

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
CITY OF ONAWA, IOWA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2011

PREPARED BY THE
OFFICE OF THE CITY CLERK

CITY OF ONAWA, IOWA

CITY OF ONAWA, IOWA
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INTRODUCTORY SECTION

CITY OF ONAWA, IOWA



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

Larry D. Burks, City Administrator
(712) 433-1181

Roger Gries
Interim Superintendent of Utilities
(712) 433-1511

CITY OF ONAWA

914 Diamond Street • Onawa, Iowa 51040

Honorable Mayor and City Council
City of Onawa
Onawa, Iowa

We are pleased to provide you with the Comprehensive Annual Financial Report (CAFR) of the City of Onawa. This report is for the fiscal year ended June 30, 2011. The report is submitted each year as required by State Law, Chapter 11.6. The report is prepared according to generally accepted accounting principles (GAAP) for government as established by the Governmental Accounting Standards Board (GASB). It is audited by Henjes, Conner & Williams, P.C.

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

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

PROFILE OF THE CITY OF ONAWA

The City of Onawa was incorporated in 1859 under the provisions of the Iowa State Legislature. It is located in Monona County on Interstate 29 about 35 miles south of Sioux City, Iowa and 60 miles north of Omaha, Nebraska on the western edge of Iowa. The population is approximately 3000.

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

FINANCIAL INFORMATION

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

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

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

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

FACTORS AFFECTING FINANCIAL CONDITION

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

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

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

The City experienced an increase in local option sales and use tax of 9.83% from fiscal 2009-2010 to 2010-2011. The local option sales tax is used for economic development (10%), infrastructure (15%) and property tax relief (75%). This increase demonstrates a stable economy especially when the country as a whole is experiencing a down economy.

However, because of the flooding of the Missouri River from May to November, the sales of businesses are down which in turn will reduce the amount of local option sales tax that will be collected in the fiscal year 2011-2012.

LONG-TERM FINANCIAL PLANNING

The City is finishing its work on a five year comprehensive plan for the future direction of the City, including the City's goals for the community and economic development. Included in the plan is a capital improvement plan which includes all improvements of the City. This plan would address all of City's improvement projects including all governmental and enterprise functions. The plan also incorporated the vision of the Monona County Economic Development to establish a industrial park east of Onawa.

The Utility Department completed the updated water treatment plant project in June 2011 at a cost of \$2,115,000. The project was financed by a grant and \$1,560,000 from a State Revolving Loan Fund.

The Utility Department has entered into a contract to upgrade the electrical system for a portion of the City. The upgrade would include replacing the overhead lines with an underground system at an estimated cost of \$900,000. This project is to be financed by cash reserves and an I-Jobs grant and is to be completed in fiscal year 2011-2012.

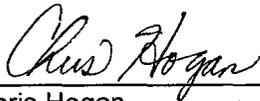
The city entered into a contract to build the new fire station for an estimated cost of \$1,100,000. This was financed by \$650,000 of general obligation bonds and a reimbursement from TIF revenues for the remainder.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Onawa for its comprehensive annual financial report (CAFR) for the year ended June 30, 2010. In order to receive this award, the City must publish an easily readable and efficiently organized CAFR. The report must also satisfy both generally accepted accounting principles and applicable legal requirements. The award is valid for one year only. The City is submitting the 2011 annual financial report to GFOA for review to determine its eligibility for an award.

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

Respectfully submitted,



Chris Hogan
City Clerk



Terry Christensen
Deputy Clerk

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Onawa
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

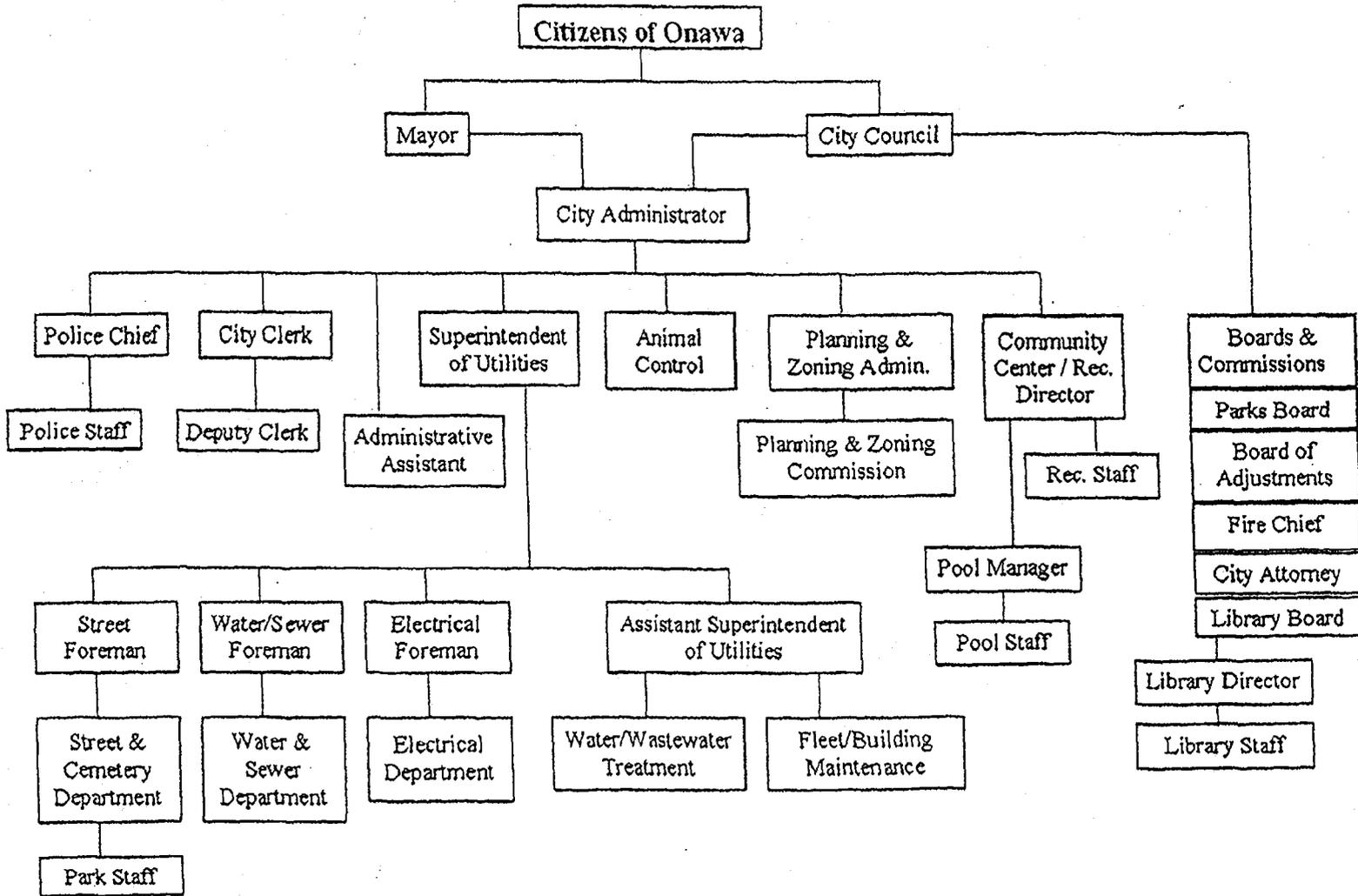
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

City of Onawa Organizational Chart



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CITY OF ONAWA, IOWA

CITY OFFICIALS

JUNE 30, 2011

ELECTED CITY OFFICERS

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

APPOINTED CITY OFFICERS

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

CITY OF ONAWA, IOWA

APPOINTED BOARDS AND COMMISSIONS

JUNE 30, 2011

ONAWA PARKS AND PLAYGROUNDS

Jill Hausman
Lisa Meadows
Clint Lamb
June Delashmutt

LIBRARY TRUSTEES

Travis Root
Lou Hewitt
William Wonder
Matt Minihan
Geri Johnson

PLANNING AND ZONING BOARD

Roger Hansen
Jim Kelley
Ken Wingert
Bob Lesenyie
John Stroeh
Rebecca Tanner

BOARD OF ADJUSTMENTS

Joe Scurlock
Randy Cass
Sandy Simpson
Larry Duval
Jim Johnson

HEALTH OFFICER

Family Medicine Clinic

FIRE CHIEF

Jeff Sander

WIMECA BOARD DIRECTOR

Vince Phillips

HOUSING AUTHORITY COMMITTEE

Mike Carpenter

LOW RENT HOUSING

Linda Gunderson
Ruth Johnson
Jerry Laffey
Myron Johnson
Beau Hupke

STREET TREE COMMITTEE

Larry Duval
Ano Wilkins
Reta Benson
Brett Ewing

LAW ENFORCEMENT AGENCY

Bob Skelton, Mayor
Rick Moser
John Noer, Alternate

AIRPORT ADVISORY COMMITTEE

Rick Moser
Baynard Willey
Larry Burks
Ed Weiner
Aaron Stangel
Tim Coyle
Fran Tramp
Vincent Willey
William Wonder

SIMPCO

Bob Skelton
Lonnie Campbell, Alternate

PERSONNEL COMMITTEE

Rick Moser
Gary Addy
Vince Phillips
Tim Coyle
Larry Burks
John Noer
Jeff Sander
Dennis Nelson

CITY OF ONAWA, IOWA

COUNCIL STANDING COMMITTEES

JUNE 30, 2011

FINANCE

Lonnie Campbell
Dennis Nelson
Tim Coyle
Bob Skelton, Alternate

GOVERNMENT AFFAIRS

Lonnie Campbell
Rick Moser
John Noer

CITIZEN RELATIONS

Dennis Nelson
Aaron Stangel
John Noer

COMMUNITY PROTECTION/SERVICES

Aaron Stangel
John Noer
Lonnie Campbell

UTILITIES/INFRASTRUCTURE

John Noer
Dennis Nelson
Lonnie Campbell

CITY OF ONAWA, IOWA

CITY PERSONNEL

JUNE 30, 2011

ADMINISTRATION

Larry Burks
Chris Hogan
Terry Christensen
Elaine Miller

City Administrator
City Clerk
Deputy Clerk
Administrative Assistant

POLICE DEPARTMENT

Gary Addy
James Fouts
Joe Farrens - PT
Jon Pinkelman
Lee Kirkpatrick, Jr.
Kyle Tank
Darin Specketer

Police Chief
Assistant Chief
Patrolman
Patrolman
Patrolman
Patrolman
Patrolman

STREETS AND CEMETERY

Randy Larson
Dave Fender
Kirk Kreger

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

MUNICIPAL BUILDINGS

Rod Ulven

Maintenance Shop Supervisor

UTILITIES

Roger Gries
Vincent Phillips
Robert Walker
Curtis Richardson
George Carrier
Carl Lamb
David Richardson
Bill Nielsen

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

LIBRARY

Lori Beck
Chris Zink
Jo Keitges / Sally Towne
Ann Crawford / Margaret Blatchford
Samantha Beck / Elicia Towne
Kayla Beck / Katherine Keitges

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

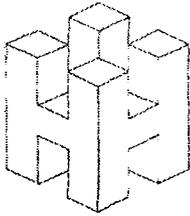
COMMUNITY CENTER

Clint Weaver
Richard Wade
Melissa Gibson

Director
Part-time Staff
Part-time Staff

FINANCIAL SECTION

CITY OF ONAWA, IOWA



HENJES, CONNER &
WILLIAMS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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FAX (712) 253-3431

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the CITY OF ONAWA, IOWA, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Onawa, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Onawa, Iowa as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2011, on our consideration of the City of Onawa, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 13 through 21 and 59 through 62 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 Onawa, Iowa's financial statements as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010, (which are not presented herein) and expressed unqualified opinions on those financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor 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 financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Henzes, Loney, & Williams, P.C.

Certified Public Accountants

Sioux City, Iowa
December 16, 2011

Management Discussion and Analysis

June 30, 2011

This discussion and analysis of the City of Onawa financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2011. We encourage the readers to consider the information presented here in conjunction with the additional information furnished in our letter of transmittal on page 1 and the City's financial statements that follow this report.

Financial Highlights:

- The assets of the City of Onawa exceeded liabilities at June 30, 2011, by \$15,471,703. Of this amount, \$4,263,940 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by 3.20% or \$480,317 during the year. Of this amount, the net assets of our Governmental Activities increased \$278,930 and the net assets of our Business Activities increased \$201,387.
- The largest factors in the increase in net assets were the increase in infrastructure, property, and equipment of \$3,620,431, the increase in Investment in WIMECA of \$135,996, increase in General Obligation Bonds of \$465,000, issuance of Revenue Bond of \$1,559,129, and an offsetting decrease in Cash and Investments of \$1,293,128.
- The City's long-term debt increased due to the scheduled retirement of long-term debt of \$185,000, and issuance of new bonds for \$650,000. Outstanding General Obligation debt totals \$1,645,000. Outstanding water revenue bond debt totals \$1,559,129.

USING THIS ANNUAL REPORT

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

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

REPORTING THE CITY FINANCIAL STATEMENTS

Government-wide Financial Statements

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

One of the most important questions asked about the City's finances is *"Is the City of Onawa in a better financial position at the end of this fiscal year, compared to last year?"* The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way

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

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

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE CITY AS A WHOLE

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

The following comparative chart shows the changes in net assets for the years ended June 30, 2011 and 2010.

