfers Out	-	(97,975)	-	(125,000)
Total other financing sources (uses)	255,997	(97,975)	-	(125,000)
Net Change in Fund Balance	(13,853)	(8,227)	(36,050)	54,822
Fund Balances (Deficit) beginning of year	1,759,658	(30,107)	656,841	496,280
Fund Balances (Deficit) End of Year	\$ 1,745,805	\$ (38,334)	\$ 620,791	\$ 551,102

Debt Service	2008 Street Capital Project	2007 Street Capital Project	2006 Street Capital Project	2005 Street Capital Project	Other Non-major Governmental Funds	Total Governmental Funds
\$ 136,607	\$ -	-	-	-	\$ 69,266	\$ 885,342
-	61,672	7,777	\$ 7,865	\$ 1,488	8,906	103,828
-	-	-	-	-	-	35,050
-	-	-	-	-	-	500,149
-	-	-	-	-	-	82,322
-	-	-	-	-	-	11,636
-	-	\$ -	-	-	825	97,927
-	268	4,672	1,835	736	3,717	66,164
-	-	-	-	-	-	92,484
-	-	238	181	89	139	69,318
136,607	61,940	12,687	9,881	2,313	82,853	1,944,220
-	-	-	-	-	-	652,694
-	-	-	-	-	-	315,799
-	-	-	-	-	-	489,568
-	-	-	-	-	-	74,567
-	-	-	-	-	1,604	143,245
-	145,448	241	-	-	567	146,256
175,000	-	-	-	-	-	175,000
58,255	-	-	-	-	-	58,255
233,255	145,448	241	-	-	2,171	2,055,384
(96,648)	(83,508)	12,446	9,881	2,313	80,682	(111,164)
-	-	-	-	-	-	50,000
97,975	-	-	-	-	-	303,972
-	-	-	-	-	(68,997)	(291,972)
97,975	-	-	-	-	(68,997)	62,000
1,327	(83,508)	12,446	9,881	2,313	11,685	(49,164)
13,381	(43,675)	(132,123)	(127,298)	(173,349)	117,889	2,537,497
\$ 14,708	\$ (127,183)	\$ (119,677)	\$ (117,417)	\$ (171,036)	\$ 129,574	\$ 2,488,333

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, 2009

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

Net change in fund balances - total governmental funds (page 29) \$ (49,164)

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:

Expenditures for capital assets	\$ 509,351	
Depreciation expense	<u>(253,961)</u>	255,390

Special assessment revenues are deferred in the governmental funds because they are not available to provide current financial resources 6,477

Prepaid expenses are not reported in the governmental funds as it is not available to provide current financial resources (519)

Accrued interest expense that does not require current financial resources 469

Net book value of fixed assets sold not reported in the governmental funds. (36,400)

Internal service fund used by management to fund and maintain the City's health insurance deductible account and is included in the statement of net assets. The net revenue of this internal service fund is reported with governmental activities (9,242)

Internal service fund used by management to fund and maintain the City's deductible account and is included in the statement of net assets. The net revenue of this internal service fund is reported with governmental activities 8,000

Bond issuance costs and bond discounts are recorded in the funds when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities (3,930)

Some Expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:
 Compensated absences (7,409)

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: 175,000

Change in net assets of governmental activities (page 24) \$ 338,672

CITY OF ONAWA, IOWA
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Business Type Activities	
	Electric System	Water System
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ -	11,676
Investments	1,777,332	\$ 228,537
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	197,346	48,524
Accrued Interest	10,905	2,546
Other	625	-
Due from Other Funds	-	-
Inventories	291,934	38,835
Prepaid Assets	16,068	6,986
Investment in WIMECA	1,590,810	-
Temporary Cash Investments for Equipment	6,936	130,067
Total Current Assets	<u>3,891,956</u>	<u>467,171</u>
Non Current Assets		
Restricted Assets - Cash	51,033	-
Land	-	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	1,957,935	206,967
Total Non Current Assets	<u>2,008,968</u>	<u>206,967</u>
Total Assets	<u>5,900,924</u>	<u>674,138</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	149,542	16,496
Accrued Wages	12,079	7,351
Accrued Expenses	2,095	35
Due to Other Funds	59,236	-
Compensated Absences due in less than one year	7,071	3,818
Total Current Liabilities	<u>230,023</u>	<u>27,700</u>
Liabilities Payables from Restricted Assets:		
Customer Deposits	51,033	-
Total Liabilities Payable from Restricted Funds	<u>51,033</u>	<u>-</u>
Non-Current Liabilities:		
Compensated Absences due in more than one year	21,212	11,452
Total Non-Current Liabilities	<u>21,212</u>	<u>11,452</u>
Total Liabilities	<u>302,268</u>	<u>39,152</u>
NET ASSETS		
Invested in Capital Assets	1,957,935	206,967
Unrestricted	3,640,721	428,019
Total Net Assets	<u>\$ 5,598,656</u>	<u>\$ 634,986</u>

See Accompanying Notes to Financial Statements

<u>Business Type Activities</u>		<u>Government Activities</u>
<u>Sewer System</u>	<u>Total</u>	<u>Internal Service</u>
\$ 25,285	\$ 36,961	\$ 112,175
174,149	2,180,018	
69,280	315,150	
1,045	14,496	
-	625	1,560
59,236	59,236	6,278
754	331,523	
3,884	26,938	
-	1,590,810	
13,973	150,976	
<u>347,606</u>	<u>4,706,733</u>	<u>120,013</u>
-	51,033	
9,050	9,050	
901,638	3,066,540	
<u>910,688</u>	<u>3,126,623</u>	
<u>1,258,294</u>	<u>7,833,356</u>	<u>120,013</u>
26,265	192,303	-
7,475	26,905	
-	2,130	
-	59,236	6,278
5,342	16,231	-
<u>39,082</u>	<u>296,805</u>	<u>6,278</u>
-	51,033	
-	51,033	
16,024	48,688	-
<u>16,024</u>	<u>48,688</u>	
<u>55,106</u>	<u>396,526</u>	<u>6,278</u>
910,688	3,075,590	
292,500	4,361,240	113,735
<u>\$ 1,203,188</u>	<u>\$ 7,436,830</u>	<u>\$ 113,735</u>

CITY OF ONAWA, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Business Type Activities	
	Electric System	Water System
Operating Revenues:		
Charges for Services	\$ 1,879,394	\$ 358,309
Total Operating Revenue	<u>1,879,394</u>	<u>358,309</u>
Operating Expenses:		
Production	1,627,273	100,918
Distribution	469,189	183,677
Customer Accounts/Administration	98,084	66,096
Solid Waste		
Depreciation	121,095	56,253
Deductibles	-	-
Total Operating Expenses	<u>2,315,641</u>	<u>406,944</u>
Operating Income (Loss)	(436,247)	(48,635)
Non-Operating Income (Expense):		
Interest Income	46,191	8,707
Sale of Merchandise	1,852	14,804
Equity in Net Income of WIMECA	86,004	
WIMECA Member Charge Refund	94,346	
Other Non-operating Revenues	773	1,779
Total Non-Operating Income (Expenses)	<u>229,166</u>	<u>25,290</u>
Income (Loss) before Transfers	(207,081)	(23,345)
Transfers Out	<u>(12,000)</u>	<u>-</u>
Change in Net Assets	(219,081)	(23,345)
Net Assets - Beginning	<u>5,817,737</u>	<u>658,331</u>
Net Assets - Ending	<u>\$ 5,598,656</u>	<u>\$ 634,986</u>

See Accompanying Notes to Financial Statements

<u>Business Type Activities</u>		<u>Governmental</u>
<u>Sewer</u>		<u>Activities</u>
<u>System</u>	<u>Total</u>	<u>Internal</u>
		<u>Service</u>
\$ 562,825	\$ 2,800,528	\$ 21,080
562,825	2,800,528	21,080
83,128	1,811,319	
145,831	798,697	
62,633	226,813	
231,316	231,316	
56,644	233,992	
-	-	22,322
579,552	3,302,137	22,322
(16,727)	(501,609)	(1,242)
5,193	60,091	-
118	16,774	-
	86,004	-
	94,346	-
	2,552	-
5,311	259,767	-
(11,416)	(241,842)	(1,242)
-	(12,000)	-
(11,416)	(253,842)	(1,242)
1,214,604	7,690,672	114,977
\$ 1,203,188	\$ 7,436,830	\$ 113,735

