

**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
CITY OF HAWARDEN, IOWA
FOR THE
YEAR ENDED JUNE 30, 2010**

**Prepared by
Office of the City Clerk
Gary Tucker, City Administrator/City Clerk
and Sharole Rens, Deputy City Clerk/Director of Finance**

**CITY OF HAWARDEN
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 FOR THE YEAR ENDED JUNE 30, 2010
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CITY OF HAWARDEN, IOWA
Directory of City Officials
June 30, 2010

Elected City Officers

Ricard Porter - Mayor

Council Members:

Patty Anderson (2013)
Monte Harvey (2013)
George Jacobs (2013)
Larry Bauder (2011)
Robert Borchers (2011)

Hospital Trustees:

Matt Hummel (2011)
Kathy Jacobs (2011)
Glea Hamik (2011)
Denny Hulshof (2013)
Stan Hoekstra (2013)

Appointed City Officers

Gary Tucker – City Administrator/City Clerk/Telecommunications Director
Jason Anderson – Community Development Director
Sharole Rens – Director of Finance/Deputy City Clerk
Jim Pickner – City Attorney
Tom Kane – Director of Public Works
Mike DeBruin – Chief of Police
Jami Dekkers – Activity Director
Valerie Haverhals – Librarian
Jerry Wilson, EMS Director

Appointed Boards and Commissions

Library Board of Trustees:

Mark Weyer - Chairman
Teri Kallsen - Vice Chairman
Lois Jean Dawson
Kay Scroggs
Tony Lauters

Planning and Zoning Commission

Carol Frerichs - Chairman
Mike Wiggins - Vice Chairman
Lloyd Strong, Jr.
Virginia Moothart
Jerry Jensen
Lloyd Youngkin
Terry Branham

Board of Zoning Adjustment:

William Salker – Chairman
Julie Miller
Jack Andela
Arvin Kitchenmaster
John Polifka

Park Board:

Duane Schiefen
Jerrod Lynott
Elaine Kane
John Blankenship
Jim Kinney



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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the City Council
City of Hawarden, Iowa:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hawarden, Iowa (the "City") as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Hawarden Municipal Hospital, (a discretely presented component unit), which statements reflect total assets of \$4,430,622 and total program revenues of \$5,913,657 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Hawarden Municipal Hospital, is based solely on the report of the other auditors.

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 from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hawarden, Iowa as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable thereof, 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 a report dated November 15, 2010, on our consideration of the City's internal control over financial reporting and on 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.

Accounting principles general accepted in the United States of America require that the management's discussion and analysis, OPEB schedule of funding progress, and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hawarden, Iowa's financial statements as a whole. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Williams & Company, P.C.
Certified Public Accountants

November 15, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

As management of the City of Hawarden, we offer readers of the City of Hawarden's financial statements this narrative overview and analysis of the financial activities of the City of Hawarden for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information contained within the City's financial statements that follow this report, as well as the separately issued financial statements of the Hawarden Community Hospital, a discretely presented component unit of the City.

Financial Highlights

- The assets of the City of Hawarden exceeded liabilities at June 30, 2010 by \$15,103,767. Of this amount, \$6,023,099 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased \$680,811 during the year. Of this amount, the assets of our Governmental Activities increased \$238,319 and the assets of our Business-Type Activities increased \$442,492.
- The City's long-term debt reflected a significant decrease of \$399,000 as a result of the scheduled debt payments being made. Outstanding General Obligation debt totals \$1,282,514. Outstanding Revenue Bond Debt totals \$1,895,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Hawarden's basic financial statements which consist of a series of financial statements comprised of three components: 1) The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. 2) Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government. 3) An additional part of the basic financial statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

REPORTING THE CITY AS WHOLE

The Statement of Net Assets and the Statement of Activities

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

These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by the private-sector companies. These two statements report the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors, such as changes in the City's property tax base and sales tax collections and condition of the City's infrastructure, are also important in making this determination.

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

- **Governmental Activities** – Most of the City's basic services are reported here, such as Police, Fire, Ambulance, Public Works, Parks, and Recreation departments, and general administration. Property Taxes, charges for services, 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 Electric, Water, Sewer, Natural Gas, City Telephone, and Cable/High Speed Internet.

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 are available for spending. These funds

are reported using a 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 the 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 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 TRUSTEE

Reporting the City's Fiduciary Responsibilities

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found behind the Fiduciary Funds statements.

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 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.

For the year ended June 30, 2010, net assets changed as follows:

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 3,765,225	\$ 3,597,090	\$ 4,944,118	\$ 4,827,397	\$ 8,709,343	\$ 8,424,487
Capital Assets	8,227,461	8,230,730	3,057,853	2,953,865	11,285,314	11,184,595
Total Assets	11,992,686	11,827,820	8,001,971	7,781,262	19,994,657	19,609,082
Long-term Liabilities Outstanding	1,454,750	1,583,872	1,926,758	2,200,712	3,381,508	3,784,584
Other Liabilities	1,167,149	1,193,599	342,233	312,487	1,509,382	1,506,086
Total Liabilities	2,621,899	2,777,471	2,268,991	2,513,199	4,890,890	5,290,670
Net Assets:						
Invested in Capital Assets, Net of Related Debt	6,944,947	6,824,216	1,162,853	783,865	8,107,800	7,608,081
Restricted	632,035	178,602	340,833	1,207,614	972,868	1,386,216
Unrestricted	1,793,805	2,109,292	4,229,294	3,276,584	6,023,099	5,385,876
Total Net Assets	\$ 9,370,787	\$ 9,132,468	\$ 5,732,980	\$ 5,268,063	\$ 15,103,767	\$ 14,400,531

The government's net assets increased by \$680,811 during the current fiscal year before making a prior period adjustment of \$22,425. Reasons for the increase of the government's net assets are higher utility profits due to improved wholesale pricing and decreases in operating expenses. This summary reflects an increase of total net assets by 2.5% for the Governmental Activities and an increase of 8.1% in the Business-Type Activities.

Total Revenue and Expenses and changes in Net Assets reported in Fiscal 2010 as compared to Fiscal 2009 are shown in the chart below.

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for Services	\$ 362,628	\$ 348,503	\$ 5,880,998	\$ 5,633,731	\$ 6,243,626	\$ 5,982,234
Operating Grants & Contributions	255,781	364,224			255,781	364,224
Capital Grants & Contributions	40,156	35,771	723		40,879	35,771
General Revenues:						
Property Taxes	1,026,342	1,016,775			1,026,342	1,016,775
Other Taxes	258,303	277,808			258,303	277,808
Other	258,356	283,328	130,812	87,175	389,168	370,503
Total Revenues	\$ 2,201,566	\$ 2,326,409	\$ 6,012,533	\$ 5,720,906	\$ 8,214,099	\$ 8,047,315

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Expenses:						
General Government	\$ 128,297	\$ 130,497	\$ -	\$ -	\$ 128,297	\$ 130,497
Public Safety	560,396	558,051			560,396	558,051
Public Works	554,567	668,779			554,567	668,779
Health & Welfare	259,598	279,103			259,598	279,103
Culture & Recreation	524,332	494,649			524,332	494,649
Community and Economic Development	277,993	160,389			277,993	160,389
Capital Projects	80,251	63,085			80,251	63,085
Debt Service	89,018	85,596			89,018	85,596
Water Utility			370,420	310,821	370,420	310,821
Waste Water Utility			380,657	355,489	380,657	355,489
Electric Utility			1,954,650	1,997,435	1,954,650	1,997,435
Gas Utility			1,163,540	1,354,513	1,163,540	1,354,513
Solid Waste Utility			113,498	139,093	113,498	139,093
Telephone Utility			685,490	748,611	685,490	748,611
Cable/Internet Utility			390,581	413,587	390,581	413,587
Total Expenses	2,474,452	2,440,149	5,058,836	5,319,549	7,533,288	7,759,698
Increase (Decrease) in Net Assets Before Transfers						
	(272,886)	(113,740)	953,697	401,357	680,811	287,617
Transfers	511,205	134,098	(511,205)	(134,098)	-	-
Increase (Decrease) in Net Assets						
	238,319	20,358	442,492	267,259	680,811	287,617
Net Assets July 1	9,132,468	9,112,110	5,290,488	5,000,804	14,422,956	14,112,914
Net Assets June 30	\$ 9,370,787	\$ 9,132,468	\$ 5,732,980	\$ 5,268,063	\$ 15,103,767	\$ 14,400,531

Program revenues totaled \$6,540,286 for fiscal year 2010 compared to \$6,382,229 for fiscal year 2009. Governmental Activities provided \$658,565 and Business-Type Activities provided \$5,881,721. Revenue collected for Charges for Services during fiscal year 2010 was \$6,243,626 accounting for 95.5% of the total program revenues.

General Revenues for fiscal year 2010 totaled \$1,673,813. Governmental Activities provided \$1,543,001 and Business-Type Activities provided \$130,812. Property Tax Revenues for fiscal year 2010 totaled \$1,026,342 accounting for 61% of General Revenues.

Expenses for fiscal year 2010 totaled \$7,533,288. Expenses for General Governmental Activities totaled \$2,474,452, accounting for 32.9% of total expenses. Business-Type Activity expenses totaled \$5,058,836, for 67.1% of the total.

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

<u>Program Level</u>	<u>Activity</u>
Community and Economic Development.....	Economic Development, Community Beautification, Planning and Zoning
General Government	Administration, Support Services
Debt Service	Payment of Principal and Interest
Capital Projects	Construction of Capital Facilities
Water System	Operation of Water Treatment Plant/Supply Distribution System
Sewer System.....	Operation of the Waste Water Treatment Plant/Collection System
Electric System	Operation of Electric Distribution System
Natural Gas Utility	Operation of Natural Gas Distribution System
Solid Waste Utility	Oversight of Solid Waste Contract/Closed Landfill
Telephone Utility	Operation of Telephone Communication System
Cable/Internet Utility.....	Operation of Cable/Internet System

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 Public Safety, the City spent \$558,051 and received \$197,325 in revenue, thus leaving a cost to the taxpayer of \$360,726 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:

Public Safety	Fines, Fees
Culture and Recreation	Fees, Donations, Grants
General Government	Licenses, Permits

The total cost of governmental activities this year was \$2,474,452. Of these costs, \$362,628 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 \$295,937, leaving a Net Expense of \$1,815,887 for Governmental Activities. These expenses were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail.

Total resources available during the year to finance governmental operations were \$11,845,239, consisting of Net Assets at July 1, 2009 of \$9,132,468, Program Revenues of \$658,565 and General Revenues and transfers of \$2,054,206. Total Governmental Activities during the year expended \$2,474,452; thus, Net Assets were increased by \$238,319, to \$9,370,787.

Business-Type Activities

Business-Type Activities increased the City's net assets by \$442,492.

The cost of all Proprietary Activities this year was \$5,058,836. As shown in the Statement of Activities, the amounts paid by users of the systems was \$5,880,998, resulting in total Net Revenue for Business-Type Activities of \$822,885.

Total resources available during the year to finance Proprietary Fund activities were \$10,791,816, consisting of Net Assets at July 1, 2009 of \$5,290,488, Program Revenues of \$5,881,721 and General Revenues and transfers of (\$380,393). Total Proprietary Fund Activities during the year expended \$5,058,836; thus Net Assets were increased by \$442,492 to \$5,732,980.

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 the 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 \$1,559,189. The combined Governmental Funds balance increased \$166,964 from the prior year. This increase would be accounted for primarily by contributions from grant proceeds.

The General Fund is the primary operating fund of the City. During the year, revenues were greater than expenditures in the General fund by \$20,678. This amount is an improvement from 2009 when expenditures were more than revenues in the General fund by \$(13,044). The TIF Fund saw an increase in fund balance of \$76,852, due mainly to early retirement of project debt. The debt service fund saw very minimal changes from FY09.

Budgetary Highlights

The following table shows the budget variances by program expenditure structure:

	Amended Budget	Actual Expenditures	Variance
Public Safety	\$ 568,190	\$ 540,598	\$ 27,592
Public Works	434,284	429,094	5,190
Culture and Recreation	469,026	450,713	11,697
Community and Economic Development	1,051,871	277,993	18,313
General Government	514,264	121,153	773,878
Health and Social Services	270,000	258,303	393,111
Debt Service	923,108	224,064	200,807
Capital Projects	396,025	195,218	699,044
Business Type Activities	12,934,574	11,194,010	1,740,564
Total Expenditures	\$ 17,561,342	\$ 13,691,146	\$ 3,870,196

Below is a brief recap of budget activity for the year:

- The total original revenue budget of \$15,404,136 was increased to \$15,984,329 (an increase of \$580,193). A substantial portion of this increase can be attributed to grant proceeds.
- Property Tax budgeted revenues exceeded actual revenues by \$275,008 due primarily to changes in assessment valuations.
- Intergovernmental revenue slightly exceeded budget figures by \$20,821.
- Charges totaled \$12,145,757 which was \$1,658,050 less than the budgeted amount due to lower weather-related utility revenues, utility administration charges and hospital Medicare reimbursement variables.
- Contribution revenue exceeded budget figures by \$123,965 with the increase primarily attributed to Hospital Auxiliary donation proceeds.
- The total original expenditure budget of \$15,550,359 was increased to \$17,561,342 (an increase of \$2,010,983).
- The above amendments to budgets were related to appropriation for capital improvements and capital outlay. Capital project expenditures included the walking trail, Industrial Park/Bomgaars project and the Spec. Building, among others. Expenditures fell below the revised budget projections by \$3,870,196. This is primarily due to careful attention to expenditures.