	General Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 3,108,439	\$3,643,520	\$ 4,036,272	\$ 4,565,878	\$ 7,144,711	\$ 8,209,398
Capital Assets	<u>7,891,283</u>	<u>6,392,769</u>	<u>5,444,044</u>	<u>3,322,127</u>	<u>13,335,327</u>	<u>9,714,896</u>
Total Assets	10,999,722	10,036,289	9,480,316	7,888,005	20,480,038	17,924,294
Long-Term Debt Outstanding	1,645,000	1,180,000	1,559,129	-	3,204,129	1,180,000
Other Liabilities	<u>1,410,000</u>	<u>1,190,497</u>	<u>394,206</u>	<u>562,411</u>	<u>1,804,206</u>	<u>1,752,908</u>
Total Liabilities	<u>3,055,000</u>	<u>2,370,497</u>	<u>1,953,335</u>	<u>562,411</u>	<u>5,008,335</u>	<u>2,932,908</u>
Net Assets:	<u>7,944,722</u>	<u>7,665,792</u>	<u>7,526,981</u>	<u>7,325,594</u>	<u>15,471,703</u>	<u>14,991,386</u>
Invested in Capital Assets, Net of Related Debt	6,285,730	5,232,130	3,902,382	3,322,127	10,188,112	8,554,257
Restricted	1,019,651	979,785	-	-	1,019,651	979,785
Unrestricted	<u>639,341</u>	<u>1,453,877</u>	<u>3,624,599</u>	<u>4,003,467</u>	<u>4,263,940</u>	<u>5,457,344</u>
Total Net Assets	<u>\$ 7,944,722</u>	<u>\$7,665,792</u>	<u>\$ 7,526,981</u>	<u>\$ 7,325,594</u>	<u>\$ 15,471,703</u>	<u>\$ 14,991,386</u>

This summary reflects an increase of 3.64% for the Governmental Activities and an increase of 2.75% in the Business-Type Activities. The Total Net Assets increased by 3.20%.

Total revenue reported in Fiscal 2011 was \$5,814,860. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities for Fiscal Year 2011 and 2010.

Revenue Source	General Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Program Revenues:						
Charges of Services	\$ 113,791	\$ 121,582	\$ 3,160,238	\$ 3,081,449	\$ 3,274,029	\$ 3,203,031
Operating Grants and Contributions	349,756	406,090			349,756	406,090
Total Program Revenues	463,547	527,672	3,160,238	3,081,449	3,623,785	3,609,121
General Revenues & Interfund Transfers:						
Property Taxes	982,281	895,992			982,281	895,992
Local Option Sales Tax	212,364	193,364			212,364	193,364
Interest	30,730	46,659	13,387	40,815	44,117	87,474
General Intergovernmental Revenues	104,526	63,012	455,495		560,021	63,012
Sale of Merchandise			15,469	17,854	15,469	17,854
Payment in Lieu of Taxes	112,917	102,418			112,917	102,418
Miscellaneous	116,764	63,404	143,156	229,351	259,920	292,755
Total General Revenues before Interfund Transfers and Activity in Endowment Fund	1,559,582	1,364,849	627,507	288,020	2,187,089	1,652,869
Activity in Nonexpendable Endowment Funds						
Interest	1,961	2,473			1,961	2,473
Contributions	2,025	600			2,025	600
Less Transfers to General Fund	(2,204)	(4,332)			(2,204)	(4,332)
Net Activity in Nonexpendable Endowment Funds	1,782	(1,259)			1,782	(1,259)
Total General Revenues before Interfund Transfers	1,561,364	1,363,590	627,507	288,020	2,188,871	1,651,610
Interfund Transfers	14,204	16,332	(12,000)	(12,000)	2,204	4,332
Total General Revenues & Interfund Transfers	1,575,568	1,379,922	615,507	276,020	2,191,075	1,655,942
Total Revenues & Interfund Transfers	\$ 2,039,115	\$ 1,907,594	\$ 3,775,745	\$ 3,357,469	\$ 5,814,860	\$ 5,265,063

Program revenues totaled \$3,623,785 for fiscal year 2011. Governmental Activities provided \$463,547 and Business-Type Activities provided \$3,160,238. Revenue collected for Charges for Services during fiscal year 2011 was \$3,274,029, accounting for 89% of the total program revenues.

General Revenues for fiscal year 2011 totaled \$2,191,075. Governmental Activities provided \$1,575,568 and Business-Type Activities provided \$615,507. Property Tax Revenues for fiscal year 2011 totaled \$982,281, accounting for 63% of General Governmental Revenues.

Expenses for Fiscal 2011 totaled \$5,334,543. Expenses for General Governmental Activities totaled \$1,760,185, accounting for 33% of total expenses. Business-Type Activity expenses totaled \$3,574,358, for 67% of the total.

The following table shows total expenses by Function/Program for Fiscal Years 2011 and 2010.

Program Level	General Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Public Safety	\$ 537,893	\$ 544,259	\$ -	\$ -	\$ 537,893	\$ 544,259
Public Works	299,537	295,307	-	-	299,537	295,307
Culture and Recreation	520,619	554,150	-	-	520,619	554,150
Community and Economic Development	68,046	104,579	-	-	68,046	104,579
General Government	274,008	204,968	-	-	274,008	204,968
Debt Service	60,082	52,130	-	-	60,082	52,130
Electric System	-	-	2,552,807	2,522,518	2,552,807	2,522,518
Water System	-	-	438,065	360,061	438,065	360,061
Sewer System	-	-	583,486	586,126	583,486	586,126
Total Expenses	\$ 1,760,185	\$ 1,755,393	\$ 3,574,358	\$ 3,468,705	\$ 5,334,543	\$ 5,224,098

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

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

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue

calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Culture and Recreation, the City spent \$520,619 and received \$117,776 in revenue, thus leaving a cost to the taxpayer of \$402,843 to be funded by various methods. The format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Taxes	Fines and Forfeits
Special Assessments	Contributions
Licenses and Permits	Refunds/Reimbursements
Intergovernmental Revenue	Grants
Charges for Services	

The total cost of governmental activities this year was \$1,760,185. Of these costs, \$113,791 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 \$349,756, leaving a Net Expense of \$1,296,638 for Governmental Activities. These expenses of \$1,296,638 were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

Functions/Programs	Net (Expense) Revenue	
	6/30/2011	6/30/2010
Governmental Activities:		
Public Safety	\$ (510,974)	\$ (500,098)
Public Works	1,854	1,470
Culture and Recreation	(402,843)	(414,694)
Community and Economic Development	(62,543)	(97,836)
General Government	(262,050)	(164,433)
Debt Service	(60,082)	(52,130)
Total Net (Expense) Revenue		
Governmental Activities	(1,296,638)	(1,227,721)
General Revenues	1,563,568	1,367,922
Excess of Revenues over Expenses		
Before Transfers in	266,930	140,201
Transfers In	12,000	12,000
Change in Net Assets	\$ 278,930	\$ 152,201

Total resources available during the year to finance governmental operations were \$9,704,907, consisting of Net Assets at July 1, 2010 of \$7,665,792, Program Revenues of \$463,547 and General Revenues of \$1,575,568. Total Governmental Activities during the year expended \$1,760,185; thus, Net Assets were increased by \$278,930 to \$7,944,722.

Business Type Activities

Business Type Activities increased the City's net assets by \$201,387.

The cost of all Proprietary Activities this year was \$3,574,358. As shown in the Statement of Activities, the amounts paid by users of the systems were \$3,160,238, resulting in total Net Expenses for Business Type Activities of \$414,120. The Net (Expense) Revenue by Business Type Activity is shown in the following table:

Business-Type Activities	2011 Net (Expense) Revenue	2010 Net (Expense) Revenue
Electric System	\$ (378,532)	\$ (366,422)
Water System	(59,449)	(7,027)
Sewer System	23,861	(13,807)
Total Net (Expense) Revenue		
Business-Type Activities	(414,120)	(387,256)
Non-Operating Revenues	627,507	288,020
Change in Net Assets Before Transfers	213,387	(99,236)
Transfers Out	(12,000)	(12,000)
Change in Net Assets	\$ 201,387	\$ (111,236)

Total resources available during the year to finance Proprietary Fund activities were \$11,101,339 consisting of Net Assets at July 1, 2010 of \$7,325,594, Program Revenues of \$3,160,238 and General Revenues of \$615,507. Total Proprietary Fund Activities during the year expended \$3,574,358; thus Net Assets increased by \$201,387 to \$7,526,981.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of \$1,466,392. The combined Governmental Funds balance decreased \$725,648 from the prior year.

The General Fund is the primary operating fund of the City. During the year, revenues exceeded expenditures in the General Fund by \$137,930. The General, Tax Increment Financing fund balances decreased \$175,523 due to less taxes collected than expenditures from the TIF district and transfers to debt service fund for retirement of TIF debt. The Road Use Tax fund balances decreased \$23,874 due to expenditures for street repairs. The Local Option Sales Tax fund balances increased by \$69,904 due to accumulation of funds for future infrastructure expenditures. Debt Service Funds saw very minimal changes during the year maintaining a fund balance consistent with recent years. The fire station project had a decrease in fund balance of \$690,155 due to expenditures exceeding the revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

The fiscal year 2011 original (adopted) General Fund amount was \$1,335,075.

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

Expenditures	Budget Amended	Actual (Cash Basis)	Variance
Public Safety	\$ 564,378	\$ 534,109	\$ (30,269)
Public Works	20,750	50,983	30,233
Culture and Recreation	497,847	419,735	(78,112)
Community and Economic Development	60,950	23,992	(36,958)
General Government	<u>191,150</u>	<u>186,084</u>	<u>(5,066)</u>
Total Expenditures	<u>\$ 1,335,075</u>	<u>\$ 1,214,903</u>	<u>\$ (120,172)</u>

CAPITAL ASSETS

The City's investment in capital assets, including land, buildings and improvements and equipment represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2011, was \$10,188,112 (net of accumulated depreciation and outstanding financings).

The gross additions to capital assets for Fiscal Years 2011 and 2010 are as follows:

	General Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Construction in Progress	\$ 1,416,835	\$ 377,116	\$ 509,622	\$ 382,062	\$ 1,926,457	\$ 759,178
Buildings	-	-	-	-	-	-
Improvements - Other than Buildings	200,818	-	1,801,626	51,816	2,002,444	51,816
Equipment	153,392	173,118	14,551	23,558	167,943	196,676
Infrastructure	30,000	48,053	-	-	30,000	48,053
	<u>\$ 1,801,045</u>	<u>\$ 598,287</u>	<u>\$ 2,325,799</u>	<u>\$ 457,436</u>	<u>\$ 4,126,844</u>	<u>\$ 1,055,723</u>

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

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

DEBT ADMINISTRATION

At year-end the City had \$3,204,129 of debt outstanding. This is an increase of \$2,024,129 from the prior year due to the issuance of \$650,000 in General Obligation Bonds, \$1,559,129 in State Revolving Funds, Revenue Notes, and the retirement of \$185,000 in General Obligation Bonds.

Debt administration is on track, with 100% of all City debt repaid within the next 20 years. This rapid repayment, when used with TIF, has allowed the City to maintain our good rating. This reflects well on our community.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$5,262,288. With outstanding General Obligation Debt applicable

to this limit of \$1,645,000, we are utilizing less than 32% of this limit. More detailed information on debt administration is provided in Note 7 of the financial statements.

ECONOMIC FACTORS

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

The General Fund is projected to end fiscal 2012 with a fund balance of approximately \$1,661,000, a 6.70% decrease from fiscal 2011.