**CITY OF ONAWA, IOWA
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	Business Type Activities	
	Electric System	Water System
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 1,836,600	\$ 338,743
Cash Paid to Suppliers for Goods and Services	(1,730,527)	(146,508)
Cash Paid to Employees for Services	(372,497)	(195,797)
Other Nonoperating Income	97,696	17,743
Cash Received/(Paid) for Customer Deposits	6,760	
Net Cash Provided (Used) by Operating Activities	<u>(161,968)</u>	<u>14,181</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers from (to) Other Funds	(12,000)	
Advances from (to) Other funds	61,741	(2,505)
Net Cash Provided (Used) for Noncapital Financing Activities	<u>49,741</u>	<u>(2,505)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(44,520)	(8,680)
Net Cash (Used) for Capital and Related Financing Activities	<u>(44,520)</u>	<u>(8,680)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Temporary Cash Investments	(550,000)	
Purchase of Temporary Cash Investments-Equipment	(18,000)	
Purchased of Restricted Funds	(6,760)	
Proceeds from Sale of Temporary Cash Investments	575,670	
Proceeds from Sale of Temporary Cash Investments -Equipment	22,035	8,680
Interest Received	14,275	
Net Cash Provided (Used) for Investing Activities	<u>37,220</u>	<u>8,680</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(119,527)	11,676
Cash and Cash Equivalents at Beginning of Year	<u>119,527</u>	
Cash and Cash Equivalents at End of Year	<u>\$ -</u>	<u>\$ 11,676</u>
Supplemental Disclosures		
Noncash Investing and Financing Activities		
Reinvestment of the earnings from WIMECA	\$ 86,004	
Reinvestment of Interest on Investments	38,165	\$ 9,826
	<u>\$ 124,169</u>	<u>\$ 9,826</u>

See Accompanying Notes to Financial Statements

<u>Business Type Activities</u>		<u>Government</u>
<u>Sewer</u>		<u>Activities</u>
<u>System</u>	<u>Total</u>	<u>Internal</u>
		<u>Service</u>
	\$ 2,175,343	\$ 20,600
	(1,877,035)	(23,428)
24,983	(543,311)	-
	115,439	-
	6,760	-
<u>24,983</u>	<u>(122,804)</u>	<u>(2,828)</u>
-	(12,000)	-
<u>(59,236)</u>		
<u>(59,236)</u>	<u>(12,000)</u>	
<u>(58,079)</u>	<u>(111,279)</u>	<u>-</u>
<u>(58,079)</u>	<u>(111,279)</u>	<u>-</u>
	(550,000)	-
	(18,000)	
	(6,760)	
43,952	619,622	
8,680	39,395	
1,456	15,731	-
<u>54,088</u>	<u>99,988</u>	<u>-</u>
<u>(38,244)</u>	<u>(146,095)</u>	<u>(2,828)</u>
<u>63,529</u>	<u>183,056</u>	<u>115,003</u>
<u>\$ 25,285</u>	<u>\$ 36,961</u>	<u>\$ 112,175</u>
	\$ 86,004	
\$ 4,771	52,762	
<u>\$ 4,771</u>	<u>\$ 138,766</u>	

(Continued)

CITY OF ONAWA, IOWA
COMBINING STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Business Type Activities	
	Electric System	Water System
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ (436,247)	\$ (48,635)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	121,095	56,253
Other Non-Operating Income	96,971	16,583
(Increase) Decrease in Assets:		
Accounts Receivable	(42,794)	(19,566)
Other Receivable	1,350	1,160
Prepaid Expenses	(1,204)	293
Due To Other Governments	(625)	
Inventories	50,790	(9,836)
Increase (Decrease) in Liabilities		
Accounts Payable	36,885	13,052
Accrued Wages and Compensated Absences	4,265	4,853
Accrued Expenses	786	24
Customer Deposits	6,760	
Total Adjustments	<u>274,279</u>	<u>62,816</u>
Net Cash Provided (Used) by Operating Activities	<u>(161,968)</u>	<u>14,181</u>

See Accompanying Notes to Financial Statements

<u>Business Type Activities</u>		<u>Business Type</u>
<u>Sewer</u>	<u>Total</u>	<u>Activities</u>
<u>System</u>		<u>Internal</u>
		<u>Service</u>
<u>\$ (16,727)</u>	<u>\$ (501,609)</u>	<u>\$ (1,242)</u>
56,644	233,992	-
118	113,672	-
(24,711)	(87,071)	(480)
	2,510	
40	(871)	-
	(625)	-
90	41,044	-
4,945	54,882	(1,106)
4,584	13,702	-
	810	-
	6,760	-
<u>41,710</u>	<u>378,805</u>	<u>(1,586)</u>
<u>24,983</u>	<u>(122,804)</u>	<u>\$ (2,828)</u>

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2009

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.

These financial statements present The City of Onawa (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operations or financial relationship with the City.

Discretely Presented Component Unit – Onawa Library Advocates Foundation (Foundation) was established under the Iowa Non-Profit Corporation Act, Chapter 504, A, of the Code of Iowa to promote the Onawa Public Library. The Foundation is governed by a six member board. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented.

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. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2009

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

from business type activities, which rely to a significant extent on fees and charges for services. The City's general, special revenue, debt service, capital projects and permanent funds are classified as governmental activities. The City's health insurance and risk insurance internal service funds are classified as business-type activities.

The Statement of Net Assets presents the City's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The City first uses restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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.

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2009

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 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 2005, 2006, 2007, and 2008 Street Project funds 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.

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2009

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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.

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 and are not eliminated in the process of consolidation.

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 and are not eliminated in the process of consolidation.

D. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2009

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

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, 2009

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 uses the following methods in determining the reported amounts.

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

G. Property Tax Receivable, Including Tax Increment Financing

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.

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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008. Any county collections on the 2008-2009 tax levy remitted to the City within 60 days subsequent to June 30, 2009, are recorded as property tax revenue.

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2009

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

H. Customer Accounts and Unbilled Usage

Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

I. 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, 2009, 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.

J. Due from Other Governments

Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

K. 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.

L. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009 are recorded as prepaid items.

M. 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

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2009

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

N. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

O. 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.

P. Fund Equity

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

Q. 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.

R. 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, 2009, 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.

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2009

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

Deposits at June 30, 2009, are shown below:

	<u>Primary Government</u>	<u>Bank Balance</u>	
Demand Deposits	\$ 842,650	\$ 854,660	
Savings Deposits	1,365,023	1,365,023	
Time Deposits	<u>2,748,063</u>	<u>2,748,063</u>	
	<u>\$ 4,955,736</u>	<u>\$ 4,967,746</u>	

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, 2009, 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.

There were no significant changes in investments held during the fiscal year ended June 30, 2009.

Note 3 - RECEIVABLES

Receivables at June 30, 2009 are net of allowance for uncollectibles. The allowance for uncollectibles of the enterprise funds of the primary government was \$16,587 at June 30, 2009.

Note 4 - DUE FROM OTHER GOVERNMENTS

At June 30, 2009, amounts due from other governments were as follows:

Due from the Iowa Department of Transportation for road use tax allocations	\$ 20,925
Due from the State of Iowa for local option sales taxes	<u>30,818</u>
Total Due from Other Governments	<u>\$ 51,743</u>

Note 5 - INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2009, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
Special Revenue – Local Option Sales Tax	TIF Fund	\$ 36,583
Special Revenue – Road Use Tax	2005 Street Project	23,465
Special Revenue – Road Use Tax	2006 Street Project	123,342
Special Revenue – Local Option Sales Tax	2005 Street Project	149,722
Special Revenue – Local Option Sales Tax	2007 Street Project	129,226
Special Revenue – Local Option Sales Tax	2008 Street Project	131,738
Special Revenue – Local Option Sales Tax	Nonmajor Governmental Funds	<u>42,731</u>
		\$ 636,807
Proprietary – Sewer Fund	Proprietary –Light Fund	59,236
Internal Service – Health Insurance Fund	Internal Service – Risk Insurance	<u>6,278</u>
		<u>\$ 702,321</u>

The Purpose of the interfund balances is to help finance short-term cash shortages of various funds.

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2009

Note 6 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 417,239			\$ 417,239
Construction in Progress	31,302	\$ 244,041	248,552	26,791
Total capital assets not being depreciated	<u>448,541</u>	<u>244,041</u>	<u>248,552</u>	<u>444,030</u>
Capital assets being depreciated:				
Buildings	4,139,195	12,570		4,151,765
Improvements	440,194			440,194
Equipment	1,722,746	271,315	71,951	1,922,110
Infrastructure	864,007	213,048		1,077,055
Total capital assets being depreciated	<u>7,166,142</u>	<u>496,933</u>	<u>71,951</u>	<u>7,591,124</u>
Less: Accumulated Depreciation for:				
Buildings	563,918	83,005		646,923
Improvements	154,683	18,598		173,281
Equipment	994,195	101,654	94,980	1,000,869
Infrastructure	97,947	50,704		148,651
Total Accumulated Depreciation	<u>1,810,743</u>	<u>253,961</u>	<u>94,980</u>	<u>1,969,724</u>
Total capital assets being depreciated, net	<u>5,355,399</u>	<u>242,972</u>	<u>(23,029)</u>	<u>5,621,400</u>
Governmental activities capital assets, net	<u>\$ 5,803,940</u>	<u>\$ 487,013</u>	<u>\$ 225,523</u>	<u>\$ 6,065,430</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 9,050	-	-	\$ 9,050
Total capital assets not being depreciated	<u>9,050</u>	<u>-</u>	<u>-</u>	<u>9,050</u>
Capital assets being depreciated:				
Equipment	1,179,943	\$ 88,794	\$ 35,000	1,233,737
Buildings, Utility Plant, Lines, Etc.	6,351,062	22,485	-	6,373,547
Total capital assets being depreciated	<u>7,531,005</u>	<u>111,279</u>	<u>35,000</u>	<u>7,607,284</u>
Less: Accumulated Depreciation for:				
Equipment	797,930	75,242	35,000	838,172
Buildings, Utility Plant, Lines, Etc.	3,543,822	158,750		3,702,572
Total Accumulated Depreciation	<u>4,341,752</u>	<u>233,992</u>	<u>\$ 35,000</u>	<u>4,540,744</u>
Total capital assets being depreciated, net	<u>3,189,253</u>	<u>(122,713)</u>	<u>-</u>	<u>3,066,540</u>
Business Type activities capital assets, net	<u>\$ 3,198,303</u>	<u>\$ (122,713)</u>	<u>-</u>	<u>\$ 3,075,590</u>

Construction in progress at June 30, 2009 consisted of costs associated with the 2009 Street Capital Project of \$567 and the new fire station of \$26,224.