Capital Assets

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of

June 30, 2010, was \$8,107,800 (net of accumulated depreciation and outstanding financings) compared to \$7,608,081 as of June 30, 2009. The increase can be accounted for by several large capital equipment expenditures and debt reduction funded with increased profits from our utilities. See Note 4 to the financial statements for more information on the City's capital assets.

DEBT ADMINISTRATION

At year-end, the City had \$3,309,130 of debt outstanding which is a \$399,000 decrease from last year due to scheduled payments. Debt administration is on track for all City debt to be repaid within the next 10 years. This rapid repayment, when combined with the use of TIF revenue has allowed the City to maintain our good rating. This reflects well on our community.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt Outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$4,133,647. With outstanding General Obligation Debt applicable to this limit of \$1,282,514, we are utilizing 31% of this limit. More detailed information on debt administration is provided in Note 5 of the financial statements.

ECONOMIC FACTORS

The City of Hawarden worked hard in FY 2010 to maintain a progressive approach to growth and community development. During the year work proceeded on vertical infrastructure in our industrial park and capital projects continued as scheduled.

Economically, the City works hard to attract new businesses and industry, while maintaining the quality of life residents have come to expect and enjoy. The following are a few examples of these efforts: Coilcraft's production and distribution facility continues to provide needed job growth to the community and they have indicated another possible expansion in FY2011. The Spec Building has been completed and we have listed it with a professional R/E agency. Bomgaars has completed their new store in the South Industrial Park with great success. The local Farmer's Cooperative will be completing a \$2.5M expansion in FY2011 with increased drying and storage capacity. The City has invested in the infrastructure for all of these projects.

In business and industry recruitment, the City of Hawarden's Community Development Director continues to work on business recruitment and retention. Furthermore the director will focus on marketing Hawarden through various means (i.e. internet, flyers) both internally (the community) and externally (surrounding communities and/or potential businesses). The City of Hawarden has expanded its comprehensive marketing campaign with a new website and logo which will promote Hawarden in a professional light as well as brand the community's name to decision-makers around the world.

Hawarden as a community continues to provide excellent medical care through two clinics and the Hawarden Community Hospital. We are also fortunate to have an excellent nursing home and two assisted living centers in our community. The new Family First Dental Clinic offers excellent dental care for the community.

Beautification projects continue to be a priority for the community. The City of Hawarden has been committed to a Walking Trail Project that will eventually surround the entire city. Work on the walking trail will continue in Fiscal Year 2011 along Highway 10 North, with additional sections being completed in future years. This will enhance the health and wellness of our citizens who do a great deal of walking, and also provide a much safer place for citizens to walk and get exercise. The City of Hawarden continues their beautification efforts through enforcement of its Property Maintenance Code.

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 Gary Tucker at 712-551-2565.

CITY OF HAWARDEN, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Hawarden Community Hospital
	Activities	Activities		
ASSETS				
Cash and Cash Equivalents	\$ 2,074,467	\$ 2,472,412	\$ 4,546,879	\$ 1,031,599
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	37,951	288,799	326,750	751,940
Taxes	33,173	-	33,173	-
Subsequent Year Taxes	1,032,563	-	1,032,563	-
Accrued Interest	1,551	8,824	10,375	-
Other	-	-	-	113,922
Estimated Unbilled Usage	-	195,698	195,698	-
Special Assessments	-	5,636	5,636	-
Pledges Receivable	5,000	-	5,000	-
Notes Receivable	537,911	-	537,911	-
Internal Balances	243,499	(243,499)	-	-
Advances to Other Funds	(436,103)	436,103	-	-
Due From Related Party	-	-	-	376,978
Due from Other Governmental Agencies	57,243	-	57,243	-
Inventories	-	492,826	492,826	64,590
Prepaid Assets	42,203	36,176	80,379	82,555
Investment in Joint Venture	-	830,861	830,861	-
Restricted Assets:				
Cash and Cash Equivalents - Board Restricted	-	-	-	629,826
Cash and Cash Equivalents - Donor Restricted	-	-	-	99,712
Cash and Cash Equivalents - Bond Reserve	-	347,109	347,109	-
Investments- Donor Restricted	134,233	-	134,233	-
Customer Deposits	-	46,693	46,693	-
Bond Issue Costs	1,534	24,480	26,014	-
Land	377,825	56,094	433,919	19,384
Construction in Progress	23,277	401,817	425,094	31,201
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 4)	7,826,359	2,599,942	10,426,301	1,228,915
Total Assets	11,992,686	8,001,971	19,994,657	4,430,622
LIABILITIES				
Accounts Payable	80,648	223,937	304,585	241,419
Accrued Wages	30,165	17,755	47,920	222,989
Accrued Expenses	146	11,386	11,532	52,601
Due to Other Governments	-	27,150	27,150	-
Accrued Postclosure Costs	-	3,400	3,400	-
Unearned Revenue	10,823	5,636	16,459	-
Deferred Revenue - Subsequent Year Taxes	1,032,563	-	1,032,563	-
Accrued Interest Payable	12,794	-	12,794	-
Estimated 3rd Party Payor Settlements	-	-	-	398,193
Payables from Restricted Assets:				
Customer Deposits	-	46,693	46,693	-
Accrued Revenue Bond Interest	-	6,276	6,276	-
Long-Term Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	285,000	285,000	-
General Obligation Bonds	212,564	-	212,564	-
Notes Payable	-	-	-	124,398
Compensated Absences	7,664	6,351	14,015	-
Due in more than one year:				
Revenue Bonds Payable	-	1,610,000	1,610,000	-
General Obligation Bonds	1,069,950	-	1,069,950	-
Notes Payable	131,616	-	131,616	100,068
Compensated Absences	30,658	25,407	56,065	-
Estimated Other Post Employment Benefit Obligations	2,308	-	2,308	-
Total Liabilities	2,621,899	2,268,991	4,890,890	1,139,668
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	6,944,947	1,162,853	8,107,800	1,055,034
Restricted for:				
Debt Service	34,760	-	34,760	-
Specific Revenues	431,269	-	431,269	-
Revenue Bonds	-	340,833	340,833	-
Endowments:				
Expendable	31,773	-	31,773	104,421
Nonexpendable	134,233	-	134,233	96,123
Unrestricted	1,793,805	4,229,294	6,023,099	2,035,376
Total Net Assets	\$ 9,370,787	\$ 5,732,980	\$ 15,103,767	\$ 3,290,954

CITY OF HAWARDEN, IOWA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 560,396	\$ 197,209	\$ -	\$ -
Public Works	554,567	77,236	225,236	260
Health and Social Services	259,598	-	-	-
Culture and Recreation	524,332	63,007	30,545	39,896
Community and Economic Development	277,993	-	-	-
General Government	128,297	25,176	-	-
Capital Projects	80,251	-	-	-
Interest Expense	89,018	-	-	-
Total governmental activities	<u>2,474,452</u>	<u>362,628</u>	<u>255,781</u>	<u>40,156</u>
Business-Type Activities:				
Water Utility	370,420	293,719	-	723
WasteWater Treatment Utility	380,657	304,555	-	-
Electric Utility	1,954,650	2,510,161	-	-
Gas Utility	1,163,540	1,416,548	-	-
Solid Waste Utility	113,498	152,126	-	-
Telephone Utility	685,490	702,708	-	-
Cable/Internet Utility	390,581	501,181	-	-
Total Business-Type Activities:	<u>5,058,836</u>	<u>5,880,998</u>	<u>-</u>	<u>723</u>
Total Primary Government	<u>\$ 7,533,288</u>	<u>\$ 6,243,626</u>	<u>\$ 255,781</u>	<u>\$ 40,879</u>
Component Unit:				
Hawarden Community Hospital	<u>\$ 5,976,029</u>	<u>\$ 5,814,603</u>	<u>\$ 349</u>	<u>\$ 98,705</u>

General Revenues:
Property taxes
Local Option Sales Tax
Transfer of LOST Funds From City
Interest
Gain on Sales of Assets
Miscellaneous
Interfund Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning
Prior Period Adjustment
Net assets - beginning, as Restated
Net assets - ending

Net (Expense) Revenue and Changes in Net Assets			Component Unit Hawarden Comm. Hospital
Governmental Activities	Business-Type Activities	Total	
\$ (363,187)		\$ (363,187)	
(251,835)		(251,835)	
(259,598)		(259,598)	
(390,884)		(390,884)	
(277,993)		(277,993)	
(103,121)		(103,121)	
(80,251)		(80,251)	
(89,018)		(89,018)	
<u>(1,815,887)</u>		<u>(1,815,887)</u>	
	\$ (75,978)	(75,978)	
	(76,102)	(76,102)	
	555,511	555,511	
	253,008	253,008	
	38,628	38,628	
	17,218	17,218	
	<u>110,600</u>	<u>110,600</u>	
	<u>822,885</u>	<u>822,885</u>	
<u>(1,815,887)</u>	<u>822,885</u>	<u>(993,002)</u>	
			\$ <u>(62,372)</u>
1,026,342	-	1,026,342	-
258,303	-	258,303	-
-	-	-	258,303
41,027	60,811	101,838	23,900
187,388	-	187,388	1,100
29,941	70,001	99,942	-
511,205	(511,205)	-	-
<u>2,054,206</u>	<u>(380,393)</u>	<u>1,673,813</u>	<u>283,303</u>
238,319	442,492	680,811	220,931
9,132,468	5,268,063	14,400,531	3,070,023
-	22,425	22,425	-
<u>9,132,468</u>	<u>5,290,488</u>	<u>14,422,956</u>	<u>-</u>
<u>\$ 9,370,787</u>	<u>\$ 5,732,980</u>	<u>\$ 15,103,767</u>	<u>\$ 3,290,954</u>

CITY OF HAWARDEN, IOWA
BALANCE SHEET
Governmental Funds
JUNE 30, 2010

	General	TIF
Assets		
Cash and Cash Equivalents	\$ 88,000	\$ 639,734
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	37,931	-
Taxes	9,873	17,594
Subsequent Year Taxes	358,623	445,970
Accrued Interest	-	-
Pledges Receivable	-	-
Notes Receivable	-	9,500
Due from Other Funds	236,151	-
Due from Other Governmental Agencies	-	-
Prepaid Assets	42,203	-
Restricted Assets:		
Donor Restricted Investments	-	-
Total Assets	772,781	1,112,798
Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	18,312	18,813
Accrued Wages and Compensated Absences	30,165	-
Accrued Expenses	146	-
Due to Other Funds	-	-
Notes Payable	-	-
Unearned Revenue	-	-
Deferred Revenue	359,798	449,604
Advance from Other Funds	-	598,103
Total Liabilities	408,421	1,066,520
Fund Balances:		
Reserved for:		
Debt Service	-	-
Note Receivable	-	9,500
Library Endowment	-	-
Prepaid Items	42,203	-
Unreserved for:		
General Fund	322,157	-
Special Revenue Fund	-	36,778
Capital Project Fund	-	-
Total Fund Balances	364,360	46,278
Total Liabilities and Equity	\$ 772,781	\$ 1,112,798

	Debt Service	Non-major Governmental Funds	Total Governmental Funds
\$	45,096	\$	561,554
		\$	1,334,384
	-	20	37,951
	2,458	3,248	33,173
	94,230	133,740	1,032,563
	-	1,551	1,551
	-	5,000	5,000
	131,616	396,795	537,911
	-	-	236,151
	-	57,243	57,243
	-	-	42,203
	-	134,233	134,233
	273,400	1,293,384	3,452,363
	-	43,523	80,648
	-	-	30,165
	-	-	146
	-	4,301	4,301
	131,616	-	131,616
	-	10,823	10,823
	94,230	133,740	1,037,372
	-	-	598,103
	225,846	192,387	1,893,174
	47,554	-	47,554
	-	396,795	406,295
	-	166,006	166,006
	-	-	42,203
	-	-	322,157
	-	41,974	78,752
	-	496,222	496,222
	47,554	1,100,997	1,559,189
\$	273,400	\$	1,293,384
		\$	3,452,363