The tax levy rates per \$1,000 of taxable valuation for fiscal 2012 are provided below:

General Levy	\$ 8.10000
Civic Center Levy	.13500
Library Levy	.27000
Debt Service levy	2.83297
FICA, IPERS & Employee Benefits	1.49049
Tort Liability levy	<u>.95565</u>
Total	\$ <u>13.78411</u>

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF ONAWA, IOWA

CITY OF ONAWA, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Onawa Library Advocates Foundation
ASSETS				
Cash and Cash Equivalents	\$ 8,890	\$ 9,264	\$ 18,154	\$ 10,404
Investments	1,016,775	1,179,858	2,196,633	18,039
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	-	312,063	312,063	-
Taxes	13,417	-	13,417	-
Subsequent Year Taxes	1,036,572	-	1,036,572	-
Accrued Interest	15,315	153	15,468	-
Other	13,755	8,176	21,931	-
Special Assessments	63,684	-	63,684	-
Subsequent Year Special Assessments	97,824	-	97,824	-
Due from Other Funds	(171,255)	171,255	-	-
Due from Other Governments	81,604	-	81,604	-
Inventories	-	291,034	291,034	-
Prepaid Assets	56,062	25,133	81,195	-
Temporary Cash Investments for Equipment	836,349	66,922	903,271	-
Investment in WIMECA	-	1,898,959	1,898,959	-
Restricted Assets - Cash	-	55,988	55,988	-
Unamortized Bond Issue Cost	23,105	-	23,105	-
Unamortized Bond Discount	16,342	-	16,342	-
Unamortized Loan Fees	-	17,467	17,467	-
Land	417,239	9,050	426,289	-
Construction in Progress	1,572,107	567,121	2,139,228	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	5,901,937	4,867,873	10,769,810	-
Total Assets	10,999,722	9,480,316	20,480,038	26,443
LIABILITIES				
Current Liabilities:				
Accounts Payable	293,262	215,177	508,439	-
Accounts Payable-Construction	-	32,881	32,881	-
Accrued Wages and Benefits	24,128	25,584	49,712	-
Accrued Expenditures	517	3,596	4,113	-
Accrued Interest Payable	4,385	3,898	8,283	-
Deferred Revenue - Subsequent Year Taxes	1,036,572	-	1,036,572	-
Notes Payable due within one year	230,000	57,000	287,000	-
Customer Deposits	-	55,988	55,988	-
Compensated Absences due within one year	11,242	14,271	25,513	-
Total Current Liabilities	1,600,106	408,395	2,008,501	-
Non-Current Liabilities:				
Notes Payable due in more than one year	1,415,000	1,502,129	2,917,129	-
Other Postemployment Benefits	6,166	-	6,166	-
Compensated Absences due in more than one year	33,728	42,811	76,539	-
Total Non-Current Liabilities	1,454,894	1,544,940	2,999,834	-
Total Liabilities	3,055,000	1,953,335	5,008,335	-
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	6,285,730	3,902,382	10,188,112	-
Restricted for:				
Debt Service	6,875	-	6,875	-
Specific Revenues:				
Local Option Sales Tax Purposes	677,422	-	677,422	-
Road Use Tax Purposes	210,748	-	210,748	-
Endowments:				
Nonexpendable	124,606	-	124,606	-
Unrestricted	639,341	3,624,599	4,263,940	26,443
Total Net Assets	\$ 7,944,722	\$ 7,526,981	\$ 15,471,703	\$ 26,443

CITY OF ONAWA, IOWA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 537,893	\$ 8,404	\$ 18,515	-
Public Works	299,537	1,680	299,711	-
Culture and Recreation	520,619	91,749	26,027	-
Community and Economic Development	68,046	-	5,503	-
General Government	274,008	11,958	-	-
Debt Service	60,082	-	-	-
Total Governmental Activities	<u>1,760,185</u>	<u>113,791</u>	<u>349,756</u>	<u>-</u>
Business-Type Activities:				
Electric System	2,552,807	2,174,275	-	-
Water System	438,065	378,616	-	-
Sewer System	583,486	607,347	-	-
Total Business-Type Activities	<u>3,574,358</u>	<u>3,160,238</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 5,334,543</u>	<u>\$ 3,274,029</u>	<u>\$ 349,756</u>	<u>-</u>
Component Unit:				
Onawa Library Advocates Foundation	<u>\$ 546</u>	<u>-</u>	<u>-</u>	<u>-</u>
General Revenues:				
Property taxes				
Local Option Sales Tax				
Interest				
General Intergovernmental Revenues				
Sale of Merchandise				
Payment in Lieu of Taxes				
Miscellaneous				
Contributions				
Interfund Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Primary Government		Component Unit
	Business-Type Activities	Total	Onawa Library Advocates Foundation
\$ (510,974)		\$ (510,974)	
1,854		1,854	
(402,843)		(402,843)	
(62,543)		(62,543)	
(262,050)		(262,050)	
(60,082)		(60,082)	
<u>(1,296,638)</u>		<u>(1,296,638)</u>	
	\$ (378,532)	(378,532)	
	(59,449)	(59,449)	
	23,861	23,861	
	<u>(414,120)</u>	<u>(414,120)</u>	
<u>(1,296,638)</u>	<u>(414,120)</u>	<u>(1,710,758)</u>	
-	-	-	\$ (546)
982,281	-	982,281	-
212,364	-	212,364	-
32,691	13,387	46,078	312
104,526	455,495	560,021	-
-	15,469	15,469	-
112,917	-	112,917	-
116,764	143,156	259,920	-
2,025	-	2,025	1,375
12,000	(12,000)	-	-
<u>1,575,568</u>	<u>615,507</u>	<u>2,191,075</u>	<u>1,687</u>
278,930	201,387	480,317	1,141
<u>7,665,792</u>	<u>7,325,594</u>	<u>14,991,386</u>	<u>25,302</u>
<u>\$ 7,944,722</u>	<u>\$ 7,526,981</u>	<u>\$ 15,471,703</u>	<u>\$ 26,443</u>

CITY OF ONAWA, IOWA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	TIF	Road Use Tax	Local Option Sales Tax
Assets				
Cash and Pooled Investments	\$ 4,713	-	-	-
Investments	897,275	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Taxes	10,277	\$ 1,209	-	-
Subsequent Year Taxes	692,014	153,691	-	-
Accrued Interest	14,321	-	-	-
Other	11,873	-	\$ 517	-
Special Assessments	63,523	-	-	-
Subsequent Year Special Assessments	96,542	-	-	-
Due from Other Funds	302,858	-	-	\$ 643,348
Due from Other Governmental Agencies	24,233	-	23,297	34,074
Temporary Cash Investments Designated for Equipment	574,751	-	261,598	-
Total Assets	2,692,380	154,900	285,412	677,422
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	70,373	6,767	4,436	-
Accrued Wages and Compensated Absences	18,838	-	5,290	-
Accrued Expenditures	517	-	-	-
Due to Other Funds	-	266,499	64,938	-
Deferred Revenue - Subsequent Year Taxes	692,014	153,691	-	-
Deferred Revenue - Subsequent Year Assessments	96,542	-	-	-
Total Liabilities	878,284	426,957	74,664	-
Fund Balances:				
Nonspendable:				
Perpetual Care	-	-	-	-
Endowment	-	-	-	-
Spendable:				
Restricted For:				
Debt Service	-	-	-	-
Special Revenue Funds	-	-	210,748	677,422
Assigned For:				
Capital Projects	-	-	-	-
Unassigned	1,814,096	(272,057)	-	-
Total Fund Balances (Deficits)	1,814,096	(272,057)	210,748	677,422
Total Liabilities and Fund Balances	\$ 2,692,380	\$ 154,900	\$ 285,412	\$ 677,422

See Accompanying Notes to Financial Statements

Debt Service	Fire Station Project	Other Non-major Governmental Funds	Total Governmental Funds
-	-	\$ 4,177	\$ 8,890
-	-	119,500	1,016,775
\$ 1,931	-	-	13,417
190,867	-	-	1,036,572
-	-	994	15,315
-	-	-	12,390
-	-	161	63,684
-	-	1,282	97,824
4,944	-	42,290	993,440
-	-	-	81,604
-	-	-	836,349
197,742	-	168,404	4,176,260
-	\$ 192,299	18,472	292,347
-	-	-	24,128
-	-	-	517
-	604,221	322,822	1,258,480
190,867	-	-	1,036,572
-	-	1,282	97,824
190,867	796,520	342,576	2,709,868
-	-	91,510	91,510
-	-	33,096	33,096
6,875	-	-	6,875
-	-	29,534	917,704
-	-	12,756	12,756
-	(796,520)	(341,068)	404,451
6,875	\$ (796,520)	(174,172)	1,466,392
\$ 197,742	-	\$ 168,404	\$ 4,176,260

CITY OF ONAWA, IOWA

CITY OF ONAWA, IOWA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

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

Total Fund Balance - Governmental Funds (page 26)	\$	1,466,392
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds		7,891,283
Subsequent year assessments are not available to pay for current period expenditures and are deferred in the funds		97,824
Deficit in Internal service fund used by management to fund and maintain the City's health insurance deductible account and is included in the statement of net assets.		(24,218)
Internal service fund used by management to fund and maintain the City's deductible account and is included in the statement of net assets.		118,453
Accrued interest expense does not require the use of current financial resources and is not reported in the governmental funds		(4,385)
Bond issue costs and Bond Discounts are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources		39,447
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources		56,062
The following long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Long-term debt		(1,645,000)
Other Postemployment Benefits Payable		(6,166)
Compensated Absences Payable		(44,970)
		<hr/>
Total Net Assets - Governmental Activities (page 22)	\$	<u>7,944,722</u>

CITY OF ONAWA, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General	TIF	Road Use Tax	Local Option Sales Tax
Revenue:				
Taxes	\$ 702,357	\$ 152,533	-	-
Special Assessments	43,851	-	-	-
Licenses and Permits	9,338	-	-	-
Intergovernmental Revenue	104,526	2,899	\$ 285,012	\$ 212,364
Charges for Services	89,614	-	-	-
Fines and Forfeits	12,219	-	-	-
Contributions	37,542	-	-	-
Proceeds of Sale of Bonds	-	-	-	-
Interest	30,523	-	-	-
Payment in Lieu of Taxes	112,917	-	-	-
Miscellaneous	113,862	-	1,795	5,503
Total Revenue	1,256,749	155,432	286,807	217,867
Expenditures:				
Public Safety	536,217	-	-	-
Public Works	68,370	-	310,681	-
Culture and Recreation	417,846	210,669	-	-
Community and Economic Development	21,737	23,346	-	22,963
General Government	213,853	-	-	-
Capital Projects	-	-	-	-
Debt Service	-	-	-	-
Principal Retirements	-	-	-	-
Interest	-	-	-	-
Total Expenditures	1,258,023	234,015	310,681	22,963
Excess (deficiency) of revenues over expenditures	(1,274)	(78,583)	(23,874)	194,904
Other financing sources (uses):				
Transfers In	139,204	-	-	-
Transfers Out	-	(96,940)	-	(125,000)
Total other financing sources (uses)	139,204	(96,940)	-	(125,000)
Net Change in Fund Balance	137,930	(175,523)	(23,874)	69,904
Fund Balances (Deficit) Beginning of Year	1,676,166	(96,534)	234,622	607,518
Fund Balances (Deficit) End of Year	\$ 1,814,096	\$ (272,057)	\$ 210,748	\$ 677,422

See Accompanying Notes to Financial Statements

Debt Service	Fire Station Project	Other Non-major Governmental Funds	Total Governmental Funds
\$ 126,798	-	-	\$ 981,688
-	-	\$ 158	44,009
-	-	-	9,338
-	-	-	604,801
-	-	-	89,614
-	-	-	12,219
-	-	2,025	39,567
-	\$ 650,000	-	650,000
593	-	2,168	33,284
-	-	-	112,917
-	7,000	-	128,160
<u>127,391</u>	<u>657,000</u>	<u>4,351</u>	<u>2,705,597</u>
-	-	-	536,217
-	-	207	379,258
-	-	-	628,515
-	-	-	68,046
-	-	-	213,853
-	1,334,845	37,924	1,372,769
185,000	-	-	185,000
59,587	-	-	59,587
<u>244,587</u>	<u>1,334,845</u>	<u>38,131</u>	<u>3,443,245</u>
(117,196)	(677,845)	(33,780)	(737,648)
109,250	-	-	248,454
-	(12,310)	(2,204)	(236,454)
<u>109,250</u>	<u>(12,310)</u>	<u>(2,204)</u>	<u>12,000</u>
(7,946)	(690,155)	(35,984)	(725,648)
14,821	(106,365)	(138,188)	2,192,040
<u>\$ 6,875</u>	<u>\$ (796,520)</u>	<u>\$ (174,172)</u>	<u>\$ 1,466,392</u>

CITY OF ONAWA, IOWA

CITY OF ONAWA, IOWA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2011

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

Net change in fund balances - total governmental funds (page 29)	\$ (725,648)
<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	\$ 1,787,011
Depreciation expense	<u>(288,498)</u> 1,498,513
Special assessment revenues are deferred in the governmental funds because they are not available to provide current financial resources	(31,105)
Prepaid expenses are not reported in the governmental funds as they are not available to provide current financial resources	(2,511)
Accrued interest expense that does not require current financial resources	(495)
Internal service fund used by management to fund and maintain the City's health insurance deductible account and is included in the statement of net assets. The net revenue of this internal service fund is reported with governmental activities	(9,263)
Bond issuance costs and bond discounts are recorded in the funds when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities	20,086
Some Expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Compensated absences	(2,564)
Other Postemployment Benefits	(3,083)
The issuance of indebtedness 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:	(650,000)
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>185,000</u>
Change in net assets of governmental activities (page 24)	<u>\$ 278,930</u>

CITY OF ONAWA, IOWA
 COMBINING STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2011