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2009

Note 6 - CAPITAL ASSETS – (Continued)

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

Governmental Activities:	
Public Safety	\$ 44,399
Public Works	16,393
Culture and Recreation	138,970
Community and Economic Development	3,495
General Government	50,704
Total depreciation expense – governmental activities	253,961
Business-Type Activities:	
Electric	121,095
Water	56,253
Sewer	56,644
Total depreciation expense – business-type activities	\$ 233,992

Reconciliation of Investment in Capital Assets:

	Governmental Activities	Business-Type Activities
Land	\$ 417,239	\$ 9,050
Construction in Progress	26,791	
Capital Assets (net of accumulated depreciation)	5,621,400	3,066,540
Less: General Obligation Bonds Payable	(1,355,000)	
Investment in Capital Assets, Net of Related Debt	\$ 4,710,430	\$ 3,075,590

Note 7 - LONG-TERM DEBT

General Obligation Bonds

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 \$90,000 to \$130,000 through 2019.

\$505,000 2006 General Obligation Bonds due in annual installments of \$85,000 to \$95,000 through 2012.

General obligation bonds outstanding as of June 30, 2009 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
Governmental Activities – Library	2.95 - 4.40%	\$ 1,085,000
Governmental Activities – TIF	3.50 - 3.80%	270,000
		\$ 1,355,000

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2009

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>
2010	\$ 175,000	\$ 52,625
2011	185,000	46,685
2012	190,000	40,125
2013	100,000	33,095
2014	105,000	29,345
2015 - 2019	<u>600,000</u>	<u>79,050</u>
Total	<u>\$ 1,355,000</u>	<u>\$ 280,925</u>

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Increases (Decreases)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government: Governmental Activities:				
Bonds Payable:				
General Obligation	\$ 1,530,000	\$ (175,000)	\$ 1,355,000	\$ 175,000
Compensated Absences	<u>40,206</u>	<u>7,410</u>	<u>47,616</u>	<u>11,904</u>
Total	<u>1,570,206</u>	<u>(167,590)</u>	<u>1,402,616</u>	<u>186,904</u>
Business Type Activities:				
Compensated Absences	<u>\$ 52,532</u>	<u>\$ 12,387</u>	<u>\$ 64,919</u>	<u>\$ 16,231</u>

Note 8 - TRANSFERS

The following is a summary of transfers between funds:

<u>Transfers From</u>	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Governmental Fund Types</u>
Business Type Activities	\$ 12,000			\$ 12,000
TIF		\$ 97,975		97,975
Local Option Sales Tax	125,000			125,000
Nonmajor Governmental	<u>68,997</u>			<u>68,997</u>
Total Transfers	<u>\$ 205,997</u>	<u>\$ 97,975</u>		<u>\$ 303,972</u>

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2009

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 4.10 percent of their annual covered salary and the City is required to contribute 6.35 percent of annual covered payroll except for police employees, in which case, the percentages are 5.63 for employees and 8.45 for the city contribution. For the year ended June 30, 2008, the contribution rates for plan members were 3.90 percent and 6.05 percent, respectively, and for police employees and the City were 6.05 percent and 8.47 percent, respectively, and for the year ended June 30, 2007, the contribution rates for plan members were 3.70 percent and 5.75 percent respectively and for police employees and the City were 6.08 percent and 9.12 percent, respectively. Contribution requirements are established by state statute. The City contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$74,334, \$68,602, and \$66,386, respectively, equal to the required contributions for each year.

Effective July 1, 2009, the City's required contribution to IPERS increased to 6.65% and 9.20% of annual covered payroll for plan members and police employees, respectively.

Note 10 - DEFICIT FUND EQUITY

The City has seven funds with deficit equity balances at June 30, 2009. 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	\$ 19,356
Special Revenue – TIF	38,334
Capital Project – 2007 Street Project.....	119,677
Capital Project – 2005 Street Project.....	171,036
Capital Project – 2006 Street Project.....	117,417
Capital Project – 2008 Street Project.....	127,183
Capital Project – 2009 Street Project.....	567
Capital Project – Library Expansion.....	21,268

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2009

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, 2008 represents 32.28% of the total member business.

The last available information for WIMECA is from its December 31, 2008 independent audit report. These financial statements are available at the City office.

The summary financial information of WIMECA is as follows:

	December 31, 2008
Total Assets	\$ <u>5,027,551</u>
Total Liabilities	411,051
Total Equity	<u>4,616,500</u>
Total Liabilities and Equity	<u>5,027,551</u>
Total Revenue	4,185,529
Total Expense	<u>3,919,098</u>
Net Earnings	\$ <u>266,431</u>

At December 31, 2008, WIMECA had no outstanding bonds.

At June 30, 2009, the City of Onawa Electric Enterprise Fund investment in WIMECA was as follows:

	June 30, 2009
Beginning Balance	\$ 1,504,806
Add: Net Earnings	<u>86,004</u>
Balance	1,590,810
Less: Dividends Received	-
Ending Balance at June 30, 2009	\$ <u>1,590,810</u>

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2009

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.

Note 14 - PRIOR PERIOD ADJUSTMENT

In the financial statements for the year ended June 30, 2008, a \$42,500 Capital Expenditure for a fire truck was not properly capitalized in the government-wide financial statements. The effect on the Governmental Net Assets was as follows:

Beginning Net Assets as Previously Reported	\$ 7,132,419
Prior Period Adjustment	<u>42,500</u>
Beginning Net Assets, Restated	\$ <u>7,174,919</u>

Note 15 - SUBSEQUENT EVENTS

The City has evaluated all subsequent events through December 4, 2009, the date of the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ONAWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

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.

Public Safety was over budget due to expenditures for the fire department. Culture and Recreation was over budget due to the expenditures for the skate park.

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

<u>Function</u>	<u>Budgeted Original</u>	<u>5-26-09 Amendment</u>	<u>Amended Budget</u>
Public Safety	\$ 554,715		\$ 554,715
Public Works	413,875		413,875
Culture & Recreation	469,675		469,675
Community & Economic Development	61,000	\$ 46,000	107,000
General Government	196,250	10,000	206,250
Debt Service	233,255		233,255
Capital Projects	200,000		200,000
Business Type/Enterprise	5,754,486		5,754,486
Total	<u>\$ 7,883,256</u>	<u>\$ 56,000</u>	<u>\$ 7,939,256</u>

CITY OF ONAWA
Required Supplementary Information - Budgetary Reporting
For the Year Ended June 30, 2009

	Actual Amounts		Total
	Governmental Fund Types	Proprietary Fund Types	
Revenue:			
Taxes	\$ 873,636		\$ 873,636
Special Assessments	93,341		93,341
Licenses and Permits	33,761		33,761
Intergovernmental Revenue	491,302		491,302
Charges for Services	102,655	\$ 2,720,218	2,822,873
Fines and Forfeits	11,937		11,937
Contributions	97,927		97,927
Sale of Real Estate	50,000		50,000
Interest	68,514	68,491	137,005
Payment in Lieu of Taxes	92,484		92,484
Proceeds of Debt			
Miscellaneous	69,887	115,557	185,444
Total Revenue	<u>1,985,444</u>	<u>2,904,266</u>	<u>4,889,710</u>
Expenditures/Expenses:			
Public Safety	635,322		635,322
Public Works	340,555		340,555
Culture and Recreation	495,049		495,049
Community and Economic Development	76,047		76,047
General Government	148,391		148,391
Capital Projects	146,256		146,256
Debt Service	233,255		233,255
Business Type Activities	22,322	3,069,857	3,092,179
Total Expenditures/Expenses	<u>2,097,197</u>	<u>3,069,857</u>	<u>5,167,054</u>
Excess (Deficiency) of revenues over Expenditures/Expenses	<u>(111,753)</u>	<u>(165,591)</u>	<u>(277,344)</u>
Other financing sources (uses):			
Transfers In	303,972		303,972
Transfers Out	(291,972)	(12,000)	(303,972)
Total other financing sources (uses)	<u>12,000</u>	<u>(12,000)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures/Expenses and Other Uses	(99,753)	(177,591)	(277,344)
Fund Balance/Retained Earnings at Beginning of Year	<u>2,636,558</u>	<u>2,596,579</u>	<u>5,233,137</u>
Fund Balance/Retained Earnings at End of Year	<u>\$ 2,536,805</u>	<u>\$ 2,418,988</u>	<u>\$ 4,955,793</u>