CITY OF HAWARDEN, IOWA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2010

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

Total Fund Balance - Governmental Funds (page 18)	\$ 1,559,189
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	7,537,370
Internal service funds are used by management to acquire the capital equipment which is provided to user departments and are included in the statement of net assets.	1,603,823
Deferred revenues that provide current financial resources for governmental activities	4,809
Accrued expenses from the balance sheet that require current financial resources for governmental activities	(12,794)
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	1,534
Accrued compensated absences not reported on the modified accrual basis.	(38,322)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(1,282,514)
Other Post Employment Benefit Liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,308)</u>
Total Net Assets - Governmental Activities (page 14)	<u><u>\$ 9,370,787</u></u>

CITY OF HAWARDEN, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2010

	General	TIF	Debt Service
Revenue:			
Taxes	\$ 349,265	\$ 455,380	\$ 90,969
Special Assessments	260	-	-
Licenses and Permits	25,176	-	-
Intergovernmental Revenue	66,927	-	-
Charges for Services	231,941	-	-
Fines and Forfeits	8,909	-	-
Contributions	6,974	-	-
Refunds/Reimbursements	22,635	-	-
Rental Income	20,046	-	-
Interest	4,335	8,930	8,740
Miscellaneous	2,321	-	-
Total Revenue	<u>738,789</u>	<u>464,310</u>	<u>99,709</u>
Expenditures:			
Public Safety	529,569	-	-
Public Works	384,099	-	-
Health and Social Services	-	-	-
Culture and Recreation	438,792	-	-
Community and Economic Development	41,362	236,631	-
General Government	121,153	-	-
Capital Projects	-	65,818	-
Debt Service	-	26,559	197,505
Total Expenditures	<u>1,514,975</u>	<u>329,008</u>	<u>197,505</u>
Excess (deficiency) of revenues over expenditures	<u>(776,186)</u>	<u>135,302</u>	<u>(97,796)</u>
Other financing sources (uses):			
Proceeds from Sale of Assets	-	187,000	-
Bond Refunding	-	-	(1,215,000)
Bond Proceeds	-	-	-
Refunding Bond Proceeds	-	-	1,150,000
Transfers In	813,864	-	162,950
Transfers Out	(17,000)	(245,450)	-
Total other financing sources (uses)	<u>796,864</u>	<u>(58,450)</u>	<u>97,950</u>
Net Change in Fund Balance	20,678	76,852	154
Fund balances-(Deficits)- beginning of year	<u>343,682</u>	<u>(30,574)</u>	<u>47,400</u>
Fund balances - end of year	<u>\$ 364,360</u>	<u>\$ 46,278</u>	<u>\$ 47,554</u>

Non-major Governmental Funds	Total Governmental Funds
\$ 129,396	\$ 1,025,010
-	260
-	25,176
474,288	541,215
-	231,941
-	8,909
18,286	25,260
7,306	29,941
-	20,046
9,016	31,021
-	2,321
<u>638,292</u>	<u>1,941,100</u>
11,029	540,598
44,995	429,094
258,303	258,303
11,921	450,713
-	277,993
-	121,153
129,400	195,218
-	224,064
<u>455,648</u>	<u>2,497,136</u>
<u>182,644</u>	<u>(556,036)</u>
-	187,000
-	(1,215,000)
77,000	77,000
-	1,150,000
108,000	1,084,814
(298,364)	(560,814)
<u>(113,364)</u>	<u>723,000</u>
69,280	166,964
<u>1,031,717</u>	<u>1,392,225</u>
<u>\$ 1,100,997</u>	<u>\$ 1,559,189</u>

CITY OF HAWARDEN, 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, 2010

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

Net change in fund balances - total governmental funds (page 21)	\$ 166,964
<p>Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays were exceeded by depreciation expense in the current year as follows:</p>	
Expenditures for capital assets	\$ 135,359
Depreciation expense	<u>(253,679)</u> (118,320)
Revenues reported in the funds that are not available to provide current financial resources	(3,928)
Capital contributions reported in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the funds.	2,670
Accrued interest expense that does not require current financial resources	6,925
Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in in the long-term compensated absences for the year was:	61
Internal service funds are used by management to fund and maintain the City's insurance policies provided to user departments and for the maintenance, repair, and replacement of the City's automotive equipment and are included in the statement of net assets. The net revenue of the internal service funds is reported with governmental activities.	70,134
The issuance of indebtedness is provides current financial resources to the governmental funds without affecting net assets. The statement of activities does not reflect the proceeds from the issuance of long-term debt. The proceeds from the issuance of long-term debt for the year was:	(1,227,000)
The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities	(7,879)
Other Post Employment Benefits that do not require current financial resources.	(2,308)
The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was:	<u>1,351,000</u>
Change in net assets of governmental activities (page 16)	<u>\$ 238,319</u>

CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF NET ASSETS
Proprietary Funds
June 30, 2010

	Business Type Activities		
	Water Utility	Waste Water Treatment Utility	Electric Utility
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 250,453	\$ 428,347	\$ 699,016
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	32,492	31,317	88,038
Accrued Interest	-	4,008	4,816
Estimated Unbilled Usage	17,481	17,854	130,639
Special Assessments	5,636	-	-
Due from Other Funds	-	-	7,324
Investment in Joint Venture	-	-	797,085
Advances to Other Funds	-	160,331	175,772
Inventories	25,503	-	256,596
Prepaid Assets	4,948	4,336	14,837
Non-Current Assets:			
Restricted Assets:			
Cash and Cash Equivalents - Bond Reserve	-	-	347,109
Customer Deposits	-	-	-
Bond Issue Costs	-	-	24,480
Land	33,873	130	-
Construction in Progress	31,489	-	178,527
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	651,708	527,847	1,115,889
Total Assets	1,053,583	1,174,170	3,840,128
LIABILITIES			
Current Liabilities:			
Accounts Payable	49,867	4,474	108,909
Accrued Wages	1,502	1,288	7,550
Accrued Expenses	1,148	89	8,331
Due to Other Funds	28,700	167,031	162,810
Due to Other Governments	-	-	-
Accrued Postclosure Costs	-	-	-
Unearned Revenue	5,636	-	-
Payables from Restricted Assets:			
Customer Deposits	-	-	-
Accrued Revenue Bond Interest	-	-	6,276
Noncurrent Liabilities:			
Due within one year:			
Revenue Bonds Payable	-	-	285,000
Compensated Absences	754	64	2,919
Due in more than one year:			
Revenue Bonds Payable	-	-	1,610,000
Compensated Absences	3,018	258	11,674
Total Liabilities	90,625	173,204	2,203,469
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	717,070	527,977	(600,584)
Restricted for:			
Revenue Bonds	-	-	340,833
Unrestricted	245,888	472,989	1,896,410
Total Net Assets	\$ 962,958	\$ 1,000,966	\$ 1,636,659

Business Type Activities				Governmental
Gas Utility	Telephone Utility	Non-major Enterprise Funds	Total	Activities Internal Service
\$ 160,514	\$ 402,178	\$ 531,904	\$ 2,472,412	\$ 740,083
48,929	73,697	14,326	288,799	-
-	-	-	8,824	-
21,659	-	8,065	195,698	-
-	-	-	5,636	-
133,250	-	-	140,574	11,649
-	-	33,776	830,861	-
-	100,000	-	436,103	162,000
49,640	112,524	48,563	492,826	-
4,494	5,457	4,104	38,176	-
-	-	-	347,109	-
40,646	6,047	-	46,693	-
-	-	-	24,480	-
6	-	22,085	56,094	-
18,524	116,570	56,707	401,817	-
123,672	42,078	138,748	2,599,942	690,091
601,334	858,551	858,278	8,386,044	1,603,823
19,645	12,650	28,392	223,937	-
2,636	3,535	1,244	17,755	-
869	556	393	11,386	-
25,532	-	-	384,073	-
-	27,150	-	27,150	-
-	-	3,400	3,400	-
-	-	-	5,636	-
40,646	6,047	-	46,693	-
-	-	-	6,276	-
-	-	-	285,000	-
966	1,138	510	6,351	-
-	-	-	1,610,000	-
3,864	4,551	2,042	25,407	-
94,158	55,627	35,981	2,653,064	-
142,202	158,648	217,540	1,162,853	690,091
-	-	-	340,833	-
364,974	644,276	604,757	4,229,294	913,732
\$ 507,176	\$ 802,924	\$ 822,297	\$ 5,732,980	\$ 1,603,823

CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Proprietary Funds
For the Year Ended June 30, 2010

	Business Type Activities			
	Water Utility	Waste Water Treatment Utility	Electric Utility	Gas Utility
Operating Revenues:				
Charges for Services	\$ 293,719	\$ 304,555	\$ 2,510,161	\$ 1,416,548
Total Operating Revenue	<u>293,719</u>	<u>304,555</u>	<u>2,510,161</u>	<u>1,416,548</u>
Operating Expenses:				
Resale Purchases	-	-	1,256,207	797,498
Employee Services	70,540	55,188	158,504	114,240
Contract Services	103,704	129,888	168,027	164,449
Supplies	71,129	32,222	104,361	26,704
Repairs and Improvements	56,350	27,568	45,910	33,541
Utilities	14,654	68,144	-	-
Miscellaneous	1,352	926	18,919	6,321
Depreciation	52,691	66,721	117,791	20,787
Amortization	-	-	3,718	-
Total Operating Expenses	<u>370,420</u>	<u>380,657</u>	<u>1,873,437</u>	<u>1,163,540</u>
Operating Income (Loss)	(76,701)	(76,102)	636,724	253,008
Non-Operating Income (Expense):				
Interest Income	4,464	13,078	27,699	504
Sale of Uncapitalized Assets	-	-	-	-
Gain on Sale of Fixed Assets	-	-	-	-
Other Non-operating Revenues (Expenses)	12,631	1,494	(4,776)	6,780
Interest Expense	-	-	(83,883)	-
Special Assessment Revenue	723	-	-	-
Total Non-Operating Income (Expenses)	<u>17,818</u>	<u>14,572</u>	<u>(60,960)</u>	<u>7,284</u>
Income (Loss) before Contributions and Transfers	(58,883)	(61,530)	575,764	260,292
Capital Contributions	-	-	-	-
Transfers Out	<u>(37,000)</u>	<u>(22,000)</u>	<u>(230,500)</u>	<u>(72,500)</u>
Change in Net Assets	(95,883)	(83,530)	345,264	187,792
Net Assets - Beginning	1,058,841	1,084,496	1,258,744	329,610
Prior Period Adjustment	-	-	32,651	(10,226)
Net Assets -Beginning, as restated	<u>1,058,841</u>	<u>1,084,496</u>	<u>1,291,395</u>	<u>319,384</u>
Net Assets - Ending	<u>\$ 962,958</u>	<u>\$ 1,000,966</u>	<u>\$ 1,636,659</u>	<u>\$ 507,176</u>

Business Type Activities			Governmental
Telephone	Non-major		Activities
Utility	Enterprise	Total	Internal
	Funds		Service
\$ 702,708	\$ 653,307	\$ 5,880,998	\$ 218,215
702,708	653,307	5,880,998	218,215
231,508	309,743	2,594,956	-
76,637	55,995	531,104	-
283,222	88,523	937,813	-
30,603	11,041	276,060	-
19,645	21,631	204,645	913
12,480	36	95,314	-
28,975	3,368	59,861	-
2,420	13,742	274,152	155,562
-	-	3,718	-
685,490	504,079	4,977,623	156,475
17,218	149,228	903,375	61,740
7,226	7,840	60,811	10,006
-	-	-	-
-	-	-	388
51,559	2,313	70,001	-
-	-	(83,883)	-
-	-	723	-
58,785	10,153	47,652	10,394
76,003	159,381	951,027	72,134
13,465	-	13,465	-
(85,000)	(75,000)	(522,000)	(2,000)
4,468	84,381	442,492	70,134
798,456	737,916	5,268,063	1,533,689
		22,425	
798,456	737,916	5,290,488	1,533,689
\$ 802,924	\$ 822,297	\$ 5,732,980	\$ 1,603,823

CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended June 30, 2010

	Business Type Activities		
	Water Utility	Waste Water Treatment Utility	Electric Utility
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 293,908	\$ 291,875	\$ 2,492,071
Cash Received from Interfund Services Provided			
Cash Paid to Suppliers for Goods and Services	(167,221)	(270,036)	(1,661,014)
Cash Paid to Employees for Services	(103,312)	(56,373)	(155,206)
Other Nonoperating Income	13,354	1,494	5,561
Net Cash Provided (Used) by Operating Activities	<u>36,729</u>	<u>(33,040)</u>	<u>681,412</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and Construction of Capital Assets	(36,873)	(42,988)	(119,475)
Proceeds from Sales of Fixed Assets			
Principal Paid on Notes and Bonds	(4,254)	-	(275,000)
Interest Paid on Notes and Bonds	-	-	(84,662)
Net Cash (Used) by Capital and Related Financing Activities	<u>(41,127)</u>	<u>(42,988)</u>	<u>(479,137)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Operating Transfers to Other Funds	(37,000)	(22,000)	(230,500)
Advances From (To) Other Funds	-	10,671	27,595
Due From (To) Other Funds	21,376	52,492	29,488
Net Cash Provided (Used) for Non-Capital Financing Activities	<u>(15,624)</u>	<u>41,163</u>	<u>(173,417)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	4,464	13,224	28,244
Net Cash Provided for Investing Activities	<u>4,464</u>	<u>13,224</u>	<u>28,244</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(15,558)	(21,641)	57,102
Cash and Cash Equivalents at Beginning of Year	266,013	449,988	989,023
Cash and Cash Equivalents at End of Year	<u>\$ 250,455</u>	<u>\$ 428,347</u>	<u>\$ 1,046,125</u>

Business Type Activities				Governmental
Gas Utility	Telephone Utility	Non-major Enterprise Funds	Total	Activities Internal Service
\$ 1,411,469	\$ 657,811	\$ 655,605	\$ 5,802,739	\$ -
(1,040,630)	(629,687)	(458,086)	(4,226,674)	218,215
(113,414)	(75,567)	(55,628)	(559,500)	(913)
6,780	51,559	2,313	81,061	-
264,205	4,116	144,204	1,097,626	-
(18,524)	(90,106)	(56,707)	(364,673)	(269,555)
-	-	-	-	2,000
-	-	-	(279,254)	-
-	-	-	(84,662)	-
(18,524)	(90,106)	(56,707)	(728,589)	(267,555)
(72,500)	(85,000)	(75,000)	(522,000)	(2,000)
-	5,000	-	43,266	1,700
(168,804)	-	-	(65,448)	-
(241,304)	(80,000)	(75,000)	(544,182)	(300)
504	7,226	7,840	61,502	10,006
504	7,226	7,840	61,502	10,006
4,881	(158,764)	20,337	(113,643)	(40,547)
196,279	566,989	511,567	2,979,859	780,630
\$ 201,160	\$ 408,225	\$ 531,904	\$ 2,866,216	\$ 740,083

(Continued)

CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF CASH FLOWS (Continued)
Proprietary Funds
For the Year Ended June 30, 2010

	Business Type Activities		
	Water Utility	Waste Water Treatment Utility	Electric Utility
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ (76,701)	\$ (76,102)	\$ 669,375
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	52,691	66,721	117,791
Amortization	-	-	3,718
Miscellaneous Non-Operating Income	13,354	1,494	5,561
(Increase) Decrease in Assets:			
Accounts Receivable	(7,712)	(11,180)	(39,536)
Estimated Unbilled Usage	3,647	(1,500)	(11,205)
Inventories	(2,083)	-	(69,033)
Prepaid Expenses	53	175	(317)
Increase (Decrease) in Liabilities			
Accounts Payable	48,466	(11,516)	(4,698)
Accrued Wages	254	100	1,527
Accrued Compensated Absences	138	(1,285)	1,771
Due To Other Governments	-	-	-
Accrued Expenses	368	53	6,458
Unearned Revenue	4,254	-	-
Customer Deposits	-	-	-
Total Adjustments	113,430	43,062	12,037
Net Cash Provided (Used) by Operating Activities	<u>\$ 36,729</u>	<u>\$ (33,040)</u>	<u>\$ 681,412</u>

**Supplemental Schedule of Noncash Capital
and Related Financing Activities:**

Contributed Capital	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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**Reconciliation of Cash and Cash Equivalents
to the Balance Sheet:**

Cash and Cash Equivalents	\$ 250,453	\$ 428,347	\$ 699,016
Customer Deposits	-	-	-
Restricted Cash and Cash Equivalents	-	-	347,109
	<u>\$ 250,453</u>	<u>\$ 428,347</u>	<u>\$ 1,046,125</u>

Business Type Activities				Governmental
Gas	Telephone	Non-major		Activities
Utility	Utility	Enterprise	Total	Internal
		Funds		Service
\$ 242,782	\$ 17,218	\$ 149,228	\$ 925,800	\$ 61,740
20,787	2,420	13,742	274,152	155,562
-	-	-	3,718	-
6,780	51,559	2,313	81,061	-
(13,521)	(45,411)	1,465	(115,895)	-
14,042	-	833	5,817	-
(12,644)	122	(24,908)	(108,546)	-
(195)	138	94	(52)	-
222	(13,486)	1,514	20,502	-
650	917	274	3,722	-
176	153	93	1,046	-
-	(10,584)	-	(10,584)	-
500	556	(444)	7,491	-
-	-	-	4,254	-
4,626	514	-	5,140	-
21,423	(13,102)	(5,024)	171,826	155,562
\$ 264,205	\$ 4,116	\$ 144,204	\$ 1,097,626	\$ 217,302

\$ -	\$ 13,465	\$ -	\$ 13,465	\$ -
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\$ 160,514	\$ 402,178	\$ 531,904	\$ 2,472,412	\$ 740,083
40,646	6,047	-	46,693	-
-	-	-	347,109	-
\$ 201,160	\$ 408,225	\$ 531,904	\$ 2,866,214	\$ 740,083

CITY OF HAWARDEN, IOWA
STATEMENT OF FIDUCIARY NET ASSETS
Fiduciary Funds
June 30, 2010

	Pension Trust Fund		
	Police Retirement Fund	Agency Funds	Total
ASSETS			
Cash and Pooled Investments	\$ 3,639	\$ 43,698	\$ 47,337
Total Assets	3,639	43,698	47,337
LIABILITIES			
Accounts Payable	327	-	327
Due to Other Governments	-	43,698	43,698
Total Liabilities	327	43,698	44,025
NET ASSETS			
Held in Trust for Pension Benefits	3,312	-	3,312
Total Net Assets	\$ 3,312	\$ -	\$ 3,312

CITY OF HAWARDEN, IOWA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Fiduciary Funds
For the Year Ended June 30, 2010

	Pension Trust Fund Police Retirement Fund
ADDITIONS	
Contributions:	
Employer	\$ 11,029
Total Contributions	<u>11,029</u>
Investment Income:	
Interest, Dividends and Market Gain	<u>39</u>
Net Investment Income	<u>39</u>
Total Additions	<u>11,068</u>
DEDUCTIONS	
Pension Benefits	10,379
Miscellaneous Expenses	<u>648</u>
Total Deductions	<u>11,027</u>
Net Increase	41
Net Assets -- Beginning of Period	<u>3,271</u>
Net Assets -- End of Period	<u>\$ 3,312</u>

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hawarden is a political subdivision of the State of Iowa located in Sioux County. It was first incorporated in 1887 and operates under the Mayor-Council form of government with the Mayor and Council elected on a non-partisan basis. The City administers the following programs under its charter: public safety, public works, health and social services, culture and recreation, community and economic development and general government. It also provides water, sewer, electric and sanitation utilities and telephone and cable/internet services.

The financial statements of the City of Hawarden have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

For financial reporting purposes, the City of Hawarden has included all funds, organizations, account groups, 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.

A. Reporting Entity

These financial statements present the City of Hawarden (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 financial relationship with the City. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from their administrative offices.

Discretely Presented Component Unit – The Hawarden Community Hospital (Hospital) is organized under Chapter 392 of the Code of Iowa and governed by a five member Board of Trustees elected for four year terms. The City of Hawarden annually provides significant operating subsidies to the Hospital. In accordance with criteria set forth by the Governmental Accounting Standards Board. The Hospital meets the definition of a component unit which should be discretely presented. The Hospital is accounted for using enterprise fund accounting in these financial statements. Complete financial statements are on file at the hospital.

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: Sioux County Conference Board, Sioux County Emergency Management Commission and Sioux County Joint E911 Service Board.

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2010

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

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary 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 from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Assets presents the City's nonfiduciary 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.

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 demonstrates 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 and contributions restricted to meeting the operational 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental, the City's capital equipment internal service fund, and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reported the following major governmental funds.

The General Fund is the general operating fund of the City. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2010

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

The Special Revenue Tax Increment Financing Revenues Fund is used to account for funds provided to private companies for economic development and related tax revenues from the tax increment financing district.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. General property taxes or tax increment financing are to provide the revenues for the debt services payments.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation of a municipally owned water system, which provides services to the residents of the City.

The Waste Water Fund accounts for the operation of a municipally owned sewage collection and treatment facility, which provides services to the residents of the City.

The Electric Fund accounts for the operation of a municipally owned electric system, which distributes electrical power to the residents of the City.

The Gas Fund accounts for the operation of a municipally owned natural gas system, which distributes natural gas to the residents of the City.

The Telephone Fund accounts for the operation of a municipally owned telephone system, providing telephone service to residents of the City.

Internal Service Fund – The capital equipment fund is used to account for the financing of goods to other departments of the City on a cost-recovery basis. This fund is presented in the proprietary fund financial statements. Because the principal users of the capital equipment fund are the City's governmental activities, the financial statements of the fund are consolidated into the governmental column when presented in the government-wide financial statements.

Fiduciary Fund Types – These funds account for assets held by the government in a trustees capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement.

- 1) Pension Trust Fund – The Police Retirement Fund represents the resources accumulated to fund police retirements. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting, so that revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.
- 2) Agency Funds – The Payroll Clearing Fund acts as a clearing mechanism for payroll which is shared by various funds of the City. The Flex Spending Fund is used to account for funds withheld from the checks of city employees for qualified expenses. The Community Projects Fund accounts for funds received by various organizations within the community and held until a specific project is completed by those organizations.

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2010

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

C. 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.

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 property taxes to be available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt 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.

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

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following FASB 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 are 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 annual financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2010

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Pooled Cash, Investments and Cash Equivalents – The cash balances of most City funds are pooled and invested in money market checking accounts. Interest earned on those investments is recorded in the General Fund unless otherwise provided by law. Other investments held by specific funds consist of non-negotiable certificates of deposit which are stated at cost or U.S. government securities stated at fair value determined by quoted market prices or in the Iowa Public Agency Investment trust stated at fair value determined by current share prices.

For the purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, 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 the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2010 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City 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 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 in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects tax asking contained in the budget certified to the County Board of Supervisors March, 2009.

Customer Accounts and Unbilled Usage – Accounts receivable are recorded at the time the service is billed, net of an allowance for doubtful accounts of \$15,802 and \$19,661 at June 30, 2010 and 2009, respectively. Unbilled usage, recorded in the Enterprise Funds for service consumed between periodic scheduled billing dates, is estimated and is recognized as revenue in the period in which the service is provided.

Also, the Hawarden Community Hospital's accounts receivable consists of patient receivables net of allowances for estimated third-party contractual adjustments and uncollectibles of \$253,475 and \$239,158 at June 30, 2010 and 2009, respectively.

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2010

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

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa.

Internal Balances – During the course of its operations, the City has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2010, the balance of interfund amounts payable or receivable have been recorded in the fund financial statements.

Advances From and To Other Funds – Advances are long-term borrowings between funds which are repaid over time plus interest.

Inventories – Inventories are valued at the lower of cost (first-in, first-out) or market. Governmental Fund Type inventories of expendable supplies held for consumption are recorded as an expenditure at the time of purchase and are not recorded on the combined balance sheet because the amounts are not material. Inventories in the Enterprise Funds, consisting of material and supplies, are reported as an expense when consumed.

Restricted Assets – Proceeds from debt and funds set aside for payment of enterprise fund revenue bonds are classified as restricted assets since their use is limited by applicable bond indentures. Customer deposits are monies paid by customers and held by the City until future refunding or application to an unpaid account balance. The principal portion of Donor Restricted Endowments are also classified as restricted assets, as only the interest earned on these assets may be expended. It is the City's policy to first apply unrestricted resources when an expense is incurred for purposes for which either are available.

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, curbs, gutters) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Roads have been capitalized using estimated historical cost beginning in 1980 as required by GASB 34. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds.

<u>Asset Class</u>	<u>Amount</u>
General Fixed Assets	\$ 2,000
Utility Fixed Assets	5,000
Infrastructure	50,000

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	30 – 100 years
Improvements other than buildings	15 – 40 years
Vehicles	5 – 10 years
Equipment	5 – 20 years
Infrastructure	50 – 100 years

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2010

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of notes receivable not currently due, as well as delinquent property tax receivable and special assessments not collected within sixty days after year end. Also, at year end, amounts of unspent grant proceeds were recorded as unearned revenue.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and grant funds received but not yet earned or expended.

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded for this time and any related benefits 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 that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Budgets and Budgetary Accounting – The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures for the year ended June 30, 2010 did not exceed amounts budgeted in any function.