	Business Type Activities	
	Electric System	Water System
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 4,782	\$ 2,495
Investments	997,790	4,168
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	205,346	43,569
Accrued Interest	98	22
Other	6,536	1,504
Due from Other Funds	-	150,000
Inventories	246,259	44,261
Prepaid Assets	14,908	6,624
Investment in WIMECA	1,898,959	-
Temporary Cash Investments for Equipment	42,999	9,516
Total Current Assets	<u>3,417,677</u>	<u>262,159</u>
Non Current Assets		
Restricted Assets - Cash	55,988	-
Unamortized Loan Fees	-	17,467
Land	-	-
Construction in Progress	567,121	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	1,795,938	2,275,066
Total Non Current Assets	<u>2,419,047</u>	<u>2,292,533</u>
Total Assets	<u>5,836,724</u>	<u>2,554,692</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	178,486	8,499
Accounts Payable-Construction	32,881	-
Accrued Wages	9,836	8,236
Accrued Expenses	2,986	610
Accrued Interest Payable	-	3,898
Due to Other Funds	178,745	-
Notes Payable due in less than one year	-	57,000
Customer Deposits	55,988	-
Compensated Absences due in less than one year	5,415	5,690
Total Current Liabilities	<u>464,337</u>	<u>83,933</u>
Non-Current Liabilities		
Notes Payable due in more than one year	-	1,502,129
Compensated Absences due in more than one year	16,247	17,068
Total Non-Current Liabilities	<u>16,247</u>	<u>1,519,197</u>
Total Liabilities	<u>480,584</u>	<u>1,603,130</u>
NET ASSETS		
Invested in Capital Assets	2,363,059	733,404
Unrestricted	2,993,081	218,158
Total Net Assets	<u>\$ 5,356,140</u>	<u>\$ 951,562</u>

See Accompanying Notes to Financial Statements

Business Type Activities		Governmental Activities
Sewer System	Total	Internal Service
\$ 1,987	\$ 9,264	-
177,900	1,179,858	-
63,148	312,063	-
33	153	-
136	8,176	\$ 1,365
200,000	350,000	118,453
514	291,034	-
3,601	25,133	-
-	1,898,959	-
14,407	66,922	-
<u>461,726</u>	<u>4,141,562</u>	<u>119,818</u>
-	55,988	-
-	17,467	-
9,050	9,050	-
-	567,121	-
-	-	-
796,869	4,867,873	-
<u>805,919</u>	<u>5,517,499</u>	<u>-</u>
<u>1,267,645</u>	<u>9,659,061</u>	<u>119,818</u>
28,192	215,177	915
-	32,881	-
7,512	25,584	-
-	3,596	-
-	3,898	-
-	178,745	24,668
-	57,000	-
-	55,988	-
3,166	14,271	-
<u>38,870</u>	<u>587,140</u>	<u>25,583</u>
-	1,502,129	-
9,496	42,811	-
<u>9,496</u>	<u>1,544,940</u>	<u>-</u>
<u>48,366</u>	<u>2,132,080</u>	<u>25,583</u>
805,919	3,902,382	-
413,360	3,624,599	94,235
<u>\$ 1,219,279</u>	<u>\$ 7,526,981</u>	<u>\$ 94,235</u>

CITY OF ONAWA, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Business Type Activities</u>	
	<u>Electric System</u>	<u>Water System</u>
Operating Revenues:		
Charges for Services	\$ 2,174,275	\$ 378,616
Total Operating Revenue	<u>2,174,275</u>	<u>378,616</u>
Operating Expenses:		
Production	1,928,991	124,155
Distribution	406,733	209,790
Customer Accounts/Administration	105,998	68,078
Solid Waste	-	-
Depreciation and Amortization	111,085	36,042
Deductibles	-	-
Total Operating Expenses	<u>2,552,807</u>	<u>438,065</u>
Operating Income (Loss)	(378,532)	(59,449)
Non-Operating Income (Expense):		
Interest Income	10,323	650
Sale of Merchandise	376	15,093
Equity in Net Income of WIMECA	135,996	-
Grant Revenue	115,495	340,000
Annual Loan Fee	-	(4,385)
Interest Expense	-	(3,898)
Other Non-operating Revenues	3,627	11,727
Total Non-Operating Income (Expenses)	<u>265,817</u>	<u>359,187</u>
Income (Loss) before Transfers	(112,715)	299,738
Transfers Out	<u>(12,000)</u>	-
Change in Net Assets	(124,715)	299,738
Net Assets - Beginning	<u>5,480,855</u>	<u>651,824</u>
Net Assets - Ending	<u>\$ 5,356,140</u>	<u>\$ 951,562</u>

See Accompanying Notes to Financial Statements

Business Type Activities		Governmental Activities
Sewer System	Total	Internal Service
\$ 607,347	\$ 3,160,238	\$ 2,620
607,347	3,160,238	2,620
62,850	2,115,996	-
146,935	763,458	-
67,780	241,856	-
249,093	249,093	-
56,828	203,955	-
-	-	11,883
583,486	3,574,358	11,883
23,861	(414,120)	(9,263)
2,414	13,387	-
-	15,469	-
-	135,996	-
-	455,495	-
-	(4,385)	-
-	(3,898)	-
89	15,443	-
2,503	627,507	-
26,364	213,387	(9,263)
-	(12,000)	-
26,364	201,387	(9,263)
1,192,915	7,325,594	103,498
\$ 1,219,279	\$ 7,526,981	\$ 94,235

**CITY OF ONAWA, IOWA
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	Business Type Activities	
	Electric System	Water System
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 2,191,788	\$ 375,285
Cash Paid to Suppliers for Goods and Services	(2,189,728)	(164,011)
Cash Paid to Employees for Services	(304,557)	(233,243)
Other Nonoperating Income/(expense)	1,317	22,211
Cash Received/(Paid) for Customer Deposits	8,739	-
Net Cash Provided (Used) by Operating Activities	<u>(292,441)</u>	<u>242</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Grant Revenue	115,495	340,000
Transfers from (to) Other Funds	(12,000)	-
Advances from (to) Other funds	268,062	(293,355)
Net Cash Provided (Used) for Noncapital Financing Activities	<u>371,557</u>	<u>46,645</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(522,901)	(1,791,647)
Less: Accounts Payable -Construction	16,066	(181,209)
Proceeds from Issuance of Bonds	-	1,559,129
Loan Fees Paid	-	(17,540)
Net Cash (Used) for Capital and Related Financing Activities	<u>(506,835)</u>	<u>(431,267)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Temporary Cash Investments	(452,380)	-
Purchase of Temporary Cash Investments-Equipment	(18,000)	-
Proceeds from Sale of Temporary Cash Investments	860,880	230,000
Proceeds from Sale of Temporary Cash Investments -Equipment	-	120,000
Net Cash Provided (Used) for Investing Activities	<u>390,500</u>	<u>350,000</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(37,219)	(34,380)
Cash and Cash Equivalents at Beginning of Year	97,989	36,875
Cash and Cash Equivalents at End of Year	<u>\$ 60,770</u>	<u>\$ 2,495</u>
Supplemental Disclosures		
Noncash Investing and Financing Activities		
Reinvestment of the earnings from WIMECA	\$ 135,996	-
Reinvestment of Interest on Investments	17,890	\$ 3,037
	<u>\$ 153,886</u>	<u>\$ 3,037</u>

See Accompanying Notes to Financial Statements

<u>Business Type Activities</u>		<u>Governmental</u>
<u>Sewer</u>		<u>Activities</u>
<u>System</u>	<u>Total</u>	<u>Internal</u>
		<u>Service</u>
\$ 604,314	\$ 3,171,387	\$ 2,913
(212,418)	(2,566,157)	(11,175)
(322,844)	(860,644)	-
-	23,528	-
-	8,739	-
<u>69,052</u>	<u>(223,147)</u>	<u>(8,262)</u>
-	455,495	-
-	(12,000)	-
<u>(145,962)</u>	<u>(171,255)</u>	<u>(93,785)</u>
(145,962)	272,240	(93,785)
(11,251)	(2,325,799)	-
-	(165,143)	-
-	1,559,129	-
-	(17,540)	-
<u>(11,251)</u>	<u>(949,353)</u>	<u>-</u>
(100,793)	(553,173)	-
-	(18,000)	-
100,793	1,191,673	-
-	120,000	-
<u>-</u>	<u>740,500</u>	<u>-</u>
(88,161)	(159,760)	(102,047)
<u>90,148</u>	<u>225,012</u>	<u>\$ 102,047</u>
<u>\$ 1,987</u>	<u>\$ 65,252</u>	<u>-</u>
-	\$ 135,996	
<u>\$ 3,176</u>	<u>24,103</u>	
<u>\$ 3,176</u>	<u>\$ 160,099</u>	

(Continued)

CITY OF ONAWA, IOWA
 COMBINING STATEMENT OF CASH FLOWS (Continued)
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	Business Type Activities	
	Electric System	Water System
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ (378,532)	\$ (59,449)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	111,085	36,042
Other Non-Operating Income/(Expense)	4,003	22,435
(Increase) Decrease in Assets:		
Accounts Receivable	17,513	(3,331)
Other Receivable	(2,686)	(224)
Prepaid Expenses	(1,347)	1,891
Inventories	(42,534)	2,425
Increase (Decrease) in Liabilities:		
Accounts Payable	4,994	(7,883)
Accrued Wages and Compensated Absences	(13,999)	7,749
Accrued Expenses	323	587
Customer Deposits	8,739	-
Total Adjustments	86,091	59,691
Net Cash Provided (Used) by Operating Activities	\$ (292,441)	\$ 242

See Accompanying Notes to Financial Statements

<u>Business Type Activities</u>		<u>Governmental</u>
<u>Sewer</u>		<u>Activities</u>
<u>System</u>	<u>Total</u>	<u>Internal</u>
		<u>Service</u>
\$ 23,861	\$ (414,120)	\$ (9,263)
56,828	203,955	-
89	26,527	-
(3,033)	11,149	-
(89)	(2,999)	293
(1,143)	(599)	-
9	(40,100)	-
2,300	(589)	708
(9,770)	(16,020)	-
-	910	-
-	8,739	-
<u>45,191</u>	<u>190,973</u>	<u>1,001</u>
<u>\$ 69,052</u>	<u>\$ (223,147)</u>	<u>\$ (8,262)</u>

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

Discretely Presented Component Unit – Onawa Library Advocates Foundation (Foundation) was established under the Iowa Non-Profit Corporation Act, Chapter 504, A, of the Code of Iowa to promote the Onawa Public Library. The Foundation's financial data is reported in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City.

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

B. Basic Financial Statements-Government-Wide Statements

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

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2011

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The City does not allocate indirect costs.

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

C. Fund Accounting

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

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

The City reports the following major governmental funds:

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

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

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2011

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

2) Special Revenue Funds

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

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

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

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

4) Capital Project Funds

The Fire Station Project Fund is used to account for the cost of construction of the new fire station.

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

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

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

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

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

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Risk Insurance – The City operates an insurance deductible fund that accounts for all deductibles on insurance claims owed by the other organizational units of the City. The financial statements of the risk insurance internal service fund are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity and are not eliminated in the process of consolidation.

Health Insurance Deductibles – The City operates a health insurance deductible fund that accounts for all deductibles on employee health insurance claims owed by the other organizational units of the City. The financial statements of the health insurance deductible internal service fund are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity and are not eliminated in the process of consolidation.

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

E. Budgets

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

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

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

F. Cash And Cash Equivalents And Investments

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

- 1) Cash and Cash Equivalents
Includes investments with original maturities of three months or less.
- 2) Investments
The City uses the following methods in determining the reported amounts.

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2011

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

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

G. Property Tax Receivable, Including Tax Increment Financing

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010. Any county collections on the 2010-2011 tax levy remitted to the City within 60 days subsequent to June 30, 2011, are recorded as property tax revenue.

H. Customer Accounts and Unbilled Usage

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

I. Short-Term Interfund Receivables/Payables

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2011, balances of interfund amounts payable or receivable have been recorded as "due to other funds" and "due from other funds", respectively. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

J. Due from Other Governments

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

K. Inventories

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

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2011

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

L. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011 are recorded as prepaid items.

M. Restricted Cash

Cash restricted for utility deposits.

N. Property and Equipment

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

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

O. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

P. Long-Term Obligations

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

Q. Fund Equity

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

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2011

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

R. Interfund Transactions

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

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

S. Landfill Closure Costs

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

T. Change in Accounting Principles

In March 2009, the Governmental Accounting Standards Board (GASB) approved Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (Statement). Certain of the significant changes in the Statement will require the following:

Fund balances for each of the City's governmental funds (General Fund, special revenue funds, capital projects funds, and debt service funds) will be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance* – amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- *Restricted fund balance* – amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.
- *Committed fund balance* – amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority.
- *Assigned fund balance* – amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.
- *Unassigned fund balance* – amounts that are available for any purpose; these amounts can be reported only in the City's General Fund.

In addition, the Statement clarifies the definitions of the various types of governmental funds. Interpretations of certain terms within the new definition of special revenue funds may affect which activities the City can report in special revenue funds.

The provisions of GASBS No. 54 was implemented by the City for the fiscal year beginning July 1, 2010. Implementation required the City to restate existing fund balances for the governmental funds.

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The City's deposits at June 30, 2011, were entirely covered by Federal Depository Insurance collateralized with securities or letters of credit held by the City or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2011

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

the depositories to insure there will be no loss of public funds.

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

Deposits at June 30, 2011, are shown below:

	<u>Primary Government</u>	<u>Bank Balance</u>
Demand Deposits	\$ 256,676	\$ 532,123
Savings Deposits	1,888,566	1,888,566
Certificate of Deposits	<u>1,028,749</u>	<u>1,028,749</u>
	<u>\$ 3,173,991</u>	<u>\$ 3,449,438</u>

The primary government's investments are categorized to give an indication of the level of risk assumed by the City at year-end. At June 30, 2011, the City's investments are in a category characterized as investments that are insured or registered or for which the securities are held by the City or its agent in the City's name.