Budgeted Amounts		Variance Favorable (Unfavorable)
Original	Final	
\$ 870,778	\$ 870,778	\$ 2,858
30,000	30,000	63,341
10,825	10,825	22,936
1,067,140	1,067,140	(575,838)
2,992,131	2,992,131	(169,258)
	-	11,937
	-	97,927
	-	50,000
109,850	109,850	27,155
88,675	88,675	3,809
1,702,850	1,702,850	(1,702,850)
20,500	20,500	164,944
<u>6,892,749</u>	<u>6,892,749</u>	<u>(2,003,039)</u>
554,715	554,715	(80,607)
413,875	413,875	73,320
469,675	469,675	(25,374)
61,000	107,000	30,953
196,250	206,250	57,859
200,000	200,000	53,744
233,255	233,255	-
5,754,486	5,754,486	2,662,307
<u>7,883,256</u>	<u>7,939,256</u>	<u>2,772,202</u>
<u>(990,507)</u>	<u>(1,046,507)</u>	<u>769,163</u>
291,527	291,527	(12,445)
<u>(291,527)</u>	<u>(291,527)</u>	<u>12,445</u>
-	-	-
<u>\$ (990,507)</u>	<u>\$ (1,046,507)</u>	<u>\$ 769,163</u>

CITY OF ONAWA
Required Supplementary Information - Budgetary Reporting
For the Year Ended June 30, 2009

	Governmental and Proprietary Fund Types		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenue:			
Taxes	\$ 873,636	\$ 11,706	\$ 885,342
Special Assessments	93,341	10,487	103,828
Licenses and Permits	33,761	1,289	35,050
Intergovernmental Revenue	491,302	8,847	500,149
Charges for Services	2,822,873	81,057	2,903,930
Fines and Forfeits	11,937	(301)	11,636
Contributions	97,927	-	97,927
Sale of Real Estate	50,000	-	50,000
Interest	137,005	(10,750)	126,255
Payment in Lieu of Taxes	92,484	-	92,484
Miscellaneous	185,444	83,550	268,994
Total Revenue	4,889,710	185,885	5,075,595
Expenditures/Expenses:			
Public Safety	635,322	17,372	652,694
Public Works	340,555	(24,756)	315,799
Culture and Recreation	495,049	(5,481)	489,568
Community and Economic Development	76,047	(1,480)	74,567
General Government	148,391	(5,146)	143,245
Capital Projects	146,256	-	146,256
Debt Service	233,255	-	233,255
Business Type Activities	3,092,179	232,280	3,324,459
Total Expenditures/Expenses	5,167,054	212,789	5,379,843
Excess (Deficiency) of revenues over Expenditures/Expenses	(277,344)	(26,904)	(304,248)
Other financing sources (uses):			
Transfers In	303,972	-	303,972
Transfers Out	(303,972)	-	(303,972)
Total other financing sources (uses)	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures/Expenses and Other Uses	(277,344)	(26,904)	(304,248)
Fund Balance/Retained Earnings at Beginning of Year	5,233,137	5,110,009	10,343,146
Fund Balance/Retained Earnings at End of Year	\$ 4,955,793	\$ 5,083,105	\$ 10,038,898

CITY OF ONAWA, IOWA
 COMBINING BALANCE SHEET
 GOVERNMENTAL NONMAJOR FUNDS
 JUNE 30, 2009

	Special Revenue Fund Employee Benefits	Capital Projects		
		2004 Street Project	2009 Street Project	15th and Marble
Assets				
Cash and Pooled Investments	-	\$ 15,693	-	\$ 9,387
Investments	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Taxes	\$ 2,240	-	-	-
Subsequent Year Taxes	95,754	-	-	-
Accrued Interest	-	1,143	-	530
Special Assessments	-	4,596	-	2,577
Subsequent Year Special Assessments	-	21,167	-	9,402
Total Assets	97,994	42,599	-	21,896
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	700	-	-	-
Due to Other Funds	20,896	-	\$ 567	-
Deferred Revenue - Subsequent Year Taxes	95,754	-	-	-
Deferred Revenue - Subsequent Year Assessments	-	21,167	-	9,402
Total Liabilities	117,350	21,167	567	9,402
Fund Balances:				
Reserved for:				
Endowment	-	-	-	-
Unreserved (Deficit)	(19,356)	21,432	(567)	12,494
Total Fund Balances (Deficits)	(19,356)	21,432	\$ (567)	12,494
Total Liabilities and Fund Balances	\$ 97,994	\$ 42,599	-	\$ 21,896

Capital Projects		Permanent Fund		Governmental Nonmajor Funds
Airport Project	Library Project	Cemetery Perpetual Care Fund	Library Endowment Fund	
\$ 12,756	-	\$ 1,551	\$ -	\$ 39,387
-	-	88,013	33,000	121,013
-	-	-	-	2,240
-	-	-	-	95,754
-	-	1,423	96	3,192
-	-	-	-	7,173
-	-	-	-	30,569
12,756	-	90,987	33,096	299,328
-	-	-	-	700
- \$	21,268	-	-	42,731
-	-	-	-	95,754
-	-	-	-	30,569
-	21,268	-	-	169,754
-	-	90,987	33,096	124,083
12,756	(21,268)	-	-	5,491
12,756 \$	(21,268)	90,987	33,096	129,574
\$ 12,756		\$ 90,987	\$ 33,096	\$ 299,328

CITY OF ONAWA, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Special Revenue Fund	Capital Projects		
	Employee Benefits	2004 Street Project	2009 Street Project	15th and Marble
Revenue:				
Taxes	\$ 69,266	-	-	-
Special Assessments	-	\$ 5,015	-	\$ 3,891
Contributions	-	-	-	-
Interest	-	1,302	-	773
Miscellaneous	-	101	-	38
Total Revenue	69,266	6,418	-	4,702
Expenditures:				
General Government	1,604	-	-	-
Capital Projects	-	-	\$ 567	-
Total Expenditures	1,604	-	567	-
Excess (deficiency) of revenues over expenditures	67,662	6,418	(567)	4,702
Other financing sources (uses):				
Transfers In	-	-	-	-
Transfers Out	(68,150)	-	-	-
Total other financing sources (uses)	(68,150)	-	-	-
Net Change in Fund Balance	(488)	6,418	(567)	4,702
Fund balances (deficits) -beginning of year	(18,868)	15,014	-	7,792
Fund balances (deficits) - end of year	\$ (19,356)	\$ 21,432	\$ (567)	\$ 12,494

Capital Projects		Permanent Fund		Total Governmental Nonmajor Funds
Airport Project	Library Project	Cemetery Perpetual Care Fund	Library Endowment Fund	
-	-	-	-	\$ 69,266
-	-	-	-	8,906
-	-	\$ 825	-	825
-	-	801	\$ 841	3,717
-	-	-	-	139
-	-	1,626	841	82,853
-	-	-	-	1,604
-	-	-	-	567
-	-	-	-	2,171
-	-	1,626	841	80,682
-	-	-	-	-
-	-	-	(847)	(68,997)
-	-	-	(847)	(68,997)
-	-	1,626	(6)	11,685
\$ 12,756	\$ (21,268)	89,361	33,102	117,889
\$ 12,756	\$ (21,268)	\$ 90,987	\$ 33,096	\$ 129,574

**CITY OF ONAWA, IOWA
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 JUNE 30, 2009**

	Risk Insurance	Health Insurance Deductibles	Totals
ASSETS			
Cash	\$ 112,175		\$ 112,175
Accounts Receivable		\$ 1,560	1,560
Due from Other funds	6,278		6,278
Total Assets	118,453	1,560	120,013
LIABILITIES			
Due to Other Funds		6,278	6,278
Total Liabilities		6,278	6,278
NET ASSETS	\$ 118,453	\$ (4,718)	\$ 113,735

**CITY OF ONAWA, IOWA
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009**

	Risk Insurance	Health Insurance Deductibles	Totals
Operating revenues:			
Charges for services to operating funds	\$ 8,000	\$ 13,080	\$ 21,080
Operating expenses:			
General Government		22,322	22,322
Total operating expenses		<u>22,322</u>	<u>22,322</u>
Operating Income (Loss)	8,000	(9,242)	(1,242)
Net assets - beginning	<u>110,453</u>	<u>4,524</u>	<u>114,977</u>
Net assets - ending	<u>\$ 118,453</u>	<u>\$ (4,718)</u>	<u>\$ 113,735</u>