Note 2 - POOLED CASH , INVESTMENTS AND CASH EQUIVALENTS

The City deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2010

Note 2 POOLED CASH, INVESTMENTS AND CASH EQUIVALENTS – (Continued)

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. There were no differences in investments held during the year from those at June 30, 2010.

At June 30, 2010 the City had the following investments:

	Credit Risk	Fair Value
U.S. Treasury Notes	N/A	\$ 39,233

Reconciliation of Investments:

Restricted:

U.S. Treasury Notes	\$ 39,233
Certificates of Deposit.....	90,000
Cash.....	5,000
	\$ 134,233

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment is in two fixed rate U.S. Treasury Notes. One dated May 5, 2010, which is due April 30, 2011, and pays an interest rate of 0.875%. The other dated July 13, 2009, which is due June 30, 2011, and pays an interest rate of 1.125%. The City also has an investment in a fixed rate certificate of deposit dated September 23, 2009, which is due on August 23, 2010. The certificate of deposit pays an interest rate of 2.05%.

Note 3 - JOINT VENTURES

MBMECA - The City is a participant in the Missouri Basin Municipal Electric Cooperative Association, a joint venture for the construction and maintenance of power lines from the Northwest Iowa Power Cooperative. The construction of the lines is accomplished by NIPCO and there are no actual dedicated lines, but rather an agreement which guarantees the municipalities the right to draw power over the lines at a raw power cost without transmission charges. The City owns an 11.75 percent share of the venture with twelve other cities sharing in the ownership at varying percentages. The City's investment in the joint venture is accounted for on the equity method in the Electric Fund. The net income reported on the financial statements is reported on the City's fiscal year, not on the Cooperative's year; therefore, the summary data presented below does not agree with the financial statements.

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2010

Note 3 - JOINT VENTURES – (Continued)

Summary financial information of the joint venture for the year ended December 31, 2009 follows:

	<u>Total</u>	<u>City Share</u>
Assets	\$ 7,610,578	\$ 894,243
Liabilities	464,875	54,623
Equity	7,145,703	839,620
	<u>7,610,578</u>	<u>894,243</u>
Revenues.....	1,031,617	121,215
Expenses	1,148,786	134,982
Net Decrease in Equity	<u>\$ (117,169)</u>	<u>\$ (13,767)</u>

The joint venture has no outstanding debt. Complete financial statements can be obtained directly from MBMECA.

Northwest Iowa Solid Waste - In 1991 the City contributed \$33,776 capital to Northwest Iowa Area Solid Waste Agency for membership in the Agency. Membership provides the City with use of solid waste facilities. In the event of the City's withdrawal from the Agency or dissolution, the City is entitled to the lower of its capital contribution or a share of the Agency's assets based on the City's prorata share of contributions by all municipalities. Complete financial statements can be obtained directly from Northwest Iowa Solid Waste.

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2010

Note 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

Primary Government	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 377,825	\$ -	\$ -	\$ 377,825
Construction in Progress-infrastructure	10,832	12,445	-	23,277
Construction in Progress-equipment	10,813	-	10,813	-
Total capital assets not being depreciated	399,470	12,445	10,813	401,102
Capital assets being depreciated:				
Buildings	5,080,769	12,995	-	5,093,764
Improvements other than buildings	1,255,464	98,518	-	1,353,982
Equipment and vehicles	2,597,794	295,996	21,266	2,872,524
Infrastructure, road network	4,747,315	-	-	4,747,315
Total capital assets being depreciated	13,681,342	407,509	21,266	14,067,585
Less: Accumulated Depreciation for:				
Buildings	2,110,937	109,234	-	2,220,171
Improvements other than buildings	482,127	35,298	-	517,425
Equipment and vehicles	1,886,520	180,537	18,097	2,048,960
Infrastructure, road network	1,370,498	84,172	-	1,454,670
Total Accumulated Depreciation	5,850,082	409,241	18,097	6,241,226
Total capital assets being depreciated, net	7,831,260	(1,732)	3,169	7,826,359
Governmental activities capital assets, net	\$ 8,230,730	\$ 10,713	\$ 13,982	\$ 8,227,461
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 56,094	\$ -	\$ -	\$ 56,094
Construction in Progress	124,963	298,989	22,135	401,817
Total capital assets not being depreciated	181,057	298,989	22,135	457,911
Capital assets being depreciated:				
Buildings	142,376	-	-	142,376
Utility Plant	12,836,737	101,286	-	12,938,023
Total capital assets being depreciated	12,979,113	101,286	-	13,080,399
Less: Accumulated Depreciation for:				
Buildings	89,129	3,332	-	92,461
Utility Plant	10,117,176	270,820	-	10,387,996
Total Accumulated Depreciation	10,206,305	274,152	-	10,480,457
Total capital assets being depreciated, net	2,772,808	(172,866)	-	2,599,942
Business-Type activities capital assets, net	\$ 2,953,865	\$ 126,123	\$ 22,135	\$ 3,057,853

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2010

Note 4 -CAPITAL ASSETS – (Continued)

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

Governmental Activities:	
Public Safety	\$ 25,981
Public Works	145,551
Health & Social Services	1,295
Culture & Recreation	75,294
General Government	161,120
Total depreciation expense – governmental activities	<u>\$ 409,241</u>

The governmental depreciation expense amount shown above includes \$155,562 of depreciation expense from the City's internal service fund which is recorded as a governmental activity on the government-wide statements.

Business-Type Activities:	
Water	\$ 52,691
Wastewater	66,721
Electric	117,791
Gas	20,787
Cable/Internet	13,742
Telephone	2,420
Total depreciation expense – business type activities	<u>\$ 274,152</u>

Discretely presented component unit	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Capital assets not being depreciated:				
Land	\$ 7,000	\$ 12,384	\$ -	\$ 19,384
Construction-in-Progress	65,966	26,207	60,972	31,201
	<u>72,966</u>	<u>38,591</u>	<u>60,972</u>	<u>50,585</u>
Capital assets being depreciated:				
Land Improvements	41,289	-	-	41,289
Hospital	1,555,320	1,500	-	1,556,820
Fixed Equipment	516,033	-	4,438	511,595
Major Moveable Equipment	1,724,432	339,234	159,806	1,903,860
Total capital assets being depreciated	<u>3,837,074</u>	<u>340,734</u>	<u>164,244</u>	<u>4,013,564</u>
Less: Accumulated Depreciation for:				
Land Improvements	29,261	1,174	-	30,435
Hospital	1,044,419	41,456	-	1,085,875
Fixed Equipment	394,437	13,434	4,438	403,433
Major Moveable Equipment	1,183,102	241,610	159,806	1,264,906
Total Accumulated Depreciation	<u>2,651,219</u>	<u>297,674</u>	<u>164,244</u>	<u>2,784,649</u>
Total capital assets being depreciated, net	1,185,855	43,060	-	1,228,915
Total capital assets, net	<u>\$ 1,258,821</u>	<u>\$ 81,651</u>	<u>\$ 60,972</u>	<u>\$ 1,279,500</u>

Total depreciation expense – discretely presented component unit \$ 297,674

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2010

Note 4 - CAPITAL ASSETS – (Continued)

Reconciliation of Invested In Capital Assets, net of related debt.

	Governmental Activities	Business-Type Activities	Component Unit
Land	\$ 377,825	\$ 56,094	\$ 19,384
Construction-in-Progress	23,277	401,817	31,201
Capital Assets (net of accumulated depreciation)	7,826,359	2,599,942	1,228,915
Less:			
General Obligation Bonds Payable	1,282,514	-	-
Notes Payable	-	-	224,466
Revenue Bonds	-	1,895,000	-
	<u>\$ 6,944,947</u>	<u>\$ 1,162,853</u>	<u>\$ 1,055,034</u>

Note 5 - CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010	Due Within One Year
Governmental activities:					
Compensated Absences	\$ 38,383	\$ 36,410	\$ 36,471	\$ 38,322	\$ 7,664
General Obligation Bonds/Notes	983,514	500,000	851,000	632,514	140,000
Bond Anticipation Note	423,000	77,000	500,000	-	-
General Obligation Refunding Note	-	650,000	-	650,000	72,564
Other Post Employment Benefit	-	2,308	-	2,308	-
	<u>\$ 1,444,897</u>	<u>\$ 1,265,718</u>	<u>\$ 1,337,471</u>	<u>\$ 1,323,144</u>	<u>\$ 581,677</u>

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010	Due Within One Year
Business type activities:					
Revenue notes	\$ 2,170,000	\$ -	\$ 275,000	\$ 1,895,000	\$ 285,000
Compensated Absences	30,712	31,650	30,604	31,758	6,351
	<u>\$ 2,200,712</u>	<u>\$ 31,650</u>	<u>\$ 305,604</u>	<u>\$ 1,926,758</u>	<u>\$ 291,351</u>

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010	Due Within One Year
Component unit:					
Bank Notes	\$ 342,270	\$ -	\$ 117,804	\$ 224,466	\$ 124,398

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2010

Note 5 - CHANGES IN LONG-TERM LIABILITIES – (Continued)

General Obligation Bonds/Notes

Three issues of unmatured general obligation bonds/notes, totaling \$1,282,514 are outstanding at June 30, 2010. General obligation bonds/notes bear interest at rates ranging from 3.25-4.25% and mature in varying annual amounts, ranging from \$35,000 to \$93,000, with the final maturities due in the year ending June 1, 2019.

During the year ended June 30, 2009 \$423,000 was drawn on a bond anticipation note. An additional \$77,000 was drawn in July 2009. On August 20, 2009 the total of \$500,000 was refinanced into General Obligation Corporate Purpose bonds with an interest rate of 4.25% and maturing June 2019. The bonds are being used to finance infrastructure construction and economic development funds.

Details of general obligation bonds/notes payable at June 30, 2010 are as follows:

Governmental Activities:	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2010
General obligation bonds/notes:						
Capital Loan Notes	June 14, 2007	4.05%	June 1, 2012	80,000-93,000	432,000	\$ 182,514
General Corporate Purpose	August 20, 2009	4.25%	June 1, 2019	50,000	500,000	450,000
General Obligation Refunding Note	June 1, 2010	3.25%	June 1, 2018	35,000-46,000	650,000	650,000
						<u>\$ 1,282,514</u>

A summary of the annual general obligation bond/note principal and interest requirements to maturity by year is as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 212,564	\$ 46,545	\$ 259,109
2012	217,941	38,398	256,339
2013	127,397	30,051	157,448
2014	129,932	25,390	155,322
2015	132,551	20,646	153,197
2016-2019	462,129	34,198	496,327
Total	<u>\$ 1,282,514</u>	<u>\$ 195,228</u>	<u>\$ 1,477,742</u>

Revenue Notes

The City has pledged income derived from the acquired or constructed asset to pay debt service.

There are a number of limitations and restrictions contained in the revenue bond indenture summary. The reserve requirements are as follows:

<u>Enterprise</u>	<u>Type of Account</u>	<u>Required Balance June 30, 2010</u>	<u>Actual Balance June 30, 2010</u>
Electric	Electric Revenue Sinking Fund	\$ 30,026	\$ 30,109
Electric	Bond and Interest Reserve	189,500	217,000
Electric	Bond Improvement	100,000	100,000

These amounts are classified as restricted assets on the combined balance sheet.

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2010

Note 5 - CHANGES IN LONG-TERM LIABILITIES – (Continued)

Details of revenue notes payable at June 30, 2010 are as follows:

Business Type Activities	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2009
Revenue Notes:						
Electric Crossover Refunding	Jan. 26, 2004	2.55-4.3%	June 1, 2016	250,000-350,000	2,945,000	<u>\$ 1,895,000</u>

A summary of the annual revenue note principal and interest requirements to maturity is as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 285,000	\$ 75,312	\$ 360,312
2012	295,000	65,053	360,053
2013	310,000	53,843	363,843
2014	320,000	41,753	361,753
2015	335,000	28,953	363,953
2016	350,000	15,050	365,050
Total	<u>\$ 1,895,000</u>	<u>\$ 279,964</u>	<u>\$ 2,174,964</u>

Bank Loans:

In FY02, the City borrowed \$180,000 for Wee Care Child Care for improvements to the leased portion of the community center. The City will make payments on this loan at the same terms as the Wee Care schedule of payments to the City as scheduled in Note 11.

Component Unit:

In July 2006, the Hospital took out a note from Farmers State Bank in Hawarden for \$172,000 to be used for the purchase of property and equipment. This note has an interest rate of 6.0% and will be repaid over five years in monthly installments of \$3,326, beginning August 28, 2006.

In December 2006, the Hospital took out a note from First State Bank in Hawarden for \$135,000 to be used for the purchase of property and equipment. This note has an interest rate of 5.95% and will be repaid over five years in monthly installments of \$2,611, beginning January 10, 2007.