There were no significant changes in investments held during the fiscal year ended June 30, 2011.

Note 3 - RECEIVABLES

Receivables at June 30, 2011 are net of allowance for uncollectibles. The allowance for uncollectibles of the enterprise funds of the primary government was \$16,424 at June 30, 2011.

Note 4 - DUE FROM OTHER GOVERNMENTS

At June 30, 2011, amounts due from other governments were as follows:

Due from State of Iowa for Airport Grant	\$ 23,120
Due from State of Iowa Alcoholic Bev Division for Beer License	154
Due from Monona County Magistrate for Restitution	959
Due from the Iowa Department of Transportation for road use tax allocations	23,297
Due from the State of Iowa for local option sales taxes	<u>34,074</u>
Total Due From Other Governments	<u>\$ 81,604</u>

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2011

Note 5 - INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2011, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>						<u>Totals</u>
	<u>TIF</u>	<u>Road Use Tax</u>	<u>Fire Station Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Light Fund</u>	<u>Health Ins Fund</u>	
Special Revenue -							
Local Option Sales Tax	\$ 266,499	\$ 64,938	\$ 69,632	\$ 242,279			\$ 643,348
Nonmajor Governmental Funds			42,290				42,290
General Fund			222,315	80,543			302,858
Debt Service			4,944				4,944
Proprietary - Water Fund					\$ 150,000		150,000
Proprietary - Sewer Fund			171,255		28,745		200,000
Risk Insurance fund			93,785			\$ 24,668	118,453
	<u>\$ 266,499</u>	<u>\$ 64,938</u>	<u>\$ 604,221</u>	<u>\$ 322,822</u>	<u>\$ 178,745</u>	<u>\$ 24,668</u>	<u>\$ 1,461,893</u>

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

Note 6 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 417,239			\$ 417,239
Construction in Progress	420,387	\$1,416,835	\$ 265,115	1,572,107
Total capital assets not being depreciated	<u>837,626</u>	<u>1,416,835</u>	<u>265,115</u>	<u>1,989,346</u>
Capital assets being depreciated:				
Buildings	4,135,285			4,135,285
Improvements	440,194	200,818		641,012
Equipment	2,061,475	153,393	14,034	2,200,834
Infrastructure	1,125,108	295,115		1,420,223
Total capital assets being depreciated	<u>7,762,062</u>	<u>649,326</u>	<u>14,034</u>	<u>8,397,354</u>
Less: Accumulated Depreciation for:				
Buildings	730,535	85,045		815,580
Improvements	191,534	18,923		210,457
Equipment	1,081,906	131,120	14,034	1,198,992
Infrastructure	202,944	67,444		270,388
Total Accumulated Depreciation	<u>2,206,919</u>	<u>302,532</u>	<u>14,034</u>	<u>2,495,417</u>
Total capital assets being depreciated, net	<u>5,555,143</u>	<u>346,794</u>	<u>-</u>	<u>5,901,937</u>
Governmental activities capital assets, net	<u>\$ 6,392,769</u>	<u>\$ 1,763,629</u>	<u>\$ 265,115</u>	<u>\$ 7,891,283</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 9,050			\$ 9,050
Construction – In progress	382,062	\$ 185,059		567,121
Total capital assets not being depreciated	<u>391,112</u>	<u>185,059</u>	<u>-</u>	<u>576,171</u>
Capital assets being depreciated:				
Equipment	1,257,295	14,551		1,271,846
Buildings, Utility Plant, Lines, Etc.	6,425,363	2,126,189	\$ 288,940	8,262,612
Total capital assets being depreciated	<u>7,682,658</u>	<u>2,140,740</u>	<u>288,940</u>	<u>9,534,458</u>
Less: Accumulated Depreciation for:				
Equipment	916,487	77,207		993,694
Buildings, Utility Plant, Lines, Etc.	3,835,156	126,675	288,940	3,672,891
Total Accumulated Depreciation	<u>4,751,643</u>	<u>203,882</u>	<u>\$ 288,940</u>	<u>4,666,585</u>
Total capital assets being depreciated, net	<u>2,931,015</u>	<u>1,936,858</u>	<u>-</u>	<u>4,867,873</u>
Business Type activities capital assets, net	<u>\$ 3,322,127</u>	<u>\$ 2,121,917</u>	<u>-</u>	<u>\$ 5,444,044</u>

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2011

Note 6 - CAPITAL ASSETS – (Continued)

Construction in progress at June 30, 2011 for governmental activities consisted of costs associated with the 2011 Street Capital Project of \$37,090, the new fire station of \$1,506,117 and the airport project of \$28,900. Business type activities consisted of the Light Project of \$567,121. Below are the remaining amounts on the contracts to be completed after June 30, 2011.

2011 Street Capital Project	\$ 575,849
New Fire Station	16,893
Airport Project	57,800
Light Project	117,535

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

Governmental Activities:	
Public Safety	\$ 45,558
Public Works	36,977
Culture and Recreation	148,678
Community and Economic Development	3,875
General Government	67,444
Total depreciation expense – governmental activities	<u>302,532</u>
Business-Type Activities:	
Electric	111,085
Water	35,969
Sewer	56,828
Total depreciation expense – business-type activities	<u>\$ 203,882</u>

Reconciliation of Investment in Capital Assets:

	Governmental Activities	Business-Type Activities
Land	\$ 417,239	\$ 9,050
Construction in Progress	1,572,107	567,121
Capital Assets (net of accumulated depreciation)	5,901,937	4,867,873
Unamortized Bond Issue Cost	23,105	17,467
Unamortized Bond Discount	16,342	-
Less: General Obligation Bonds Payable	(1,645,000)	-
Less: State Revolving Fund Revenue		(1,559,129)
Investment in Capital Assets, Net of Related Debt	<u>\$6,285,730</u>	<u>\$3,902,382</u>

Note 7 - LONG-TERM DEBT

General Obligation Bonds

General obligation bonds have been issued for the governmental activities. These bonds are direct obligations and pledge the full faith and credit of the City.

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2011

Note 7 - LONG-TERM DEBT – (Continued)

The City has issued general obligation bonds as follows:

\$1,500,000 2003 General Obligation Bonds due in annual installments of \$95,000 to \$130,000 through 2019.

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

\$650,000 2010 General Obligation Bonds due in annual installments of \$40,000 to \$55,000 through 2025.

General obligation bonds outstanding as of June 30, 2011 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
Governmental Activities – Library	3.60 - 4.40%	\$ 900,000
Governmental Activities – TIF	3.80%	95,000
Governmental Activities – Fire	2.00 - 4.05%	650,000
		<u>\$ 1,645,000</u>

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

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 230,000	\$ 59,478
2013	140,000	51,647
2014	145,000	47,098
2015	150,000	42,202
2016	160,000	37,003
2017 - 2021	610,000	96,137
2022 - 2025	210,000	21,110
Total	<u>\$ 1,645,000</u>	<u>\$ 354,675</u>

Revenue Bond

The City entered into a Loan (Revenue Bond) Agreement with the Iowa Finance Authority in the amount of \$1,560,000 for the construction of a water system. The loan has an interest rate of 3% and a servicing fee of .25%. The city has agreed to establish rates and other charges to be sufficient to meet the expenses of the water system and to produce and maintain net revenues at a level not less than 110% of the principal and interest of the revenue bond. The rates for year ending June 30, 2011 were not sufficient enough to meet the operational expenses of the water fund. The outstanding loan amount at June 30, 2011 was \$1,559,129 with an additional advance subsequent to year-end of \$871 drawing the total loan amount of \$1,560,000.

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2011

Note 7 - LONG-TERM DEBT - (Continued)

Revenue note debt service requirements to maturity are as follows:

Year Ended June 30	Principal	Interest	Service Fee	Total
2012	\$57,000	\$46,788	\$3,900	\$107,688
2013	58,000	45,090	3,758	106,848
2014	60,000	43,350	3,612	106,962
2015	62,000	41,550	3,463	107,013
2016	64,000	39,690	3,307	106,997
2017-2021	355,000	168,270	14,023	537,293
2022-2026	416,000	111,480	9,290	536,770
2027-2031	487,129	44,910	3,742	535,781
TOTAL	<u>\$1,559,129</u>	<u>\$541,128</u>	<u>\$45,095</u>	<u>\$2,145,352</u>

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
General Obligation	\$ 1,180,000	\$ 650,000	\$(185,000)	\$ 1,645,000	\$ 230,000
Other Post Employment Benefits	3,083	3,083		6,166	
Compensated Absences	42,405	5,214	(2,649)	44,970	11,242
Total	<u>1,225,488</u>	<u>658,297</u>	<u>(187,649)</u>	<u>1,696,136</u>	<u>241,242</u>
Business Type					
Activities:					
Revenue Bonds	-	1,559,129	-	1,559,129	57,000
Compensated Absences	70,740	12,094	(25,751)	57,083	14,271
Total	<u>\$70,740</u>	<u>\$1,571,223</u>	<u>\$ (25,751)</u>	<u>\$1,616,212</u>	<u>\$71,271</u>

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2011

Note 8 - TRANSFERS

The following is a summary of transfers between funds:

<u>Transfers From</u>	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Debt Service</u>	<u>Governmental Fund Types</u>
Business Type Activities	\$12,000		\$ 12,000
TIF		\$ 96,940	96,940
Fire Station Project		12,310	12,310
Local Option Sales Tax	125,000		125,000
Nonmajor Governmental	2,204		2,204
Total Transfers	<u>\$139,204</u>	<u>\$109,250</u>	<u>\$ 248,454</u>

Transfers are used to:

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

Note 9 - PENSION AND RETIREMENT

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

Plan members are required to contribute 4.50 percent of their annual covered salary and the City is required to contribute 6.95 percent of annual covered payroll except for police employees, in which case, the percentages are 6.64 for employees and 9.95 for the city contribution. For the year ended June 30, 2010, the contribution rates for plan members were 4.30 percent and 6.65 percent, respectively, and for police employees and the City were 6.14 percent and 9.20 percent, respectively, and for the year ended June 30, 2009, the contribution rates for plan members were 4.10 percent and 6.35 percent respectively and for police employees and the City were 5.63 percent and 8.45 percent, respectively. Contribution requirements are established by state statute. The City contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$83,313, \$82,291, and \$74,334, respectively, equal to the required contributions for each year.

Effective July 1, 2011, the City's required contribution to IPERS increased to 8.07% and 9.97% of annual covered payroll for plan members and police employees, respectively.

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2011

Note 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions* during the year ended June 30, 2010.

Plan Description. The City operates a group health plan which provides medical/prescription drug benefits for retirees and their spouses, under COBRA provisions. There are 24 active members in the plan. Participants must be age 55 or older with at least ten years of service at retirement.

The medical/prescription drug coverage is a partially self-funded medical plan, administered by Three Rivers Benefit Corporation. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit 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 that, 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.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and the City's net OPEB obligation:

Annual required contribution	\$3,083
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	3,083
Contributions made	-
Increase in net OPEB obligation	3,083
Net OPEB obligation beginning of year	3,083
Net OPEB obligation end of year	\$ 6,166

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, which was used for the June 30, 2011 financials as well.

For the year ended June 30, 2011, the City contributed \$186,067 to the medical plan.

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, 2011 are summarized as follows:

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2011

Note 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB) – (Continued)

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 3,083	-0-	\$ 3,083
June 30, 2010	\$ 3,083	-0-	\$ 3,083

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$6,166, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,166. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,161,000 and the ratio of the UAAL to covered payroll was .53%. As of June 30, 2011, 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 assumptions 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, will present 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 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 July 1, 2009 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions includes a 5% discount rate based on the City's funding policy. The projected annual medical trend rate is 12%. 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 Tables. Based on the assumption that retirees were assumed to participate in the insurance until their sick leave account was exhausted. At that time continued participation was assumed to be 10% for active employees that are currently waiving coverage.

Projected claim costs of the medical plan are \$11,381 and \$11,197 annually for retirees and spouses, respectively, less than age 65. The salary increase rate was assumed to be 3.0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2011

Note 11 - DEFICIT FUND EQUITY

The City has six funds with deficit equity balances at June 30, 2011. The City intends to finance these deficits from various resources including general funds, special assessments to be collected and future property tax levies and TIF revenues.