**CITY OF ONAWA, IOWA
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009**

	Risk Insurance	Health Insurance Deductibles	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 8,000	\$ 12,600	\$ 20,600
Cash Paid to Suppliers	-	(23,428)	(23,428)
Net Cash Provided (Used) by Operating Activities	8,000	(10,828)	(2,828)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Advances From (to) Other funds	(6,278)	6,278	
Net Cash Provided (Used) for Investing Activities	(6,278)	6,278	-
Net Increase (Decrease) in Cash and Cash Equivalents	1,722	(4,550)	(2,828)
Cash and Cash Equivalents at Beginning of Year	110,453	4,550	115,003
Cash and Cash Equivalents at End of Year	\$ 112,175	\$ -	\$ 112,175
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 8,000	\$ (9,242)	\$ (1,242)
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:			
(Increase) in Accounts Receivable	-	(480)	(480)
(Decrease) in Accounts Payable		(1,106)	(1,106)
Total Adjustments	-	(1,586)	(1,586)
Net Cash Provided (Used) by Operating Activities	\$ 8,000	\$ (10,828)	\$ (2,828)

STATISTICAL SECTION

(NOT COVERED BY AUDITORS' REPORT)

**CITY OF ONAWA
STATISTICAL SECTION**

This part of the City of Onawa's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents:	Pages
Financial Trends	66 – 72
<p>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</p>	
Revenue Capacity	73 – 76
<p>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</p>	
Debt Capacity	77 – 80
<p>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</p>	
Demographic and Economic Information	80
<p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</p>	
Operating Information	81 – 89
<p>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</p>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual reports for the relevant year.

CITY OF ONAWA, IOWA

TABLE I

Government-Wide Net Assets by Component²
 Last Six Fiscal Years¹
 (accrual basis of accounting)

	Fiscal Year					
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental Activities						
Invested in Capital Assets, net of related debt	\$ 1,297,694	\$ 3,708,775	\$ 4,083,125	\$ 4,156,835	\$ 4,316,440	\$ 4,710,430
Restricted	232,713	114,345	116,325	121,522	1,288,965	1,310,684
Unrestricted	<u>2,777,798</u>	<u>1,525,551</u>	<u>1,721,779</u>	<u>2,396,941</u>	<u>1,569,514</u>	<u>1,492,477</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>	<u>\$ 7,174,919</u>	<u>\$ 7,513,591</u>
Business-type Activities						
Invested in Capital Assets, net of related debt	\$ 3,331,990	\$ 3,291,706	\$ 3,274,484	\$ 3,161,569	\$ 3,198,303	\$ 3,075,590
Restricted	-	-	-	-	-	-
Unrestricted	<u>4,157,395</u>	<u>4,316,055</u>	<u>4,468,232</u>	<u>4,417,915</u>	<u>4,492,369</u>	<u>4,361,240</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>	<u>\$ 7,690,672</u>	<u>\$ 7,436,830</u>
Primary Government						
Invested in Capital Assets, net of related debt	\$ 4,629,684	\$ 7,000,481	\$ 7,357,609	\$ 7,318,404	\$ 7,514,743	\$ 7,786,020
Restricted	232,713	114,345	116,325	121,522	1,288,965	1,310,684
Unrestricted	<u>6,935,193</u>	<u>5,841,606</u>	<u>6,190,011</u>	<u>6,814,856</u>	<u>6,061,883</u>	<u>5,853,717</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>	<u>\$ 14,865,591</u>	<u>\$ 14,950,421</u>

Notes:

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

² 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 Six Fiscal Years¹
(accrual basis of accounting)

	Fiscal Year					
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenses¹						
Governmental Activities						
Public Safety	\$ 435,037	\$ 481,673	\$ 445,971	\$ 512,418	\$ 522,880	\$ 531,966
Public Works	252,568	200,448	250,256	252,991	261,866	223,606
Culture and Recreation	364,443	420,950	491,103	504,980	560,377	550,496
Community and Economic Development	133,273	57,791	83,261	89,769	81,891	74,567
General Government	173,618	156,050	159,999	173,894	187,646	217,204
Debt Service	70,732	40,511	84,230	67,267	62,696	57,786
Total Governmental Activities Expenses	<u>\$ 1,429,671</u>	<u>\$ 1,357,423</u>	<u>\$ 1,514,820</u>	<u>\$ 1,601,319</u>	<u>\$ 1,677,356</u>	<u>\$ 1,655,625</u>
Business-type Activities						
Electric System	\$ 1,417,066	\$ 1,593,206	\$ 1,766,956	\$ 1,777,438	\$ 1,846,979	\$ 2,315,641
Water System	281,441	361,903	376,228	395,571	354,763	406,944
Sewer System	500,891	520,473	529,236	548,919	546,477	579,552
Total Business-type Activities Expenses	<u>\$ 2,199,398</u>	<u>\$ 2,475,582</u>	<u>\$ 2,672,420</u>	<u>\$ 2,721,928</u>	<u>\$ 2,748,219</u>	<u>\$ 3,302,137</u>
Total Primary Government Expenses	<u>\$ 3,629,069</u>	<u>\$ 3,833,005</u>	<u>\$ 4,187,240</u>	<u>\$ 4,323,247</u>	<u>\$ 4,425,575</u>	<u>\$ 4,957,762</u>
Program Revenues						
Governmental Activities:						
Charges for Services						
Public Safety	\$ 10,859	\$ 6,107	\$ 11,419	\$ 12,306	\$ 11,160	\$ 8,905
Culture and Recreation	74,488	86,297	80,353	87,306	76,468	82,070
General Government	14,500	14,500	15,000	18,000	20,983	20,983
Operating Grants and Contributions	723,280	421,916	354,245	391,214	443,136	448,699
Capital Grants and Contributions	60,000	240,342	147,895	9,271	125,000	54,741
Total Governmental Activities Program Revenues	<u>\$ 883,127</u>	<u>\$ 769,162</u>	<u>\$ 608,912</u>	<u>\$ 518,097</u>	<u>\$ 676,747</u>	<u>\$ 615,398</u>
Business-type Activities:						
Charges for Services						
Electric System	\$ 1,646,711	\$ 1,654,084	\$ 1,784,123	\$ 1,674,900	\$ 1,782,798	\$ 1,879,394
Water System	304,472	286,369	308,879	295,762	295,074	358,309
Sewer System	478,166	463,509	495,505	477,789	483,054	562,825
Total Business-type Activities Program Revenues	<u>\$ 2,429,349</u>	<u>\$ 2,403,962</u>	<u>\$ 2,588,507</u>	<u>\$ 2,448,451</u>	<u>\$ 2,560,926</u>	<u>\$ 2,800,528</u>
Total Primary Government Program Revenues	<u>\$ 3,312,476</u>	<u>\$ 3,173,124</u>	<u>\$ 3,197,419</u>	<u>\$ 2,966,548</u>	<u>\$ 3,237,673</u>	<u>\$ 3,415,926</u>
Net (Expense)/Revenue²						
Governmental Activities:	\$ (546,544)	\$ (588,261)	\$ (905,908)	\$ (1,083,222)	\$ (1,000,609)	\$ (1,040,227)
Business-type Activities:	229,951	(71,620)	(83,913)	(273,477)	(187,293)	(501,609)
Total Primary Government Net Expense	<u>\$ (316,593)</u>	<u>\$ (659,881)</u>	<u>\$ (989,821)</u>	<u>\$ (1,356,699)</u>	<u>\$ (1,187,902)</u>	<u>\$ (1,541,836)</u>

CITY OF ONAWA, IOWA

TABLE II (Continued)

Changes in Net Assets
Last Six Fiscal Years¹
(accrual basis of accounting)

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
General Revenues						
Governmental Activities:						
Property Taxes	\$ 1,010,564	\$ 1,119,067	\$ 1,059,464	\$ 1,128,832	\$ 965,446	\$ 885,342
Local Option Sales Tax	163,564	164,447	169,515	167,862	165,688	195,433
Interest	63,561	75,957	95,990	121,100	110,437	66,164
General Intergovernmental Revenues	45,618	76,132	34,807	42,952	24,319	48,533
Payment in Lieu of Taxes	84,552	87,654	86,578	92,845	88,672	92,484
Contributions	1,100	2,079	3,350	38,025	1,275	825
Miscellaneous	46,107	31,136	34,490	92,981	61,572	64,518
Proceeds from Sale of Real Estate	-	-	-	15,000	8,325	13,600
Transfers	-	77,293	-	40,000	12,000	12,000
Total Governmental Activities	\$ 1,415,066	\$ 1,633,765	\$ 1,484,194	\$ 1,739,597	\$ 1,437,734	\$ 1,378,899
Business-type Activities:						
Interest	\$ 9,242	\$ 33,343	\$ 75,277	\$ 95,345	\$ 92,421	\$ 60,091
Sale of Merchandise	16,897	29,573	26,583	15,823	23,619	16,774
Miscellaneous	241,753	187,335	111,280	136,771	190,377	182,902
Gain on Sale of Fixed Assets	-	-	-	-	4,064	-
Assets Acquired Through Annexation	-	12,000	-	-	-	-
Transfers	-	(77,293)	-	(40,000)	(12,000)	(12,000)
Total Business-type Activities	\$ 267,892	\$ 184,958	\$ 213,140	\$ 207,939	\$ 298,481	\$ 247,767
Total Primary Government	\$ 1,682,958	\$ 1,818,723	\$ 1,697,334	\$ 1,947,536	\$ 1,736,215	\$ 1,626,666
Change in Net Assets						
Governmental Activities	\$ 868,522	\$ 1,045,504	\$ 578,286	\$ 656,375	\$ 437,125	\$ 338,672
Business-type Activities	497,843	113,338	129,227	(65,538)	111,188	(253,842)
Total Primary Government	\$ 1,366,365	\$ 1,158,842	\$ 707,513	\$ 590,837	\$ 548,313	\$ 84,830