In May 2007, the Hospital took out a note from Farmers State Bank in Hawarden for \$74,184 for the purchase of property and equipment. This note has an interest rate of 5.75% and will be repaid over five years in monthly installments of \$1,426, beginning July 1, 2007.

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2010

Note 5 - CHANGES IN LONG-TERM LIABILITIES – (Continued)

In December 2007, the Hospital took out a note from Peoples Bank in Hawarden for \$200,000 for the purchase of property and equipment. This note has an interest rate of 4.49% and will be repaid over five years in monthly installments of \$3,728, beginning January 5, 2008.

Annual debt service requirements related to the Notes are as follows:

Year	Principal	Interest	Total
2011	\$ 124,398	\$ 8,694	\$ 133,092
2012	77,990	2,851	80,841
2013	22,078	291	22,369
	<u>\$ 224,466</u>	<u>\$ 11,836</u>	<u>\$ 236,302</u>

The total of component unit interest expense on borrowed funds during the year ended June 30, 2010 was \$16,559.

Note 6 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Tax Increment Financing Revenues	\$ 25,500
	Non-Major Governmental	298,364
	Enterprise	
	Water	30,000
	Electric	220,500
	Gas	62,500
	Telephone	85,000
	Wastewater	15,000
	Non-Major Enterprise	75,000
	Internal Service	2,000
		<u>813,864</u>
Debt Service	Special Revenue:	
	Tax Increment Financing Revenues	162,950
		<u>162,950</u>
Non-Major Capital Project Fund	General	17,000
	Special Revenue:	
	Tax Increment Financing Revenues	57,000
	Enterprise:	
	Water	7,000
	Electric	10,000
	Gas	10,000
	Wastewater	7,000
		<u>108,000</u>
Total Transfers		<u>\$ 1,084,814</u>

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2010

Note 6 - INTERFUND TRANSFERS – (Continued)

Transfers are used to move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources, as well as to move resources from the business-type activities to governmental funds to help finance general governmental operations.

Note 7 – INTERNAL BALANCES

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, 2010, 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.

The detail of short-term interfund receivables and payables at June 30, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise:	
	Water	\$ 21,376
	Electric	17,911
	Gas	25,532
	Wastewater	167,031
	Non-major Capital Project Funds	4,301
		<u>236,151</u>
Enterprise:	Enterprise:	
Gas	Electric	133,250
Electric	Water	7,324
Internal Service:	Enterprise:	
Capital Equipment	Electric	11,649
		<u>\$ 388,374</u>

The detail of long-term advances to and from other funds at June 30, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise:	Special Revenue:	
Electric	Tax Increment Financing	\$ 175,772
Wastewater	Tax Increment Financing	160,331
Telephone	Tax Increment Financing	100,000
Internal Service	Tax Increment Financing	162,000
		<u>\$ 598,103</u>

Note 8 - PENSION AND RETIREMENT FUND COMMITMENTS

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

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2010

Note 8 - PENSION AND RETIREMENT FUND COMMITMENTS – (Continued)

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 4.30% of their annual covered salary and the City is required to contribute 6.65% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate.

Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$83,405, \$75,993 and \$70,778, respectively, equal to the required contributions for each year.

In addition the Hawarden Municipal Hospital contributed the following amounts for the year ended June 30, 2010, 2009, and 2008, respectively, \$123,484, \$121,143, and \$99,174. These amounts also equal the required annual contributions.

Police Pension - The City maintains a single-employer, defined benefit pension plan (police retirement system), which was organized under Chapter 410 of the Code of Iowa. Police personnel who were in the employ of the City prior to July 1, 1971, are eligible to participate in the plan. Any eligible participant may be entitled to benefits if such member has served 22 years or more and shall have reached the age of 50 years; or who shall, while a member of the department, become mentally or physically permanently disabled while performing his duties. The salary benefit is equal to one-half the amount of salary received by him monthly at the date he actually retires from the department. Benefits are increased subsequent to retirement by 50% of any increase in the pension benefits for the rank at which the member retired. In the event of the death of a retired participant, the benefit paid to a surviving spouse is reduced to 50% of the retiree's benefit. Presently, the City has only one individual who qualifies as a participant because of the employment of their spouse prior to July 1, 1971. The payroll for employees covered by the system was \$0- and the City's total payroll for the police department was \$197,649.

The amount shown below as the Actuarial Accrued Liability is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. This measure is the actuarial present value of credited projected benefits and is intended to (1) help users assess the system's funding status on a going-concern basis, (2) assess progress being made in accumulating sufficient assets to pay benefits when due, and (3) allow for comparisons among public employee retirement plans. The net pension obligation was determined as part of an actuarial valuation of the plan as of July 1, 2010.

<u>Net Pension Obligaton</u>	
Retirees and Beneficiaries Currently Receiving Benefits	\$ 103,389
Net Assets Available for Benefits at Market.....	-

There were no current year member contributions. Eligible participants were required to contribute annually an amount equal to 1% of current annual salary, or approximately \$200 per year. The City has chosen to fund the plan on a pay-as-you-go basis under which contributions

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2010

Note 8 - PENSION AND RETIREMENT FUND COMMITMENTS – (Continued)

to the plan above and beyond employee contributions are made at the same time and in the same amounts as benefit payments and expenses become due.

This method has been selected since no future entrants to the plan will occur because of the eligibility employment date. Presently, the total annual liability for pension benefits is approximately \$10,000 per year which the City feels can be funded on a pay-as-you-go basis through property tax levies since no funding of future benefits will be necessary due to a closed group situation which will result in no new participants.

The unfunded actuarial present value of credited projected benefits is \$103,389.

The unfunded actuarial present value of credited projected benefits is not recorded as a liability of the City. The City's contribution for the year was \$10,379 as required by the pay-as-you-go method of funding. This \$10,379 was paid by the City as required. The amount was not actuarially determined.

Three-year trend information is as follows:

	June 30, <u>2010</u>	June 30, <u>2009</u>	June 30, <u>2008</u>
Net assets available for benefits as a percentage of the net pension obligation applicable to the City's employees	0.00%	0.00%	0.00%
Unfunded net pension obligation as a percentage of the City's annual covered pay-roll	N/A	N/A	N/A
City's contributions to the pension plan as a percentage of annual covered payroll	N/A	N/A	N/A

This is a closed system with all active members retired. Taxes are levied to sufficiently compensate the retired members involved in this system.

Note 9 - RISK FINANCING

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the 2009-10 fiscal year the City has elected to purchase commercial insurance to cover against the risk of loss. There have been no settlements that exceeded insurance coverage during the last three fiscal years.

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2010

Note 10 - POSTCLOSURE COSTS

The City's landfill site has been closed since 1986 but state and federal laws and regulations require the City perform certain maintenance and monitoring functions at the site for 30 years after closure. The long-term postclosure costs recorded in the Solid Waste Utility of \$3,400 represents the estimated postclosure costs related to the landfill. These amounts are based on what it would cost to perform all postclosure care during the year ended June 30, 2010. Actual costs may be higher due to inflation, changes in technology, changes in regulations, or unexpected test results.

Note 11 - NOTES RECEIVABLE

In fiscal year 2002, the City advanced Wee Care Child Care \$180,000 for improvements to leased portion of community center. The City borrowed these funds from a local institution and a receivable and liability of the same amount are recorded in the debt service fund. The note bears interest at 5.85% with payments as follows:

<u>Fiscal Year</u>	<u>Principal</u>
2011	\$ 7,801
2012	8,251
2013	8,766
2014	9,292
2015	9,851
2016-2020	58,858
2021-2022	28,797
Total Note Receivable	<u>\$ 131,616</u>

During the year ended June 30, 2009, the City advanced Wee Child Care \$15,000 for short term cash flow issues. The note was due on October 11, 2009 at 0% interest. \$7,500 was repaid on October 1, 2009. The remaining balance was unpaid at June 30, 2010.

Also during the fiscal year end June 30, 2009 the City opened a revolving loan fund. The purpose of the fund is to promote economic development in Hawarden. Loans by the City from Hawarden's Revolving Loan fund at June 30, 2010 consisted of \$389,295 to Hawarden Area Partnership for Progress. HAPP will have until September 1, 2011 to sell their building. If at that time the building has not been sold the total \$389,295 loan will begin to be repaid to the City over 10 years at 0% interest.

Note 12 - RELATED PARTY TRANSACTIONS

Hawarden Community Clinic

Effective January 1, 2005, the Hospital and Mercy Medical Services entered into a joint venture whereby each partner has a 50% sponsorship interest in Hawarden Community Clinic, LLC. (HCC). The Hospital and MMS share equally in the net income (loss) of HCC. The Hospital's share of HCC's 2010 and 2009 (from January 1 through June 30) operating loss was \$54,780 and \$35,986, respectively, and is included in joint venture loss, net in the accompanying statements of revenue, expenses and changes in net assets.

The Hospital hires the employees of HCC and leases them back to HCC. Amounts received by the Hospital for expenses paid in 2010 and 2009 was \$316,700 and \$314,700, respectively, and

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2010

Note 12 - RELATED PARTY TRANSACTIONS (Continued)

is included in the accompanying statements of revenue, expenses and changes in net assets. The Hospital also received management fees from HCC totaling \$50,000 in 2010 and 2009, and monthly rent totaling \$27,600 for the years ended June 30, 2010 and 2009. These amounts are included in other revenue.

HCC owed the Hospital \$367,212 and \$183,822 at June 30, 2010 and 2009, respectively. These amounts are recorded in due from related party on the balance sheets.

Ireton Community Clinic

Effective June 1, 2008, the Hospital and Mercy Medical Services (MMS) entered into a joint venture whereby each partner has a 50% sponsorship interest in Ireton Community Clinic, LLC. (ICC). The Hospital and MMS share equally in the net income (loss) of ICC. The Hospital's share of ICC's 2010 and 2009 operating loss was \$16,837 and \$29,458, respectively, and is included in joint venture loss, net in the accompanying statements of revenue, expenses and changes in net assets.

The Hospital hires the employees of ICC and leases them back to ICC. Amounts received by the Hospital for expenses paid in 2010 and 2009 was \$36,719 and \$35,054, respectively, and is included in the accompanying statements of revenue, expenses and changes in net assets. The Hospital also received management fees from ICC totaling \$10,000 in 2010 and 2009. These fees are included in other revenue.

ICC owed the hospital \$9,766 and \$6,452 at June 30, 2010 and 2009, respectively. These amounts are recorded in due from related party on the balance sheet.

Note 13 - RESERVES

The following schedule reflects all reservations of fund balances as presented in the fund level statements:

	Prepaid Items	Debt Service	Endowments/ Library	Notes Receivable	Total
General Fund	\$ 42,203				\$ 42,203
Special Revenue					
Tax Increment Financing Revenue				\$ 9,500	9,500
Debt Service		\$ 47,554			47,554
Non-major Governmental				396,795	396,795
Permanent Fund					
Marie Gregg/Vipond Trust			\$ 166,006		166,006
Total Reserves of Fund Balances	\$ 42,203	\$ 47,554	\$ 166,006	\$ 406,295	\$ 662,058

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2010

Note 14 - LEASES WITH RELATED PARTIES

The Telephone Fund leases certain assets from the Electric Fund. The lease includes fiber optic cable and other assets associated with providing telecommunications utility. The lease provides for annual payments of \$145,354 with no set minimum lease term.

Note 15 - DEFICIT FUND BALANCES

The City has no funds with deficit fund balances at June 30, 2010.

Note 16 - MAJOR CUSTOMERS

During the year ended June 30, 2010, charges for services provided by the waste water utility of the City to Iowa Lamb Corp. was \$67,396, or 22% of total waste water charges for service. Charges for services provided by the water utility to Iowa Lamb Corp. was \$55,911, or 19% of total water charges for service. Gas utility charges for services provided to Iowa Lamb Corp. totaled \$239,186, or 17% of total gas charges for services. Electric utility charges for services provided to Iowa Lamb Corp. totaled \$254,286, or 10% of total electric charges for services.

Note 17 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The City implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions during the year ended June 30, 2010.

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses, with the retirees paying the full premium. There are 29 active and 0- retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Principal. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2010

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$	2,308
Interest on net OPEB obligation		-0-
Adjustment to annual required contribution		-0-
Annual OPEB cost		2,308
Contributions made		-0-
Increase in net OPEB obligation		2,308
Net OPEB obligation beginning of year		-0-
Net OPEB obligation end of year	\$	2,308

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the City contributed \$-0- to the medical plan. Plan members eligible for benefits did not contribute any of the premium costs.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 2,308	0.0%	\$ 2,308

Funded Status and Funding Progress - As of June 30, 2010, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$14,965, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$14,965. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,115,467 and the ratio of the UAAL to covered payroll was 1.3%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2010

that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the City's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the 2004 United States Life Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based on historical average retirement age for the covered group.