The individual fund deficits were as follows:

Special Revenue – TIF	\$ 272,057
Capital Project – 2011 Street Project.....	37,090
Capital Project – 2010 Street Project.....	242,279
Capital Project – 2009 Street Project.....	40,431
Capital Project – Library Expansion.....	21,268
Capital Project – Fire Station	\$ 796,520

Note 12 - OTHER FUNDS

The following non-major funds have Restricted Fund Balances for specific purposes:

I-Jobs: For I-Jobs expenditures	\$ 29,534
Airport Project: For airport project	\$ 12,756

The following non-major funds have Nonspendable Fund Balances:

Cemetery Perpetual Care: For cemetery maintenance	\$ 91,510
Library Endowment Fund For library books, etc.	\$ 33,096

The following non-major funds have Unassigned Deficit Fund Balances:

2009 Street Project	\$(40,431)
2010 Street Project	\$(242,279)
2011 Street Project	\$(37,090)
Library Project	\$(21,268)

Note 13 - RISK MANAGEMENT

The City is a member of the Iowa Communities Assurance Pool as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2011

Note 13 - RISK MANAGEMENT – (Continued)

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2011 were \$81,986.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000 such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsurance by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim has incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

Note 14 - INVESTMENT IN WIMECA

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

It is the intent of the Association to operate on a nonprofit basis and, accordingly, earnings are distributed in accordance with the provisions of Chapter 499 of the Code of Iowa. In order to comply with such provisions, earnings must first be allocated to meet certain reserve and surplus requirements with remaining earnings allocated to the account of each member municipality based on the proportion of business which each municipality has done with the Association during the year. The City of Onawa's Electric Enterprise Fund's proportion of business for the year ended December 31, 2010 represents 32.69% of the total member business.

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2011

Note 14 - INVESTMENT IN WIMECA – (Continued)

The last available information for WIMECA is from its December 31, 2010 independent audit report. These financial statements are available at the City office.

The summary financial information of WIMECA is as follows:

	December 31, 2010
Total Assets	\$ <u>6,084,550</u>
Total Liabilities	524,281
Total Equity	<u>5,560,269</u>
Total Liabilities and Equity	<u>6,084,550</u>
Total Revenue	5,851,895
Total Expense	<u>5,435,879</u>
Net Earnings	\$ <u>416,016</u>

At December 31, 2010, WIMECA had no outstanding bonds.

At June 30, 2011, the City of Onawa Electric Enterprise Fund investment in WIMECA was as follows:

	June 30, 2011
Beginning Balance	\$ 1,762,963
Add: Net Earnings	<u>135,996</u>
Ending Balance at June 30, 2011	\$ <u>1,898,959</u>

Note 15 - CONTINGENCIES AND COMMITMENTS

On June 21, 2010, the City Council authorized the City to enter into a garbage hauling contract with Ross Enterprises, Inc. for the period of July 1, 2010 through June 30, 2015 at an annual cost of approximately \$130,000 for FY 2011, with an annual increase of approximately 2.5% for FY 2012 - FY 2015, based on the number of customers. This annual cost is subject to adjustment based on increases in fuel costs.

Note 16 - SUBSEQUENT EVENTS

The City has evaluated all subsequent events through December 16, 2011, the date of the financial statements were available to be issued.

On October 19, 2011, the City entered into a construction contract with Concrete Specialty, Inc. in the amount of \$562,631 for the 12th Street project.

On November 22, 2011, the City Council adopted a resolution fixing date for a meeting on the authorization of a loan agreement and the issuance of not to exceed \$850,000 general obligation refunding capital loan notes, series 2012, of the City of Onawa, State of Iowa, and providing for publication of notice thereof for the purpose of refinancing the 2003 bond issue.

CITY OF ONAWA, IOWA

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ONAWA, IOWA

CITY OF ONAWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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

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

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

<u>Function</u>	<u>Budgeted Original</u>	<u>6-28-11 Amendment</u>	<u>Amended Budget</u>
Public Safety	\$ 564,378		\$ 564,378
Public Works	397,900		397,900
Culture & Recreation	697,847	\$ 30,000	727,847
Community & Economic Development	155,950		155,950
General Government	191,150		191,150
Debt Service	231,685	12,902	244,587
Capital Projects	1,886,000	(400,000)	1,486,000
Business Type/Enterprise	6,114,472	500,000	6,614,472
Total	<u>\$ 10,239,382</u>	<u>\$142,902</u>	<u>\$ 10,382,284</u>

CITY OF ONAWA
Required Supplementary Information - Budgetary Reporting
For the Year Ended June 30, 2011

	Actual Amounts		
	Governmental Fund Types	Proprietary Fund Types	Total Actual
Revenue:			
Taxes	\$ 987,176	-	\$ 987,176
Special Assessments	40,529	-	40,529
Licenses and Permits	9,956	-	9,956
Intergovernmental Revenue	590,462	-	590,462
Charges for Services	91,492	\$ 3,171,387	3,262,879
Fines and Forfeits	13,629	-	13,629
Contributions	39,567	-	39,567
Grants	-	455,495	455,495
Interest	37,843	24,105	61,948
Payment in Lieu of Taxes	112,917	-	112,917
Proceeds of Debt	650,000	1,559,129	2,209,129
Miscellaneous	128,107	27,912	156,019
Total Revenue	<u>2,701,678</u>	<u>5,238,028</u>	<u>7,939,706</u>
Expenditures/Expenses:			
Public Safety	534,109	-	534,109
Public Works	363,351	-	363,351
Culture and Recreation	654,563	-	654,563
Community and Economic Development	69,487	-	69,487
General Government	186,298	-	186,298
Capital Projects	1,213,488	-	1,213,488
Debt Service	244,587	-	244,587
Business Type Activities	36,022	5,930,929	5,966,951
Total Expenditures/Expenses	<u>3,301,905</u>	<u>5,930,929</u>	<u>9,232,834</u>
Excess (Deficiency) of revenues over Expenditures/Expenses	<u>(600,227)</u>	<u>(692,901)</u>	<u>(1,293,128)</u>
Other financing sources (uses):			
Transfers In	248,454	-	248,454
Transfers Out	(236,454)	(12,000)	(248,454)
Total other financing sources (uses)	<u>12,000</u>	<u>(12,000)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures/Expenses and Other Uses	<u>(588,227)</u>	<u>(704,901)</u>	<u>(1,293,128)</u>
Fund Balance/Retained Earnings at Beginning of Year	<u>2,278,985</u>	<u>2,188,189</u>	<u>4,467,174</u>
Fund Balance/Retained Earnings at End of Year	<u>\$ 1,690,758</u>	<u>\$ 1,483,288</u>	<u>\$ 3,174,046</u>

Budgeted Amounts		Final Budget Favorable (Unfavorable)
Original	Final	
\$ 1,175,853	\$ 1,175,853	\$ (188,677)
42,000	42,000	(1,471)
8,775	8,775	1,181
501,969	501,969	88,493
3,474,581	3,474,581	(211,702)
-	-	13,629
-	-	39,567
-	-	455,495
14,830	14,830	47,118
102,425	102,425	10,492
3,780,000	3,780,000	(1,570,871)
129,425	129,425	26,594
<u>9,229,858</u>	<u>9,229,858</u>	<u>(1,290,152)</u>
564,378	564,378	30,269
397,900	397,900	34,549
697,847	727,847	73,284
155,950	155,950	86,463
191,150	191,150	4,852
1,886,000	1,486,000	272,512
231,685	244,587	-
6,114,472	6,614,472	647,521
<u>10,239,382</u>	<u>10,382,284</u>	<u>1,149,450</u>
<u>(1,009,524)</u>	<u>(1,152,426)</u>	<u>(140,702)</u>
359,510	359,510	111,056
<u>(359,510)</u>	<u>(359,510)</u>	<u>(111,056)</u>
-	-	-
<u>\$ (1,009,524)</u>	<u>\$ (1,152,426)</u>	<u>\$ (140,702)</u>

CITY OF ONAWA
Required Supplementary Information - Budgetary Reporting
For the Year Ended June 30, 2011

	<u>Governmental and Proprietary Fund Types</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenue:			
Taxes	\$ 987,176	\$ (5,488)	\$ 981,688
Special Assessments	40,529	3,480	44,009
Licenses and Permits	9,956	(618)	9,338
Intergovernmental Revenue	590,462	14,339	604,801
Charges for Services	3,262,879	(10,407)	3,252,472
Fines and Forfeits	13,629	(1,410)	12,219
Contributions	39,567	-	39,567
Grants	455,495	-	455,495
Bond and Note Proceeds	2,209,129	(1,559,129)	650,000
Interest	61,948	(15,277)	46,671
Payment in Lieu of Taxes	112,917	-	112,917
Miscellaneous	156,019	139,049	295,068
Total Revenue	<u>7,939,706</u>	<u>(1,435,461)</u>	<u>6,504,245</u>
Expenditures/Expenses:			
Public Safety	534,109	2,108	536,217
Public Works	363,351	15,907	379,258
Culture and Recreation	654,563	(26,048)	628,515
Community and Economic Development	69,487	(1,441)	68,046
General Government	186,298	27,555	213,853
Capital Projects	1,213,488	159,281	1,372,769
Debt Service	244,587	-	244,587
Business Type Activities	5,966,951	(2,372,427)	3,594,524
Total Expenditures/Expenses	<u>9,232,834</u>	<u>(2,195,065)</u>	<u>7,037,769</u>
Excess (Deficiency) of revenues over Expenditures/Expenses	<u>(1,293,128)</u>	<u>759,604</u>	<u>(533,524)</u>
Other financing sources (uses):			
Transfers In	248,454	-	248,454
Transfers Out	(248,454)	-	(248,454)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures/Expenses and Other Uses	<u>(1,293,128)</u>	<u>759,604</u>	<u>(533,524)</u>
Fund Balance/Retained Earnings at Beginning of Year	<u>4,467,174</u>	<u>5,153,958</u>	<u>9,621,132</u>
Fund Balance/Retained Earnings at End of Year	<u>\$ 3,174,046</u>	<u>\$ 5,913,562</u>	<u>\$ 9,087,608</u>

SUPPLEMENTARY INFORMATION

CITY OF ONAWA, IOWA

CITY OF ONAWA, IOWA

CITY OF ONAWA, IOWA
 COMBINING BALANCE SHEET
 GOVERNMENTAL NONMAJOR FUNDS
 JUNE 30, 2011

	Special	Capital Projects		
	Revenue Fund I-Jobs	2011 Street Project	2010 Street Project	2009 Street Project
Assets				
Cash and Pooled Investments	-	-	-	-
Investments	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accrued Interest	-	-	-	\$ 65
Special Assessments	-	-	-	161
Subsequent Year Special Assessments	-	-	-	1,282
Due from Other Funds	\$ 29,534	-	-	-
Inventories	-	-	-	-
Prepaid Assets	-	-	-	-
Total Assets	<u>29,534</u>	<u>-</u>	<u>-</u>	<u>1,508</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	-	\$ 18,472	-	-
Due to Other Funds	-	18,618	\$ 242,279	40,657
Deferred Revenue:				
Subsequent Year Assessments	-	-	-	1,282
Total Liabilities	<u>-</u>	<u>37,090</u>	<u>242,279</u>	<u>41,939</u>
Fund Balances:				
Nonspendable:				
Perpetual Care	-	-	-	-
Endowment	-	-	-	-
Restricted For:				
I-Jobs	29,534	-	-	-
Assigned For:				
Capital Projects	-	-	-	-
Unassigned	-	(37,090)	(242,279)	(40,431)
Total Fund Balances (Deficits)	<u>29,534</u>	<u>\$ (37,090)</u>	<u>\$ (242,279)</u>	<u>(40,431)</u>
Total Liabilities and Fund Balances	<u>\$ 29,534</u>	<u>-</u>	<u>-</u>	<u>\$ 1,508</u>

Capital Projects		Permanent Fund		Total
Airport Project	Library Project	Cemetery Perpetual Care Fund	Library Endowment Fund	Governmental Nonmajor Funds
-	-	\$ 4,177	-	\$ 4,177
-	-	86,500	\$ 33,000	119,500
-	-	833	96	994
-	-	-	-	161
-	-	-	-	1,282
\$ 12,756	-	-	-	42,290
-	-	-	-	-
-	-	-	-	-
12,756	-	91,510	33,096	168,404
-	-	-	-	18,472
-	\$ 21,268	-	-	322,822
-	-	-	-	1,282
-	21,268	-	-	342,576
-	-	91,510	-	91,510
-	-	-	33,096	33,096
-	-	-	-	29,534
12,756	-	-	-	12,756
-	(21,268)	-	-	(341,068)
12,756	\$ (21,268)	91,510	33,096	(174,172)
\$ 12,756	-	\$ 91,510	\$ 33,096	\$ 168,404

CITY OF ONAWA, IOWA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL NONMAJOR FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Fund I-Jobs	Capital Projects	
		2011 Street Project	2010 Street Project
Revenue:			
Special Assessments	-	-	-
Contributions	-	-	-
Interest	-	-	-
Total Revenue	-	-	-
Expenditures:			
Public Works	\$ 207	-	-
Capital Projects	-	\$ 37,090	\$ 834
Total Expenditures	207	37,090	834
Excess (deficiency) of revenues over expenditures	(207)	(37,090)	(834)
Other financing sources (uses):			
Transfers In	-	-	-
Transfers Out	-	-	-
Total other financing sources (uses)	-	-	-
Net Change in Fund Balance	(207)	(37,090)	(834)
Fund balances (deficits) -beginning of year	29,741	-	(241,445)
Fund balances (deficits) - end of year	\$ 29,534	\$ (37,090)	\$ (242,279)