Notes:

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

² 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 Years¹
(modified accrual basis of accounting)

	Fiscal Year				
	2000	2001	2002	2003	2004
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>839,028</u>	<u>1,519,438</u>	<u>1,620,545</u>	<u>1,547,064</u>	<u>1,387,212</u>
Total General Fund	\$ 839,028	\$ 1,519,438	\$ 1,620,545	\$ 1,547,064	\$ 1,387,212
All Other Governmental Funds					
Reserved	\$ 222,633	\$ 217,435	\$ 220,442	\$ 228,774	\$ 232,713
Unreserved, reported in:					
Debt Service Fund	-	-	(10,863)	(21,324)	(40,842)
Special Revenue Funds	568,372	846,058	521,398	100,543	391,229
Capital Projects Funds	<u>(155,253)</u>	<u>69,756</u>	<u>(617,401)</u>	<u>(270,394)</u>	<u>854,744</u>
Total All Other Governmental Funds ¹	<u>\$ 635,752</u>	<u>\$ 1,133,249</u>	<u>\$ 113,576</u>	<u>\$ 37,599</u>	<u>\$ 1,437,844</u>
Total Governmental Funds					
Reserved	\$ 222,633	\$ 217,435	\$ 220,442	\$ 228,774	\$ 232,713
Unreserved, reported in:	<u>1,252,147</u>	<u>2,435,252</u>	<u>1,513,679</u>	<u>1,355,889</u>	<u>2,592,343</u>
Total Governmental Funds	<u>\$ 1,474,780</u>	<u>\$ 2,652,687</u>	<u>\$ 1,734,121</u>	<u>\$ 1,584,663</u>	<u>\$ 2,825,056</u>

Notes:

¹ 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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ -	\$ -	\$ -	\$ -	\$ -
<u>1,408,105</u>	<u>1,507,762</u>	<u>1,661,160</u>	<u>1,723,495</u>	<u>1,745,805</u>
\$ 1,408,105	\$ 1,507,762	\$ 1,661,160	\$ 1,723,495	\$ 1,745,805
\$ 114,345	\$ 116,325	\$ 121,522	\$ 122,463	\$ 124,083
(8,348)	4,674	12,370	13,381	14,708
525,367	684,263	869,653	1,100,105	1,114,203
<u>(599,243)</u>	<u>(701,834)</u>	<u>(466,044)</u>	<u>(462,151)</u>	<u>(510,466)</u>
<u>\$ 32,121</u>	<u>\$ 103,428</u>	<u>\$ 537,501</u>	<u>\$ 773,798</u>	<u>\$ 742,528</u>
\$ 114,345	\$ 116,325	\$ 121,522	\$ 122,463	\$ 124,083
<u>1,325,881</u>	<u>1,494,865</u>	<u>2,077,139</u>	<u>2,374,830</u>	<u>2,364,250</u>
<u>\$ 1,440,226</u>	<u>\$ 1,611,190</u>	<u>\$ 2,198,661</u>	<u>\$ 2,497,293</u>	<u>\$ 2,488,333</u>

CITY OF ONAWA, IOWA

TABLE IV

Changes in Fund Balances of Governmental Funds
Last Six Fiscal Years¹
(modified accrual basis of accounting)

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
Revenues						
Taxes	\$ 1,010,540	\$ 1,124,437	\$ 1,055,853	\$ 1,128,832	\$ 965,446	\$ 885,342
Special Assessments	63,047	82,285	28,791	82,372	74,235	103,828
Licenses and Permits	21,470	28,813	26,446	34,298	30,449	35,050
Intergovernmental Revenue	468,180	497,583	496,157	469,443	474,859	500,149
Charges for Services	71,991	84,338	76,924	84,727	75,109	82,322
Fines and Forfeits	13,356	8,066	14,848	14,885	13,934	11,636
Contributions	364,420	278,773	146,917	66,161	36,430	97,927
Grants	60,000	-	-	-	-	-
Proceeds from Sale of Bonds	1,500,000	-	505,000	-	-	-
Interest	68,431	75,957	95,990	121,100	110,437	66,164
Payment in Lieu of Taxes	84,552	87,654	86,578	92,785	88,672	92,484
Miscellaneous	46,107	31,136	34,490	102,312	195,420	69,318
Total Revenues	\$ 3,772,094	\$ 2,299,042	\$ 2,567,994	\$ 2,196,915	\$ 2,064,991	\$ 1,994,220
Expenditures¹						
Public Safety	\$ 419,319	\$ 495,741	\$ 449,045	\$ 481,879	\$ 543,171	\$ 652,694
Public Works	296,917	195,237	282,362	232,819	259,566	315,799
Culture and Recreation	448,863	363,075	403,074	386,380	410,044	489,568
Community and Economic Development	153,740	359,477	95,261	86,137	81,891	74,567
General Government	153,604	140,858	162,244	127,417	143,970	143,245
Capital Projects	932,109	1,975,890	278,639	127,851	195,438	146,256
Debt Service						
Principal Retirements	60,000	145,000	645,000	150,000	165,000	175,000
Interest	67,148	85,887	81,405	71,961	63,270	58,255
Total Expenditures	\$ 2,531,700	\$ 3,761,165	\$ 2,397,030	\$ 1,664,444	\$ 1,862,350	\$ 2,055,384
Excess (Deficiency) of Revenues over (under) Expenditures	\$ 1,240,394	\$ (1,462,123)	\$ 170,964	\$ 547,471	\$ 285,966	\$ (61,164)
Other Financing Sources (Uses)						
Transfers In	\$ 387,915	\$ 545,989	\$ 341,755	\$ 591,110	\$ 372,796	\$ 303,972
Transfers Out	(387,915)	(468,696)	(341,755)	(551,110)	(360,796)	(291,972)
Sale of Real Estate and Other Assets	-	-	-	15,000	83,325	50,000
Total Other Financing Sources (Uses)	\$ -	\$ 77,293	\$ -	\$ 55,000	\$ 95,325	\$ 62,000
Net change in fund balances	\$ 1,240,394	\$ (1,384,830)	\$ 170,964	\$ 587,471	\$ 297,966	\$ (49,164)
Total Capital Expenditures from Reconciliation of Statement of Revenues, expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities						
	1,134,661	2,413,445	445,746	157,446	315,792	509,351
Debt service as a percentage of non-capital expenditures ²						
	9.10%	17.13%	37.23%	14.73%	14.76%	15.09%

Notes:

¹ The City implemented GASB Statement No. 34 in fiscal year 2004 therefore, five 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>
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 & Recreation</u>	<u>Community & 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
2007-08	543,171	259,566	410,044	81,891	143,970	228,270	195,438	\$ 1,862,350
2008-09	\$ 652,694	\$ 315,799	\$ 489,568	\$ 74,567	\$ 143,245	\$ 233,255	\$ 146,256	\$ 2,055,384

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>
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	382,358	2,195,915
2007-08	965,446	30,449	474,859	75,109	13,934	74,235	430,959	2,064,991
2008-09	\$ 885,342	\$ 35,050	\$ 500,149	\$ 82,322	\$ 11,636	\$ 103,828	\$ 325,893	\$ 1,944,220

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>
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
2007-08	685,857	687,004	100.17	5,660
2008-09	\$ 744,688	\$752,215	101.01%	\$ 224

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>
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	-	-
2007-08	96,459,442	58,325,529	-	-
2008-09	\$ 100,630,414	\$ 59,526,703	-	-

<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>
\$ 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
674,760	100.99
\$ 752,439	101.04%

<u>Utilities</u>		<u>Total</u>		<u>Ratio of Total Taxable Value</u>	<u>City's Total Direct Rate</u>
<u>Assessed Value</u>	<u>Taxable Value</u>	<u>Assessed Value</u>	<u>Taxable Value</u>		
\$ 1,980,002	\$ 1,980,002	\$ 71,561,176	\$ 49,052,416	68.55%	12.57794
1,508,501	1,508,501	84,208,680	55,678,983	66.12	11.82507
1,408,426	1,408,426	86,803,125	58,836,549	67.78	12.03710
1,308,730	1,308,730	92,624,849	57,094,591	61.64	11.92593
1,607,102	1,607,102	92,670,088	60,011,516	64.76	12.20166
406,150	406,150	93,316,086	57,741,439	61.88	13.65668
442,291	442,291	96,886,902	60,554,613	62.50	13.61467
511,068	511,068	96,406,430	58,964,966	61.16	13.97673
441,847	441,847	96,901,289	58,767,376	60.65	13.08122
\$ 476,986	\$ 476,986	\$ 101,107,400	\$ 60,003,689	59.35%	13.05176