Projected annual claim costs of the medical plan are \$13,708 for retirees and \$15,870 for their spouses less than age 65 and there are no participating retirees who have attained age 65. The salary increase rate was assumed to be 2% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 18 – PRIOR PERIOD ADJUSTMENT

For the year ended June 30, 2009, unbilled usage was incorrectly calculated for the Electric and Gas funds. The amount was understated for the Electric fund and overstated for the Gas fund. The error has been corrected and has had the following effect on the beginning fund balances:

	Electric Utility	Gas Utility
Beginning Fund Balance, As Previously Reported	\$ 1,258,744	\$ 329,610
Prior Period Adjustment	32,651	(10,226)
Beginning Fund Balance, As Restated	\$ 1,291,395	\$ 319,384

CITY OF HAWARDEN, IOWA
Required Supplementary Information – Budgetary Reporting
June 30, 2010

Iowa Budget law requires the adoption of legal budgets for expenditures (expenses) on a program basis. The programs 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. Although the budget document presents program expenditures (expenses) by fund, the legal level of control is at the aggregated program level, not at the fund level. For example, all budget categories of a particular fund may be exceeded so long as total budgeted program expenditures (expenses) are not exceeded on a "city-wide" basis. Program expenditures (expenses) required to be budgeted include expenditures for the general fund, special revenue funds, debt service fund, capital project funds, permanent fund, and proprietary fund types (including internal service). Legally adopted budgets may be prepared on a cash basis or on a basis consistent with U.S. generally accepted accounting principles.

The City follows these procedures in establishing the budget data reflected in the financial statement.

1. At least six weeks prior to March 15, the City Clerk submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to March 15, the budget is legally enacted through passage of a resolution.
4. Amendments to the budget are considered and reviewed throughout the fiscal year. Amendments are subject to departmental review and by justification to the City Clerk. The budget is formally amended by City Council resolution. Public hearings on budget amendments are conducted if the amendment is at the program level. The original budget plus subsequent amendments constitute the annual appropriated budget. There are no other appropriations of budget that occur. During the year, the budget was amended to increase expenditures as follows:

	Original Budget	5/26/10 Amendment	Amended Budget
Public Safety	\$ 563,159	\$ 5,031	\$ 568,190
Public Works	374,184	60,100	434,284
Health and Social Services	270,000	-	270,000
Culture and Recreation	424,301	44,725	469,026
Community and Economic Development	521,645	530,226	1,051,871
General Government	514,264	-	514,264
Debt Service	207,052	716,056	923,108
Capital Projects	234,200	161,825	396,025
Business Type Activities	12,441,554	493,020	12,934,574
Transfer Out	942,443	537,700	1,480,143

CITY OF HAWARDEN, IOWA
Required Supplementary Information – Budgetary Reporting
June 30, 2010

5. Legally adopted budgets are prepared on a program basis for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Project Funds and the Permanent Fund on a basis consistent with generally accepted accounting principles and reflect the annual appropriation resolutions adopted by the City Council.

6. Unexpended appropriations lapse at the end of each fiscal year.

Aggregation of Program Expenditures/Expenses for Governmental, Proprietary and Permanent Fund Types is shown on the next page to demonstrate legal compliance with budget:

CITY OF HAWARDEN, IOWA
Required Supplementary Information – Budgetary Reporting
June 30, 2010

	Governmental Fund Types	Proprietary Fund Types
Revenues:		
Property Taxes.....	\$ 1,025,010	\$ -
Special Assessments.....	260	723
Licenses.....	25,176	-
Intergovernmental.....	541,215	-
Charges.....	231,941	6,099,213
Fines.....	8,909	-
Contributions.....	25,260	-
Refunds.....	29,941	-
Rental Income.....	20,046	-
Interest.....	31,021	70,817
Miscellaneous.....	2,321	70,001
Total Revenue.....	1,941,100	6,240,754
Expenditures:		
Public Safety.....	540,598	-
Public Works.....	429,094	-
Health and Social Services.....	258,303	-
Culture and Recreation.....	450,713	-
Community and Economic Development.....	277,993	-
General Government.....	121,153	-
Capital.....	195,218	-
Debt Service.....	224,064	-
Business Type Activities.....	-	5,217,981
Total Expenditures/Expenses.....	2,497,136	5,217,981
Excess (Deficiency) of Revenues Over Expenditures.....	(556,036)	1,022,773
Other Financing Sources (Uses):		
Transfers from Other Funds.....	1,084,814	-
Bond Refunding.....	(1,215,000)	-
Bond Proceeds.....	77,000	-
Refunding Bond Proceeds.....	1,150,000	-
Capital Contributions.....	-	13,465
Proceeds from Asset Sales.....	187,000	388
Transfers to Other funds.....	(560,814)	(524,000)
Total Other Financing Sources (Uses)	723,000	(510,147)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures/Expenses and Other (Uses)	166,964	512,626
Fund Balance/Retained Earnings at Beginning of Year	1,392,225	6,824,179
Fund Balance/Retained Earnings at End of Year.....	\$ 1,559,189	\$ 7,336,805

CITY OF HAWARDEN, IOWA
Required Supplementary Information – Budgetary Reporting
June 30, 2010

Primary Government Total	Hawarden Community Hospital	Reporting Entity Total	Original Budget	Final Amended Budget	Variance Favorable (Unfavorable)
\$ 1,025,010	\$ -	\$ 1,025,010	\$ 1,240,018	\$ 1,300,018	\$ (275,008)
983	-	983	614	614	369
25,176	-	25,176	24,475	24,475	701
541,215	258,303	799,518	258,504	778,697	20,821
6,331,154	5,814,603	12,145,757	13,803,807	13,803,807	(1,658,050)
8,909	-	8,909	-	-	8,909
25,260	98,705	123,965	-	-	123,965
29,941	-	29,941	-	-	29,941
20,046	-	20,046	-	-	20,046
101,838	23,900	125,738	44,100	44,100	81,638
72,322	349	72,671	32,618	32,618	40,053
<u>8,181,854</u>	<u>6,195,860</u>	<u>14,377,714</u>	<u>15,404,136</u>	<u>15,984,329</u>	<u>(1,606,615)</u>
540,598	-	540,598	563,159	568,190	27,592
429,094	-	429,094	374,184	434,284	5,190
258,303	-	258,303	270,000	270,000	11,697
450,713	-	450,713	424,301	469,026	18,313
277,993	-	277,993	521,645	1,051,871	773,878
121,153	-	121,153	514,264	514,264	393,111
195,218	-	195,218	234,200	396,025	200,807
224,064	-	224,064	207,052	923,108	699,044
5,217,981	5,976,029	11,194,010	12,441,554	12,934,574	1,740,564
<u>7,715,117</u>	<u>5,976,029</u>	<u>13,691,146</u>	<u>15,550,359</u>	<u>17,561,342</u>	<u>3,870,196</u>
<u>466,737</u>	<u>219,831</u>	<u>686,568</u>	<u>(146,223)</u>	<u>(1,577,013)</u>	<u>2,263,581</u>
1,084,814	-	1,084,814	942,443	1,480,143	(395,329)
(1,215,000)	-	(1,215,000)	-	-	(1,215,000)
77,000	-	77,000	-	77,000	-
1,150,000	-	1,150,000	-	650,000	500,000
13,465	-	13,465	-	-	13,465
187,388	1,100	188,488	-	-	188,488
(1,084,814)	-	(1,084,814)	(942,443)	(1,480,143)	395,329
<u>212,853</u>	<u>1,100</u>	<u>213,953</u>	<u>-</u>	<u>727,000</u>	<u>(513,047)</u>
679,590	220,931	900,521	(146,223)	(850,013)	1,750,534
8,216,404	3,070,023	11,286,427	11,286,427	11,286,427	-
<u>\$ 8,895,994</u>	<u>\$ 3,290,954</u>	<u>\$ 12,186,948</u>	<u>\$ 11,140,204</u>	<u>\$ 10,436,414</u>	<u>\$ 1,750,534</u>

CITY OF HAWARDEN, IOWA
 POST EMPLOYMENT HEALTHCARE BENEFITS
 SCHEDULE OF FUNDING PROGRESS
 For the Year Ended June 30, 2010

Audit Period	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
6/30/2010		* \$ -	\$ 14,965	\$ 14,965	0.00%	\$ 1,115,467	1.342%

* Fiscal 2010 was the first year for calculating the Post Employment Benefit Obligation so information from previous years is not available.

CITY OF HAWARDEN, IOWA
 COMBINING BALANCE SHEET
 Governmental Nonmajor Funds
 JUNE 30, 2010

	Special Revenue Funds					Capital Projects	
	Road Use Tax	Employee Benefit Levy	Local Option Sales Tax	USDA Revolving Loan Fund	Revolving Loan Fund	Capital Improve- ment	Walking Trail Project
Assets							
Cash and Cash Equivalents	\$ 26,856	\$ 3,846	\$ -	\$ 5,000	\$ 127	\$ 20,278	\$ 188
Receivables (Net, where applicable, of allowance for uncollectibles)				-	-		
Taxes	-	3,248	-	-	-	-	-
Subsequent Year Taxes	-	133,740	-	-	-	-	-
Accrued Interest	-	-	-	-	-	-	-
Pledges Receivable	-	-	-	-	-	-	-
Notes Receivable	-	-	-	-	389,295	-	-
Due from Other Governmental Agencies	13,720	-	43,523	-	-	-	-
Restricted Assets:							
Donor Restricted Investments	-	-	-	-	-	-	-
Total Assets	40,576	140,834	43,523	5,000	389,422	20,278	188
Liabilities and Fund Balances							
Liabilities:							
Accounts Payable	-	-	43,523	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-
Unearned Revenue	10,823	-	-	-	-	-	-
Deferred Revenue - Subsequent Year Taxes	-	133,740	-	-	-	-	-
Total Liabilities	10,823	133,740	43,523	-	-	-	-
Fund Balances:							
Reserved for:							
Notes Receivable	-	-	-	-	389,295	-	-
Library Endowment	-	-	-	-	-	-	-
Unreserved	29,753	7,094	-	5,000	127	20,278	188
Total Fund Balances	29,753	7,094	-	5,000	389,422	20,278	188
Total Liabilities and Equity	\$ 40,576	\$ 140,834	\$ 43,523	\$ 5,000	\$ 389,422	\$ 20,278	\$ 188

Capital Projects								Permanent Fund	Total
Capital Project	Heart of	Public Works	Capital		Contingency	Low-Mod	Marie Gregg/	Governmental	
Indust park	Hawarden	Building	Facilities	Mapping	Fund	Income	Vipond	Nonmajor	
Bomgaars	Project	Replacement	Fund			Project	Trust	Funds	
\$ -	\$ -	\$ 165,957	\$ 89,555	\$ 15,631	\$ 89,567	\$ 114,347	\$ 30,202	\$ 561,554	
-	-	-	-	-	-	-	-	3,248	
-	-	-	-	-	-	-	-	133,740	
-	-	-	-	-	-	-	1,551	1,551	
-	5,000	-	-	-	-	-	-	5,000	
-	-	-	-	-	7,500	-	-	396,795	
-	-	-	-	-	-	-	-	57,243	
-	-	-	-	-	-	-	134,233	134,233	
-	5,000	165,957	89,555	15,631	97,067	114,347	166,006	1,293,384	
-	-	-	-	-	-	-	-	43,523	
-	4,301	-	-	-	-	-	-	4,301	
-	-	-	-	-	-	-	-	10,823	
-	-	-	-	-	-	-	-	133,740	
-	4,301	-	-	-	-	-	-	192,387	
-	-	-	-	-	7,500	-	-	396,795	
-	-	-	-	-	-	-	166,006	166,006	
-	699	165,957	89,555	15,631	89,567	114,347	-	538,196	
-	699	165,957	89,555	15,631	97,067	114,347	166,006	1,100,997	
\$ -	\$ 5,000	\$ 165,957	\$ 89,555	\$ 15,631	\$ 97,067	\$ 114,347	\$ 166,006	\$ 1,293,384	

CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2010

	Special Revenue Funds					Capital Projects	
	Road Use Tax	Employee Benefit Levy	Local Option Sales Tax	USDA Revolving Loan Fund	Revolving Loan Fund	Capital Improvement	Walking Trail Project
Revenue:							
Taxes	\$ -	\$ 129,396	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenue	215,985	-	258,303	-	-	-	-
Contributions	-	-	-	-	-	8,500	-
Refunds/Reimbursements	-	-	-	-	-	7,306	-
Interest	136	-	-	-	-	280	86
Total Revenue	216,121	129,396	258,303	-	-	16,086	86
Expenditures:							
Public Safety	-	11,029	-	-	-	-	-
Public Works	32,000	-	-	-	-	-	-
Health and Social Services	-	-	258,303	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	8,500	54,961
Total Expenditures	32,000	11,029	258,303	-	-	8,500	54,961
Excess (deficiency) of revenues over expenditures	184,121	118,367	-	-	-	7,586	(54,875)
Other financing sources (uses):							
Proceeds from Debt Financing	-	-	-	-	-	-	-
Transfers In	-	-	-	5,000	-	-	57,000
Transfers Out	(179,000)	(119,364)	-	-	-	-	-
Total other financing sources (uses)	(179,000)	(119,364)	-	5,000	-	-	57,000
Net Change in Fund Balance	5,121	(997)	-	5,000	-	7,586	2,125
Fund balances (Deficits) - beginning of year	24,632	8,091	-	-	389,422	12,692	(1,937)
Fund balances - end of year	\$ 29,753	\$ 7,094	\$ -	\$ 5,000	\$ 389,422	\$ 20,278	\$ 188