Capital Projects			Permanent Fund		Total Governmental Nonmajor Funds
2009 Street Project	Airport Project	Library Project	Cemetery Perpetual Care Fund	Library Endowment Fund	
\$ 158	-	-	-	-	\$ 158
-	-	-	\$ 2,025	-	2,025
207	-	-	1,100	\$ 861	2,168
365	-	-	3,125	861	4,351
-	-	-	-	-	207
-	-	-	-	-	37,924
-	-	-	-	-	38,131
365	-	-	3,125	861	(33,780)
-	-	-	-	-	-
-	-	-	(1,343)	(861)	(2,204)
-	-	-	(1,343)	(861)	(2,204)
365	-	-	1,782	-	(35,984)
(40,796)	\$ 12,756	\$ (21,268)	89,728	33,096	(138,188)
\$ (40,431)	\$ 12,756	\$ (21,268)	\$ 91,510	\$ 33,096	\$ (174,172)

CITY OF ONAWA, IOWA
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 JUNE 30, 2011

	Risk Insurance	Health Insurance Deductibles	Totals
ASSETS			
Accounts Receivable	-	\$ 1,365	\$ 1,365
Due from Other funds	\$ 118,453	-	118,453
Total Assets	118,453	1,365	119,818
LIABILITIES			
Accounts Payable	-	915	915
Due to Other Funds	-	24,668	24,668
Total Liabilities	-	25,583	25,583
NET ASSETS	\$ 118,453	\$ (24,218)	\$ 94,235

CITY OF ONAWA, IOWA
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	Risk Insurance	Health Insurance Deductibles	Totals
Operating revenues:			
Charges for services to operating funds	-	\$ 2,620	\$ 2,620
Operating expenses:			
General Government	-	11,883	11,883
Total operating expenses	-	11,883	11,883
Operating (Loss)	-	(9,263)	(9,263)
Net assets - beginning	\$ 118,453	(14,955)	103,498
Net assets - ending	\$ 118,453	\$ (24,218)	\$ 94,235

**CITY OF ONAWA, IOWA
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011**

	Risk Insurance	Health Insurance Deductibles	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	-	\$ 2,913	\$ 2,913
Cash Paid to Suppliers	-	(11,175)	(11,175)
Net Cash (Used) by Operating Activities	-	(8,262)	(8,262)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Advances From (to) Other funds	\$ (102,047)	8,262	(93,785)
Net Cash Provided (Used) for Investing Activities	(102,047)	\$ 8,262	(93,785)
Net (Decrease) in Cash and Cash Equivalents	(102,047)	-	(102,047)
Cash and Cash Equivalents at Beginning of Year	\$ 102,047	-	\$ 102,047
Cash and Cash Equivalents at End of Year	-	-	-
Reconciliation of Operating Income (Loss) to Net Cash (Used) by Operating Activities			
Operating (Loss)	-	\$ (9,263)	\$ (9,263)
Adjustments to Reconcile Net Operating (Loss) to Net Cash Provided by Operating Activities:			
Decrease in Accounts Receivable	-	293	293
Increase in Accounts Payable	-	708	708
Total Adjustments	-	1,001	1,001
Net Cash (Used) by Operating Activities	-	\$ (8,262)	\$ (8,262)

STATISTICAL SECTION

(NOT COVERED BY AUDITORS' REPORT)

CITY OF ONAWA, IOWA

**CITY OF ONAWA
STATISTICAL SECTION**

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

Contents:	Pages
Financial Trends	71 – 81

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity	82 – 86
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These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity	87 – 90
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These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information	91
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information	92 – 100
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These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

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

CITY OF ONAWA, IOWA

TABLE I

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

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

Notes:

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

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

	<u>Fiscal Year</u>			
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	
\$ 4,316,440	\$ 4,710,430	\$ 5,232,130	\$ 6,285,730	
1,288,965	1,310,684	979,785	1,019,651	
1,569,514	1,492,477	1,453,877	639,341	
<u>\$ 7,174,919</u>	<u>\$ 7,513,591</u>	<u>\$ 7,665,792</u>	<u>\$ 7,944,722</u>	

\$ 3,198,303	\$ 3,075,590	\$ 3,322,127	\$ 3,902,382	
-	-	-	-	
4,492,369	4,361,240	4,003,467	3,624,599	
<u>\$ 7,690,672</u>	<u>\$ 7,436,830</u>	<u>\$ 7,325,594</u>	<u>\$ 7,526,981</u>	

\$ 7,514,743	\$ 7,786,020	\$ 8,554,257	\$ 10,188,112	
1,288,965	1,310,684	979,785	1,019,651	
6,061,883	5,853,717	5,457,344	4,263,940	
<u>\$ 14,865,591</u>	<u>\$ 14,950,421</u>	<u>\$ 14,991,386</u>	<u>\$ 15,471,703</u>	

CITY OF ONAWA, IOWA

TABLE II

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

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses¹				
Governmental Activities				
Public Safety	\$ 435,037	\$ 481,673	\$ 445,971	\$ 512,418
Public Works	252,568	200,448	250,256	252,991
Culture and Recreation	364,443	420,950	491,103	504,980
Community and Economic Development	133,273	57,791	83,261	89,769
General Government	173,618	156,050	159,999	173,894
Debt Service	70,732	40,511	84,230	67,267
Total Governmental Activities Expenses	<u>\$ 1,429,671</u>	<u>\$ 1,357,423</u>	<u>\$ 1,514,820</u>	<u>\$ 1,601,319</u>
Business-type Activities				
Electric System	\$ 1,417,066	\$ 1,593,206	\$ 1,766,956	\$ 1,777,438
Water System	281,441	361,903	376,228	395,571
Sewer System	500,891	520,473	529,236	548,919
Total Business-type Activities Expenses	<u>\$ 2,199,398</u>	<u>\$ 2,475,582</u>	<u>\$ 2,672,420</u>	<u>\$ 2,721,928</u>
Total Primary Government Expenses	<u>\$ 3,629,069</u>	<u>\$ 3,833,005</u>	<u>\$ 4,187,240</u>	<u>\$ 4,323,247</u>
Program Revenues				
Governmental Activities:				
Charges for Services				
Public Safety	\$ 10,859	\$ 6,107	\$ 11,419	\$ 12,306
Public Works				
Culture and Recreation	74,488	86,297	80,353	87,306
General Government	14,500	14,500	15,000	18,000
Operating Grants and Contributions	723,280	421,916	354,245	391,214
Capital Grants and Contributions	60,000	240,342	147,895	9,271
Total Governmental Activities Program Revenues	<u>\$ 883,127</u>	<u>\$ 769,162</u>	<u>\$ 608,912</u>	<u>\$ 518,097</u>
Business-type Activities:				
Charges for Services				
Electric System	\$ 1,646,711	\$ 1,654,084	\$ 1,784,123	\$ 1,674,900
Water System	304,472	286,369	308,879	295,762
Sewer System	478,166	463,509	495,505	477,789
Total Business-type Activities Program Revenues	<u>\$ 2,429,349</u>	<u>\$ 2,403,962</u>	<u>\$ 2,588,507</u>	<u>\$ 2,448,451</u>
Total Primary Government Program Revenues	<u>\$ 3,312,476</u>	<u>\$ 3,173,124</u>	<u>\$ 3,197,419</u>	<u>\$ 2,966,548</u>
Net (Expense)/Revenue²				
Governmental Activities:	\$ (546,544)	\$ (588,261)	\$ (905,908)	\$ (1,083,222)
Business-type Activities:	229,951	(71,620)	(83,913)	(273,477)
Total Primary Government Net Expense	<u>\$ (316,593)</u>	<u>\$ (659,881)</u>	<u>\$ (989,821)</u>	<u>\$ (1,356,699)</u>

	<u>Fiscal Year</u>			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
	\$ 522,880	\$ 531,966	\$ 544,259	\$ 537,893
	261,866	223,606	295,307	299,537
	560,377	550,496	554,150	520,619
	81,891	74,567	104,579	68,046
	187,646	217,204	204,968	274,008
	62,696	57,786	52,130	60,082
	<u>\$ 1,677,356</u>	<u>\$ 1,655,625</u>	<u>\$ 1,755,393</u>	<u>\$ 1,760,185</u>
	\$ 1,846,979	\$ 2,315,641	\$ 2,522,518	\$ 2,552,807
	354,763	406,944	360,061	438,065
	546,477	579,552	586,126	583,486
	<u>\$ 2,748,219</u>	<u>\$ 3,302,137</u>	<u>\$ 3,468,705</u>	<u>\$ 3,574,358</u>
	<u>\$ 4,425,575</u>	<u>\$ 4,957,762</u>	<u>\$ 5,224,098</u>	<u>\$ 5,334,543</u>
	\$ 11,160	\$ 8,905	\$ 5,993	\$ 8,404
			1,200	1,680
	76,468	82,070	73,854	91,749
	20,983	20,983	40,535	11,958
	443,136	448,699	406,090	349,756
	125,000	54,741	-	-
	<u>\$ 676,747</u>	<u>\$ 615,398</u>	<u>\$ 527,672</u>	<u>\$ 463,547</u>
	\$ 1,782,798	\$ 1,879,394	\$ 2,156,096	\$ 2,174,275
	295,074	358,309	353,034	378,616
	483,054	562,825	572,319	607,347
	<u>\$ 2,560,926</u>	<u>\$ 2,800,528</u>	<u>\$ 3,081,449</u>	<u>\$ 3,160,238</u>
	<u>\$ 3,237,673</u>	<u>\$ 3,415,926</u>	<u>\$ 3,609,121</u>	<u>\$ 3,623,785</u>
	\$ (1,000,609)	\$ (1,040,227)	\$ (1,227,721)	\$ (1,296,638)
	(187,293)	(501,609)	(387,256)	(414,120)
	<u>\$ (1,187,902)</u>	<u>\$ (1,541,836)</u>	<u>\$ (1,614,977)</u>	<u>\$ (1,710,758)</u>

CITY OF ONAWA, IOWA

TABLE II (Continued)

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

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Revenues				
Governmental Activities:				
Property Taxes	\$ 1,010,564	\$ 1,119,067	\$ 1,059,464	\$ 1,128,832
Local Option Sales Tax	163,564	164,447	169,515	167,862
Interest	63,561	75,957	95,990	121,100
General Intergovernmental Revenues	45,618	76,132	34,807	42,952
Payment in Lieu of Taxes	84,552	87,654	86,578	92,845
Contributions	1,100	2,079	3,350	38,025
Miscellaneous	46,107	31,136	34,490	92,981
Proceeds from Sale of Real Estate	-	-	-	15,000
Transfers	-	77,293	-	40,000
Total Governmental Activities	\$ 1,415,066	\$ 1,633,765	\$ 1,484,194	\$ 1,739,597
Business-type Activities:				
Interest	\$ 9,242	\$ 33,343	\$ 75,277	\$ 95,345
Intergovernmental Revenues/Grants				
Sale of Merchandise	16,897	29,573	26,583	15,823
Miscellaneous	241,753	187,335	111,280	136,771
Gain on Sale of Fixed Assets				
Assets Acquired Through Annexation	-	12,000	-	-
Transfers	-	(77,293)	-	(40,000)
Total Business-type Activities	\$ 267,892	\$ 184,958	\$ 213,140	\$ 207,939
Total Primary Government	\$ 1,682,958	\$ 1,818,723	\$ 1,697,334	\$ 1,947,536
Change in Net Assets				
Governmental Activities	\$ 868,522	\$ 1,045,504	\$ 578,286	\$ 656,375
Business-type Activities	497,843	113,338	129,227	(65,538)
Total Primary Government	\$ 1,366,365	\$ 1,158,842	\$ 707,513	\$ 590,837

Notes:

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

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

	<u>Fiscal Year</u>			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	965,446	\$ 885,342	\$ 895,992	\$ 982,281
	165,688	195,433	193,364	212,364
	110,437	66,164	49,132	32,691
	24,319	48,533	63,012	104,526
	88,672	92,484	102,418	112,917
	1,275	825	600	2,025
	61,572	64,518	63,404	116,764
	8,325	13,600	-	-
	12,000	12,000	12,000	12,000
\$	<u>1,437,734</u>	<u>\$ 1,378,899</u>	<u>\$ 1,379,922</u>	<u>\$ 1,575,568</u>
\$	92,421	\$ 60,091	\$ 40,815	\$ 13,387
				\$ 455,495
	23,619	16,774	17,854	15,469
	190,377	182,902	229,351	143,156
	4,064	-	-	-
	-	-	-	-
	(12,000)	(12,000)	(12,000)	(12,000)
\$	<u>298,481</u>	<u>\$ 247,767</u>	<u>\$ 276,020</u>	<u>\$ 615,507</u>
\$	<u>1,736,215</u>	<u>\$ 1,626,666</u>	<u>\$ 1,655,942</u>	<u>\$ 2,191,075</u>
\$	437,125	\$ 338,672	\$ 152,201	\$ 278,930
	111,188	(253,842)	(111,236)	201,387
\$	<u>548,313</u>	<u>\$ 84,830</u>	<u>\$ 40,965</u>	<u>\$ 480,317</u>