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

Fiscal Year	City of Onawa				Overlapping					
	Tax Rates									
	General	Special Revenue	Debt Service	Total Direct	West Monona School	Monona County	Western Iowa Tech	State Levy	Total Overlapping	Total Direct and Overlapping
1999-00	9.43089	1.07423	2.07282	12.57794	10.38155	5.37794	0.55951	0.00500	16.32400	28.90194
2000-01	9.24455	1.23528	1.34524	11.82507	10.74693	5.36311	0.60985	0.00500	16.72489	28.54996
2001-02	9.26560	1.57065	1.20085	12.03710	10.91229	6.29521	0.62121	0.00500	17.83371	29.87081
2002-03	9.21345	1.51698	1.19550	11.92593	10.95505	6.45078	0.94866	0.00400	18.35849	30.28442
2003-04	9.67543	2.33942	0.18681	12.20166	11.84505	6.38161	0.54141	0.00400	18.77207	30.97373
2004-05	9.85210	1.35698	2.44760	13.65668	12.34320	6.86233	0.57204	0.00400	19.78157	33.43825
2005-06	9.78634	1.55807	2.27026	13.61467	13.38780	7.06811	0.69873	0.00400	21.15864	34.77331
2006-07	9.90098	1.77006	2.30569	13.97673	15.68733	7.11172	0.71282	0.00400	23.51587	37.49260
2007-08	9.68263	1.14266	2.25593	13.08122	15.80332	7.16224	0.73555	0.00350	23.70461	36.78583
2008-09	9.57487	1.22236	2.25453	13.05176	14.83407	8.21534	0.82762	0.00350	23.88053	36.93229

Fiscal Year	Tax Levies									
	General	Special Revenue	Debt Service	Total Direct	West Monona School	Monona County	Western Iowa Tech	State Levy	Total Overlapping	Total Direct and Overlapping
1999-00	401,654	45,315	97,875	544,844	509,236	263,799	27,445	245	800,725	1,345,569
2000-01	417,088	55,196	72,295	544,579	598,378	298,613	33,956	278	931,225	1,475,804
2001-02	428,331	71,903	68,275	568,509	642,041	370,388	36,550	294	1,049,273	1,617,782
2002-03	451,805	73,740	69,225	594,770	634,348	373,530	54,932	232	1,063,042	1,657,812
2003-04	436,736	104,636	10,864	552,236	710,839	382,970	32,491	240	1,126,540	1,678,776
2004-05	422,140	57,695	138,675	618,510	712,714	396,240	33,030	231	1,142,215	1,760,725
2005-06	493,315	78,000	137,475	708,790	810,693	428,007	42,311	242	1,281,253	1,990,043
2006-07	463,548	82,164	135,955	681,667	925,003	419,342	41,442	236	1,386,023	2,067,690
2007-08	495,282	58,000	132,575	685,857	928,720	420,906	43,226	207	1,393,059	2,078,916
2008-09	540,856	68,552	135,280	744,688	890,099	492,951	49,660	210	1,432,920	2,177,608

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 Eight 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 Assessments Due</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
2007-08	259,511	67,724	26.10	191,787
2008-09	\$ 292,046	\$ 90,455	30.97%	\$ 201,591

CITY OF ONAWA, IOWA

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 Net Taxable Value</u>	<u>Net Bonded Debt to Per Capita</u>	<u>Net Bonded Debt as % of Personal Income</u>
1999-00	2,936	\$ 49,052,416	\$ 1,098,572	\$ 13,397	\$ 1,085,175	.022 to 1	\$ 369.61	1.96%
2000-01	3,091	55,678,983	972,857	1,872	970,985	.017 to 1	314.13	1.75
2001-02	3,091	58,836,549	847,143	-	847,143	.014 to 1	274.07	1.53
2002-03	3,091	57,904,591	711,429	-	711,249	.012 to 1	230.10	1.28
2003-04	3,091	60,011,516	2,151,429	-	2,151,429	.036 to 1	696.03	3.88
2004-05	3,091	57,741,439	1,995,715	-	1,995,715	.035 to 1	645.65	3.60
2005-06	3,091	60,554,613	1,845,000	4,674	1,840,326	.035 to 1	595.38	3.32
2006-07	3,091	58,964,966	1,695,000	12,370	1,625,630	.028 to 1	525.92	2.93
2007-08	3,091	58,767,376	1,530,000	13,381	1,516,619	.026 to 1	501.90	2.74
2008-09	3,091	\$ 60,003,689	\$ 1,355,000	\$ 14,708	\$ 1,340,292	.022 to 1	\$ 433.61	2.42%

Note:

Personal income data used was the personal income from 2000 of \$55,415,448

CITY OF ONAWA, IOWA

TABLE XII

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Debt Limit	\$ 3,578,058	\$ 4,210,229	\$ 4,340,156	\$ 4,631,242	\$ 4,633,504
Total Net Debt Applicable to Limit	<u>1,085,175</u>	<u>970,985</u>	<u>847,143</u>	<u>711,249</u>	<u>2,151,429</u>
Legal Debt Margin	\$ 2,492,883	\$ 3,239,244	\$ 3,493,013	\$ 3,919,993	\$ 2,482,075
Total Net Debt Applicable to the Limit as a percentage of debt limit	30.33%	23.06%	19.52%	15.36%	46.43%

TABLE XIII

Computation of Legal Debt Margin
June 30, 2009

Assessed Property Value Total Real Estate and Corporation	<u>\$ 101,107,400</u>
Debt Limit - 5% of Total Actual Valuation	\$ 5,055,370
Amount of Debt Applicable to Debt Limit: Total Bonded Debt	<u>1,355,000</u>
Legal Debt Margin	<u>\$ 3,700,370</u>

Note: Under Title IX, Subtitle 2, Chapter 358C, Paragraph 16 of the State of Iowa Code, the City's debt limit should not exceed 5% of the estimated value of the taxable property within the district.

Fiscal Year				
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 4,665,804	\$ 4,817,537	\$ 4,820,322	\$ 4,845,064	\$ 5,055,370
<u>1,995,715</u>	<u>1,845,000</u>	<u>1,695,000</u>	<u>1,530,000</u>	<u>1,355,000</u>
\$ 2,670,089	\$ 2,972,537	\$ 3,125,322	\$ 3,315,064	\$ 3,700,370
42.77%	38.30%	35.16%	31.58%	26.80%

CITY OF ONAWA, IOWA

TABLE XIV

Computation of Direct and Overlapping Debt
June 30, 2009

<u>Name of Governmental Unit</u>	<u>Percentage Applicable Net Debt* Outstanding</u>	<u>To This Governmental Unit</u>	<u>City of Onawa Share of Debt</u>
City of Onawa, Iowa	\$ <u>1,340,029</u>	100%	\$ <u>1,340,292</u>
Total	\$ <u>1,340,292</u>		\$ <u>1,340,292</u>

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

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>
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
2007-08	165,000	63,270	228,270	1,129,546	20.21
2008-09	\$ 175,000	\$ 58,255	\$ 233,255	\$ 1,316,205	17.72%

CITY OF ONAWA, IOWA

TABLE XVI

Demographic Statistics

	(1)	(4)	(1)	(1)	(2)	(3)
<u>Per Fiscal Year</u>	<u>Population</u>	<u>Total Personal Income</u>	<u>Per Capita Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Monona County Unemployment Rate</u>
1970	3,154	\$ 8,386,486	\$ 2,659	38.3	1,154	4.1 %
1980	3,283	23,532,544	7,168	39.2	833	5.4 %
1990	2,936	31,785,136	10,826	43.2	733	4.2 %
2000	3,091	\$ 55,415,448	17,928	42.3	679	3.1%

Sources:

- (1) Bureau of Census
- (2) Annual School Census
- (3) Iowa Department of Job Service
- (4) Computation of Per Capita Income multiplied by Population

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	
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
2007-08	7	2,342,800	(3)	947,866	116,173
2008-09	(1)	\$ 171,622	3	\$ 380,875	\$ 112,534

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

- (1) Includes new construction and remodeling.
- (2) Combined deposits in three banks through 2005-2006 (Source: Bank Financial Statements).
- (3) Combined deposits in four banks for 2006-2007 and after (Source: Bank Financial Statements).