Capital Projects							Permanent Fund	Total
Capital Project	Heart of	Public Works	Capital		Contingency	Low-Mod	Marie Gregg/ Vipond	Governmental
Indust park	Hawarden	Building	Facilities	Mapping	Fund	Income	Trust	Nonmajor
Bomgaars	Project	Replacement	Fund		Project	Project		Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 129,396
-	-	-	-	-	-	-	-	474,288
-	5,000	-	-	-	-	-	4,786	18,286
-	-	-	-	-	-	-	-	7,306
-	-	2,205	1,183	463	1,218	1,583	1,862	9,016
-	5,000	2,205	1,183	463	1,218	1,583	6,648	638,292
-	-	-	-	-	-	-	-	11,029
-	-	12,995	-	-	-	-	-	44,995
-	-	-	-	-	-	-	-	258,303
-	-	-	-	-	-	-	11,921	11,921
18,864	-	-	-	34,001	-	13,074	-	129,400
18,864	-	12,995	-	34,001	-	13,074	11,921	455,648
(18,864)	5,000	(10,790)	1,183	(33,538)	1,218	(11,491)	(5,273)	182,644
77,000	-	-	-	-	-	-	-	77,000
-	-	34,000	12,000	-	-	-	-	108,000
-	-	-	-	-	-	-	-	(298,364)
77,000	-	34,000	12,000	-	-	-	-	(113,364)
58,136	5,000	23,210	13,183	(33,538)	1,218	(11,491)	(5,273)	69,280
(58,136)	(4,301)	142,747	76,372	49,169	95,849	125,838	171,279	1,031,717
\$ -	\$ 699	\$ 165,957	\$ 89,555	\$ 15,631	\$ 97,067	\$ 114,347	\$ 166,006	\$ 1,100,997

CITY OF HAWARDEN, IOWA
 COMBINING STATEMENT OF NET ASSETS
 Proprietary Nonmajor Funds
 June 30, 2010

	Solid Waste Utility	Cable/Internet Utility	Total Enterprise Nonmajor Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 278,828	\$ 253,076	\$ 531,904
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	12,071	2,255	14,326
Estimated Unbilled Usage	8,065	-	8,065
Investment in Joint Venture	33,776	-	33,776
Inventories	-	48,563	48,563
Prepaid Assets	586	3,518	4,104
Non-Current Assets:			
Restricted Assets:			
Land	22,085	-	22,085
Construction in Progress	-	56,707	56,707
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	-	138,748	138,748
Total Assets	355,411	502,867	858,278
LIABILITIES			
Current Liabilities:			
Accounts Payable	7,409	20,983	28,392
Accrued Wages	-	1,244	1,244
Accrued Expenses	12	381	393
Accrued Postclosure Costs	3,400	-	3,400
Noncurrent Liabilities:			
Due within one year:			
Compensated Absences	-	510	510
Due in more than one year:			
Compensated Absences	-	2,042	2,042
Total Liabilities	10,821	25,160	35,981
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	22,085	195,455	217,540
Unrestricted	322,505	282,252	604,757
Total Net Assets	\$ 344,590	\$ 477,707	\$ 822,297

CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Proprietary Nonmajor Funds
For the Year Ended June 30, 2010

	Solid Waste Utility	Cable/Internet Utility	Total Enterprise Nonmajor Funds
Operating Revenues:			
Charges for Services	\$ 152,126	\$ 501,181	\$ 653,307
Total Operating Revenue	<u>152,126</u>	<u>501,181</u>	<u>653,307</u>
Operating Expenses:			
Resale Purchases	95,390	214,353	309,743
Employee Services	-	55,995	55,995
Contract Services	16,893	71,630	88,523
Supplies	-	11,041	11,041
Repairs and Improvements	1,000	20,631	21,631
Utilities	36	-	36
Miscellaneous	179	3,189	3,368
Depreciation	-	13,742	13,742
Total Operating Expenses	<u>113,498</u>	<u>390,581</u>	<u>504,079</u>
Operating Income	38,628	110,600	149,228
Non-Operating Income:			
Interest Income	4,372	3,468	7,840
Other Non-operating Revenues	750	1,563	2,313
Total Non-Operating Income	<u>5,122</u>	<u>5,031</u>	<u>10,153</u>
Income before Contributions and Transfers	43,750	115,631	159,381
Transfers Out	<u>(45,000)</u>	<u>(30,000)</u>	<u>(75,000)</u>
Change in Net Assets	(1,250)	85,631	84,381
Net Assets - Beginning	<u>345,840</u>	<u>392,076</u>	<u>737,916</u>
Net Assets - Ending	<u>\$ 344,590</u>	<u>\$ 477,707</u>	<u>\$ 822,297</u>

CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF CASH FLOWS
Proprietary Nonmajor Funds
For the Year Ended June 30, 2010

	Solid Waste Utility	Cable/Internet Utility	Total Enterprise Nonmajor Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 151,829	\$ 503,776	\$ 655,605
Cash Received from Interfund Services Provided			
Cash Paid to Suppliers for Goods and Services	(113,007)	(345,079)	(458,086)
Cash Paid to Employees for Services	-	(55,628)	(55,628)
Other Nonoperating Income	750	1,563	2,313
Net Cash Provided by Operating Activities	<u>39,572</u>	<u>104,632</u>	<u>144,204</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and Construction of Capital Assets	-	(56,707)	(56,707)
Net Cash (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(56,707)</u>	<u>(56,707)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Operating Transfers to Other Funds	(45,000)	(30,000)	(75,000)
Net Cash (Used) for Non-Capital Financing Activities	<u>(45,000)</u>	<u>(30,000)</u>	<u>(75,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	4,372	3,468	7,840
Net Cash Provided for Investing Activities	<u>4,372</u>	<u>3,468</u>	<u>7,840</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,056)	21,393	20,337
Cash and Cash Equivalents at Beginning of Year	<u>279,884</u>	<u>231,683</u>	<u>511,567</u>
Cash and Cash Equivalents at End of Year	<u>\$ 278,828</u>	<u>\$ 253,076</u>	<u>\$ 531,904</u>

CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF CASH FLOWS (Continued)
Proprietary Nonmajor Funds
For the Year Ended June 30, 2010

	Solid Waste Utility	Cable/Internet Utility	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	\$ 38,628	\$ 110,600	\$ 149,228
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	-	13,742	13,742
Miscellaneous Non-Operating Income	750	1,563	2,313
(Increase) Decrease in Assets:			
Accounts Receivable	(1,130)	2,595	1,465
Estimated Unbilled Usage	833		833
Inventories		(24,908)	(24,908)
Prepaid Expenses	25	69	94
Increase (Decrease) in Liabilities			
Accounts Payable	1,137	377	1,514
Accrued Wages	-	274	274
Accrued Compensated Absences	-	93	93
Accrued Expenses	(671)	227	(444)
Total Adjustments	944	(5,968)	(5,024)
Net Cash Provided by Operating Activities	\$ 39,572	\$ 104,632	\$ 144,204

**Reconciliation of Cash and Cash Equivalents
to the Balance Sheet:**

Cash and Cash Equivalents	\$ 278,828	\$ 253,076	\$ 531,904
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CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF NET ASSETS
Fiduciary Funds
JUNE 30, 2010

	Agency Funds			Total
	Payroll Clearing	Flex Spending	Community Projects	
ASSETS				
Cash and Cash Equivalents	\$ 14,157	\$ 3,862	\$ 25,679	\$ 43,698
Total Assets	14,157	3,862	25,679	43,698
LIABILITIES				
Due to Other Governments	14,157	3,862	25,679	43,698
Total Liabilities	\$ 14,157	\$ 3,862	\$ 25,679	\$ 43,698

CITY OF HAWARDEN, IOWA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<u>PAYROLL CLEARING</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 12,351	\$ 1,801,986	\$ 1,800,180	\$ 14,157
Total Assets	12,351	1,801,986	1,800,180	14,157
<u>Liabilities</u>				
Due to Other Governments	12,351	1,801,986	1,800,180	14,157
Total Liabilities	12,351	1,801,986	1,800,180	14,157
<u>FLEX SPENDING</u>				
<u>Assets</u>				
Cash and Cash Equivalents	3,290	20,550	19,978	3,862
Total Assets	3,290	20,550	19,978	3,862
<u>Liabilities</u>				
Due to Other Governments	3,290	20,550	19,978	3,862
Total Liabilities	3,290	20,550	19,978	3,862
<u>COMMUNITY PROJECTS FUND</u>				
<u>Assets</u>				
Cash and Cash Equivalents	31,602	32,869	38,792	25,679
Total Assets	31,602	32,869	38,792	25,679
<u>Liabilities</u>				
Accounts Payable	254	-	254	-
Due to Other Governments	31,348	32,869	38,538	25,679
Total Liabilities	31,602	32,869	38,792	25,679
<u>ALL AGENCY FUNDS TOTAL</u>				
<u>Assets</u>				
Cash and Cash Equivalents	47,243	1,855,405	1,858,950	43,698
Total Assets	47,243	1,855,405	1,858,950	43,698
<u>Liabilities</u>				
Accounts Payable	254	-	254	-
Due to Other Governments	46,989	1,855,405	1,858,696	43,698
Total Liabilities	\$ 47,243	\$ 1,855,405	\$ 1,858,950	\$ 43,698

CITY OF HAWARDEN
Schedule of Findings
For the Year Ended June 30, 2010

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.
There were no prior year audit findings.

SIGNIFICANT DEFICIENCIES:

II-A-10 Financial Reporting

Observation – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the City's financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the City's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion – Response accepted.

Part III: Other Findings Related to Required Statutory Reporting

III-A-10 Certified Budget – Expenditures for the year ended June 30, 2010 did not exceed amounts budgeted in any function.

III-B-10 Questionable Expenses – We noted no expenditures that we believe may constitute unlawful expenditures from public funds as defined in an Attorney General's opinion dated April 25, 1979.

III-C-10 Travel Expenses – Mileage reimbursements from January 1, 2010 to June 30, 2010 were reimbursed on the incorrect rate.

Recommendation – The City should implement procedures to ensure the mileage reimbursement rates are updated and coincide with the federal rates.

Response – We will double check these in the future to avoid using wrong mileage reimbursement rates.

Conclusion – Response accepted.

CITY OF HAWARDEN
Schedule of Findings
For the Year Ended June 30, 2010

III-D-10 Business Transactions – The following business transactions between the City and City officials and/or employees were noted during the year ended June 30, 2010.

<u>Name, Title and Business Connection</u>	<u>Transaction/Description</u>	<u>Amount</u>
Dennis Anderson, Spouse of Council-Person and owner of Anderson Construction	Walking trail project and various concrete projects	\$ 55,594

The walking trail project done by Anderson Construction was awarded through the competitive bid process and appears proper. The other projects not awarded through the competitive bid process consist of small patching or repair projects and appear proper.

III-E-10 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions.

III-F-10 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

III-G-10 Revenue Bonds – No violations of revenue bond resolutions were noted.

III-H-10 Deposits and Investments – No instances of non-compliance 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-I-10 Telecommunication Services – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.



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

Honorable Members of the City Council
City of Hawarden, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hawarden, Iowa as of and for the year ended June 30, 2010, which collectively comprise the City of Hawarden, Iowa's basic financial statements and have issued our report thereon dated November 15, 2010. 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. We did not audit the financial statements of the Hawarden Municipal Hospital, which statements reflect total assets of \$4,430,622 and total program revenues of \$5,913,657 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Hawarden Municipal Hospital, is based solely on the report of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Hawarden, Iowa'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 an opinion on the effectiveness of the City of Hawarden, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Hawarden, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We consider the deficiency described in the accompanying Schedule of Findings as item II-A-10 to be a material weakness and significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hawarden, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Hawarden, Iowa's response to the findings identified in our audit is described in the accompanying Schedule of Findings. We did not audit the City of Hawarden, Iowa's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the City Council, management, federal awarding agencies and pass-through entities and 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 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.

Williams & Company, P.C.
Certified Public Accountants

November 15, 2010