TABLE XVIII
Principal Taxpayers
June 30, 2009

Taxpayer	FY2008-2009 Assessed Valuation	Percentage of Total Assessed Valuation
Western Iowa Cooperative	\$ 3,054,167	3.02%
Regal Manors of Onawa Inc	2,527,859	2.50%
Onawa-Pam Limited Partnership	1,061,214	1.05%
Westendorf Manufacturing, Inc	1,009,529	1.00%
Richard Stillman	912,678	0.90%
Vetter Equipment Company	850,000	0.84%
Bradley Properties LLC	824,000	0.81%
Matthew and Christine Westendorf	771,906	0.76%
NILS Holdings LLC	711,870	0.70%
Timothy and Brenda Peters	626,651	0.62%
	<hr/> 12,349,874	<hr/> 12.21%
All Others	88,757,526	87.79%
Total	<hr/> <hr/> \$ 101,107,400	<hr/> <hr/> 100.00%

Source: Monona County Assessor's Office

CITY OF ONAWA, IOWA

TABLE XIX

Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Government	4	4	4	4	4	4	4	4	4	4
Library	2.4	2.4	2.5	2.5	2.5	2.5	2.6	2.6	2.6	2.6
Public Safety										
Police										
Officers	6	6	6	6	6	6	6	6	6	6
Fire										
Volunteers	24	24	24	24	24	24	24	24	24	25
Highways and Streets										
Street Maintenance	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Culture and Recreation	4.75	4.75	6	6	6	7	7	7	7	7
Electric	4	4	4	4	4	4	4	4	4	4
Water	3	3	3	3	3	3	3	3	3	3
Sewer	3	3	3	3	3	3	3	3	3	3
	<u>52.7</u>	<u>52.7</u>	<u>54</u>	<u>54</u>	<u>54</u>	<u>55</u>	<u>55.1</u>	<u>55.1</u>	<u>55.1</u>	<u>56.1</u>

Source: City of Onawa Accounting Department

! The actual number of volunteers

CITY OF ONAWA, IOWA

TABLE XX

Principal Employers
June 30, 2008

Employer	Employees	
	<u>2008</u>	<u>2009</u>
Burgess Health Center	221	245
Monona County	110	110
West Monona School District	101	110
Westendorf Manufacturing, Inc	75	74
City of Onawa	71	65
Elmwood Care Center	85	89
McDonald's Restaurant	49	55
Crossroads of Western Iowa	41	50
Vaughn Foods	40	38
Stangel Pharmacy	26	35

Source: Monona County Economic Development Partnership
Iowa Area Development Group

Note: Comparative data for 2002-2007 is not currently available
The total employment of the City of Onawa is not available

CITY OF ONAWA, IOWA

TABLE XXI

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Police					
Physical Arrests	151	130	201	183	174
Parking Violations	n/a	27	33	94	48
Traffic Violations	252	240	526	461	462
Fire					
Number of Calls Answered	42	50	58	41	43
Highways and Streets					
Street Maintenance (Miles)	39	39	39	39	40
Street Reconstruction (Blocks)	-	-	15	2	10
Building Permits					
Number	115	129	121	106	88
Value	3,079,892	1,379,447	4,397,493	1,851,757	3,717,616
Permit Fees	4,775	3,820	4,715	4,785	2,000
Water					
Water Pumped (in thousands of gallons)	172,496	169,353	170,959	178,120	183,600
Water Billed (in thousands of gallons)	92,005	101,881	101,960	104,466	107,433
Percent Accountable	53%	60%	60%	59%	59%

Source: City of Onawa Accounting Department

Fiscal Year

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
154	136	190	117	81
203	47	24	7	7
174	222	183	133	119
46	64	47	54	38
40	40	40	32	32
19	14	17	12	5
87	81	67	77	87
4,841,880	1,904,285	5,353,689	3,290,666	919,105
3,315	4,565	2,420	3,325	3,020
177,991	193,084	173,487	159,913	169,416
96,013	103,043	99,765	97,374	97,568
54%	53%	58%	61%	58%

CITY OF ONAWA, IOWA

TABLE XXII

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year				
	2000	2001	2002	2003	2004
Police					
Stations	1	1	1	1	1
Patrol Units	6	6	6	6	6
Fire Stations	1	1	2	2	2
Highways and Streets					
Streets City Maintained (miles)	39	39	39	39	40
Culture and Recreation					
Parks	4	4	4	4	4
Swimming Pools	1	1	1	1	1
Libraries	1	1	1	1	1
Community Centers	0	0	0	1	1
Airports	1	1	1	1	1
Golf Courses	1	1	1	1	1
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	1,372	1,365	1,381	1,389	1,389
Daily Ave. Consumption in Gallons	472,597	463,865	468,271	453,761	501,546
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	1,344	1,337	1,355	1,361	1,361
Daily Ave. Treatments in Gallons	368,580	279,756	248,089	252,396	264,406
Maximum Daily Capacity (thousands in gallons)	852,000	852,000	852,000	852,000	852,000

Source: City of Onawa Accounting Department

Fiscal Year

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
1	1	1	1	1
6	6	6	6	6
2	2	2	2	2
40	40	40	40	32
4	4	4	4	4
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
1	1	1	1	1
21	21	21	21	21
28	28	28	28	28.5
1,384	1,385	1,391	1,394	1,398
485,912	527,396	473,807	438,118	464,153
n/a	n/a	96	96	99
1,728,000	1,728,000	1,728,000	1,728,000	1,728,000
39.5	39.5	39.5	39.5	39.5
1	1	1	1	1
1,355	1,356	1,364	1,368	1,373
241,986	262,988	230,645	264,967	253,145
852,000	852,000	852,000	852,000	852,000

CITY OF ONAWA, IOWA

TABLE XXIII

Miscellaneous Statistics
June 30, 2009

Date of Incorporation	1859
Form of Government	Mayor - Council
Area	5.3 Sq Miles
Miles of Streets	31.5
Number of Street Lights	414
Fire Protection:	
Number of Stations	2
Number of Volunteer Firemen	25
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	1,471
Average Daily Consumption	464,153 Gallons
Miles of Water Mains	39.5 Miles
Miles of Sewers:	
Sanitary Sewers	39.5 Miles
Lift Stations	4
Building Permits Issued 2007-08	87
Recreation and Culture	
Number of Parks	4
Number of Libraries	1
Number of Volumes	28,999
Total Library Circulation	25,215

CITY OF ONAWA, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2009

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 non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

Reportable Condition:

II-A-09 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 accept 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-09 Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amount budgeted in the Public Safety and Culture and Recreation functions. 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 – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

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

Conclusion – Response accepted.

III-B-09 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-09 Travel Expense – No expenditures of City money for travel expense of spouses of City officials or employees were noted.

III-D-09 Business Transactions – No significant transactions between the City and City officials or employees were noted.

III-E-09 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-09 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-09 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.

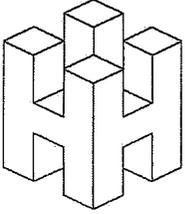
III-H-09 Financial Condition – There were fund deficits in the following individual funds at June 30, 2009:

Special Revenue – TIF	\$ 38,334
Special Revenue – Employee Benefits	\$ 19,356
Capital Project – Library Expansion	\$ 21,268
Capital Project – 2009 Street Project	\$ 567
Capital Project – 2008 Street Project	\$ 127,183
Capital Project – 2007 Street Project	\$ 119,677
Capital Project – 2006 Street Project	\$ 117,417
Capital Project – 2005 Street Project	\$ 171,036

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.



**HENJES, CONNER &
WILLIAMS, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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

PH. (712) 277-3951
(800) 274-3951
FAX (712) 253-3431

**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 accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the CITY OF ONAWA, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 4, 2009. 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.

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-09 is a material weakness.

Compliance and Other Matters

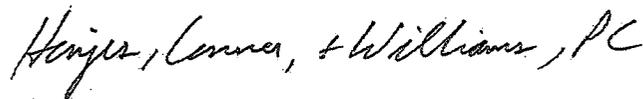
As part of obtaining reasonable assurance about whether the City of Onawa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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 instances of non-compliance that are required to be reported under Government Auditing Standards. These instances are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009, 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.

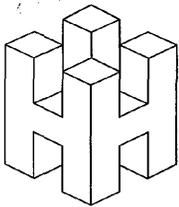
This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Onawa and other parties to whom the City of Onawa may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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



Certified Public Accountants

Sioux City, Iowa
December 4, 2009



**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

The Honorable Members of
the City Council
City of Onawa, Iowa
Onawa, Iowa

We have audited the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the CITY OF ONAWA, Iowa, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 4, 2009. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibilities Under U.S. Generally Accepted
Auditing Standards and Governmental Auditing Standards**

As stated in our engagement letter dated September 14, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the City of Onawa. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of the City of Onawa's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management in our meeting about planning matters on September 14, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Onawa are described in Note 1 to the financial statements. No new accounting were adopted and the application of existing policies was not changed during the year ended June 30, 2009. We noted no transactions entered into the City of Onawa during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period that when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the allowance for doubtful accounts and the depreciable lives of capital assets. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosures of Cash and Investments in Note 2, Capital Assets in Note 6, Long-Term Debt in Note 7, and Commitments and Contingencies in Note 13 to the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all know and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 4, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the City Council and management of the City of Onawa and is not intended to be and should not be used by anyone other than these specified parties.

Henjer, Conner, & Williams, PC
Certified Public Accountants

Sioux City, Iowa
December 4, 2009