CITY OF ONAWA, IOWA

TABLE III

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund					
Unreserved	\$ 1,620,545	\$ 1,547,064	\$ 1,387,212	\$ 1,408,105	\$ 1,507,762
Total General Fund	<u>\$ 1,620,545</u>	<u>\$ 1,547,064</u>	<u>\$ 1,387,212</u>	<u>\$ 1,408,105</u>	<u>\$ 1,507,762</u>
All Other Governmental Funds					
Reserved	\$ 220,442	\$ 228,774	\$ 232,713	\$ 114,345	\$ 116,325
Unreserved, reported in:					
Debt Service Fund	(10,863)	(21,324)	(40,842)	(8,348)	4,674
Special Revenue Funds	521,398	100,543	391,229	525,367	684,263
Capital Projects Funds	(617,401)	(270,394)	854,744	(599,243)	(701,834)
Total All Other Governmental Funds ¹	<u>\$ 113,576</u>	<u>\$ 37,599</u>	<u>\$ 1,437,844</u>	<u>\$ 32,121</u>	<u>\$ 103,428</u>
Total Governmental Funds					
Reserved	\$ 220,442	\$ 228,774	\$ 232,713	\$ 114,345	\$ 116,325
Unreserved, reported in:	1,513,679	1,355,889	2,592,343	1,325,881	1,494,865
Total Governmental Funds	<u>\$ 1,734,121</u>	<u>\$ 1,584,663</u>	<u>\$ 2,825,056</u>	<u>\$ 1,440,226</u>	<u>\$ 1,611,190</u>

Notes:

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

Fiscal Year				
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 1,661,160	\$ 1,723,495	\$ 1,745,805	\$ 1,696,968	\$ 1,814,096
\$ 1,661,160	\$ 1,723,495	\$ 1,745,805	\$ 1,696,968	\$ 1,814,096
\$ 121,522	\$ 122,463	\$ 124,083	\$ 122,824	\$ 124,606
12,370	13,381	14,708	14,821	6,875
869,653	1,100,105	1,114,203	754,545	645,647
(466,044)	(462,151)	(510,466)	(397,118)	(1,124,832)
<u>\$ 537,501</u>	<u>\$ 773,798</u>	<u>\$ 742,528</u>	<u>\$ 495,072</u>	<u>\$ (347,704)</u>
\$ 121,522	\$ 122,463	\$ 124,083	\$ 122,824	\$ 124,606
2,077,139	2,374,830	2,364,250	2,069,216	1,341,786
<u>\$ 2,198,661</u>	<u>\$ 2,497,293</u>	<u>\$ 2,488,333</u>	<u>\$ 2,192,040</u>	<u>\$ 1,466,392</u>

CITY OF ONAWA, IOWA

TABLE IV

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

	Fiscal Year			
	2004	2005	2006	2007
Revenues				
Taxes	\$ 1,010,540	\$ 1,124,437	\$ 1,055,853	\$ 1,128,832
Special Assessments	63,047	82,285	28,791	82,372
Licenses and Permits	21,470	28,813	26,446	34,298
Intergovernmental Revenue	468,180	497,583	496,157	469,443
Charges for Services	71,991	84,338	76,924	84,727
Fines and Forfeits	13,356	8,066	14,848	14,885
Contributions	364,420	278,773	146,917	66,161
Grants	60,000	-	-	-
Proceeds from Sale of Bonds	1,500,000	-	505,000	-
Interest	68,431	75,957	95,990	121,100
Payment in Lieu of Taxes	84,552	87,654	86,578	92,785
Miscellaneous	46,107	31,136	34,490	102,312
Total Revenues	\$ 3,772,094	\$ 2,299,042	\$ 2,567,994	\$ 2,196,915
Expenditures				
Public Safety	\$ 419,319	\$ 495,741	\$ 449,045	\$ 481,879
Public Works	296,917	195,237	282,362	232,819
Culture and Recreation	448,863	363,075	403,074	386,380
Community and Economic Development	153,740	359,477	95,261	86,137
General Government	153,604	140,858	162,244	127,417
Capital Projects	932,109	1,975,890	278,639	127,851
Debt Service				
Principal Retirements	60,000	145,000	645,000	150,000
Interest	67,148	85,887	81,405	71,961
Total Expenditures	\$ 2,531,700	\$ 3,761,165	\$ 2,397,030	\$ 1,664,444
Excess (Deficiency) of Revenues over (under) Expenditures	\$ 1,240,394	\$ (1,462,123)	\$ 170,964	\$ 532,471
Other Financing Sources (Uses)				
Transfers In	\$ 387,915	\$ 545,989	\$ 341,755	\$ 591,110
Transfers Out	(387,915)	(468,696)	(341,755)	(551,110)
Sale of Real Estate and Other Assets	-	-	-	15,000
Total Other Financing Sources (Uses)	\$ -	\$ 77,293	\$ -	\$ 55,000
Net change in fund balances	\$ 1,240,394	\$ (1,384,830)	\$ 170,964	\$ 587,471
Total Capital Expenditures from Reconciliation of Statement of Revenues, expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities				
	1,134,661	2,413,445	445,746	157,446
Debt service as a percentage of non-capital Expenditures				
	9.10%	17.13%	37.23%	14.73%

Notes:

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

	Fiscal Year			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	965,446	\$ 885,342	\$ 895,992	\$ 981,688
	74,235	103,828	65,997	44,009
	30,449	35,050	37,345	9,338
	474,859	500,149	527,807	604,801
	75,109	82,322	71,274	89,614
	13,934	11,636	9,773	12,219
	36,430	97,927	104,370	39,567
	-	-	-	-
	-	-	-	650,000
	110,437	66,164	49,132	33,284
	88,672	92,484	102,418	112,917
	195,420	69,318	69,997	128,160
	<u>\$ 2,064,991</u>	<u>\$ 1,944,220</u>	<u>\$ 1,934,105</u>	<u>\$ 2,705,597</u>
\$	543,171	\$ 652,694	\$ 527,035	\$ 536,217
	259,566	315,799	348,416	379,258
	410,044	489,568	509,251	628,515
	81,891	74,567	104,579	68,046
	143,970	143,245	130,196	213,853
	195,438	146,256	395,296	1,372,769
	165,000	175,000	175,000	185,000
	63,270	58,255	52,625	59,587
	<u>\$ 1,862,350</u>	<u>\$ 2,055,384</u>	<u>\$ 2,242,398</u>	<u>\$ 3,443,245</u>
\$	202,641	\$ (111,164)	\$ (308,293)	\$ (737,648)
\$	372,796	\$ 303,972	\$ 867,760	\$ 248,454
	(360,796)	(291,972)	(855,760)	(236,454)
	83,325	50,000	-	-
	<u>\$ 95,325</u>	<u>\$ 62,000</u>	<u>\$ 12,000</u>	<u>\$ 12,000</u>
	<u>\$ 297,966</u>	<u>\$ (49,164)</u>	<u>\$ (296,293)</u>	<u>\$ (725,648)</u>
	315,792	509,351	564,534	1,787,011
	14.76%	15.09%	13.57%	14.77%

CITY OF ONAWA, IOWA

TABLE V

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

<u>Year</u>	<u>Community Protection</u>	<u>Human Development</u>	<u>Home and Community Environment</u>	<u>Policy and Administration</u>	<u>Debt Service</u>	<u>Capital Outlay</u>	<u>Total</u>
2001-02	\$ 439,022	\$ 209,693	\$ 427,963	\$ 140,767	\$ 165,595	\$ 1,706,647	\$ 3,089,687

<u>Year</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Culture & Recreation</u>	<u>Community & Economic Development</u>	<u>General Government</u>	<u>Debt Service</u>	<u>Capital Outlay</u>	<u>Total</u>
2002-03	\$ 521,334	\$ 272,125	\$ 310,817	\$ 281,796	\$ 118,987	\$ 168,878	\$ 694,118	\$ 2,368,055
2003-04	419,319	296,917	448,863	153,740	153,604	127,148	932,109	2,531,700
2004-05	495,741	195,237	363,075	359,477	140,858	230,887	1,975,890	3,761,165
2005-06	449,045	282,362	403,074	95,261	162,244	726,405	278,639	2,397,030
2006-07	481,879	232,819	386,380	86,137	127,417	221,961	127,851	1,664,444
2007-08	543,171	259,566	410,044	81,891	143,970	228,270	195,438	1,862,350
2008-09	652,694	315,799	489,568	74,567	143,245	233,255	146,256	2,055,384
2009-10	527,035	348,416	509,251	104,579	130,196	227,625	395,296	2,242,398
2010-11	\$ 536,217	\$ 379,258	\$ 628,515	\$ 68,046	\$ 213,853	\$ 244,587	\$ 1,372,769	\$ 3,443,245

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

TABLE VI

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

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter-Governmental</u>	<u>Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Contributions from Property Owners</u>	<u>Miscellaneous</u>	<u>Total</u>
2001-02	\$ 928,628	\$ 35,068	\$ 846,263	\$ 56,540	\$ 15,420	\$ 22,959	\$ 251,380	\$ 2,156,258
2002-03	915,903	24,665	725,562	66,004	19,521	17,092	315,724	2,084,471
2003-04	1,010,540	21,470	468,180	71,991	13,356	63,047	2,123,510	3,772,094
2004-05	1,124,437	28,813	497,583	84,338	8,066	82,285	473,520	2,299,042
2005-06	1,055,853	26,446	496,157	76,924	14,848	28,791	868,975	2,567,994
2006-07	1,128,832	34,298	469,443	84,727	14,885	82,372	382,358	2,195,915
2007-08	965,446	30,449	474,859	75,109	13,934	74,235	430,959	2,064,991
2008-09	885,342	35,050	500,149	82,322	11,636	103,828	325,893	1,944,220
2009-10	895,992	37,345	527,807	71,274	9,773	65,997	325,917	1,934,105
2010-11	\$ 981,688	\$ 9,338	\$ 604,801	\$ 89,614	\$ 12,219	\$ 44,009	\$ 963,928	\$ 2,705,597

CITY OF ONAWA, IOWA

TABLE VII

Property Tax Levies and Collections
Last Ten Fiscal Years

<u>Collection Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>
2001-02	\$ 568,509	\$ 555,848	97.77%	\$ 5,261
2002-03	594,770	580,538	97.61	5,673
2003-04	552,236	544,837	98.66	5,634
2004-05	612,963	587,517	95.85	5,863
2005-06	702,767	682,672	97.14	4,889
2006-07	674,524	650,773	96.48	5,305
2007-08	685,857	687,004	100.17	5,660
2008-09	744,688	752,215	101.01	224
2009-10	798,699	793,710	99.38	6,420
2010-11	\$ 832,457	\$ 818,634	98.34%	\$ 6,107

TABLE VIII

Assessed and Taxable Value of Property
Last Ten Fiscal Years

<u>Collection Year</u>	<u>Real Property</u>		<u>Personal Property</u>	
	<u>Assessed Value</u>	<u>Taxable Value</u>	<u>Assessed Value</u>	<u>Taxable Value</u>
2001-02	\$ 85,284,452	\$ 57,317,876	\$ 110,247	\$ 110,247
2002-03	91,249,971	55,719,712	66,148	66,148
2003-04	91,062,986	58,404,414	-	-
2004-05	92,909,936	57,335,289	-	-
2005-06	96,444,611	60,112,322	-	-
2006-07	95,895,362	58,453,898	-	-
2007-08	96,459,442	58,325,529	-	-
2008-09	100,630,414	59,526,703	-	-
2009-10	102,400,242	59,085,451	-	-
2010-11	\$104,873,399	\$ 60,650,334	-	-

<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>
\$ 561,109	98.70%
580,211	98.56
550,471	99.68
593,380	96.81
687,561	97.84
656,078	97.84
674,760	100.99
752,439	101.04
800,136	100.18
\$ 824,741	99.07%

<u>Utilities</u>		<u>Total</u>		<u>Ratio of Total Taxable Value</u>	<u>City's Total Direct Rate</u>
<u>Assessed Value</u>	<u>Taxable Value</u>	<u>Assessed Value</u>	<u>Taxable Value</u>		
\$ 1,408,426	\$ 1,408,426	\$ 86,803,125	\$58,836,549	67.78%	12.03710
1,308,730	1,308,730	92,624,849	57,094,591	61.64	11.92593
1,607,102	1,607,102	92,670,088	60,011,516	64.76	12.20166
406,150	406,150	93,316,086	57,741,439	61.88	13.65668
442,291	442,291	96,886,902	60,554,613	62.50	13.61467
511,068	511,068	96,406,430	58,964,966	61.16	13.97673
441,847	441,847	96,901,289	58,767,376	60.65	13.08122
476,986	476,986	101,107,400	60,003,689	59.35	13.05176
441,788	441,788	102,842,030	59,527,239	57.88	13.24699
\$ 372,360	\$ 372,360	\$105,245,759	\$61,022,694	57.98%	13.42917

CITY OF ONAWA, IOWA

TABLE IX

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

City of Onawa				
Tax Rates				
Fiscal Year	General	Special Revenue	Debt Service	Total Direct
2001-02	9.26560	1.57065	1.20085	12.03710
2002-03	9.21345	1.51698	1.19550	10.95505
2003-04	9.67543	2.33942	0.18681	12.20166
2004-05	9.85210	1.35698	2.44760	13.65668
2005-06	9.78634	1.55807	2.27026	13.61467
2006-07	9.90098	1.77006	2.30569	13.97673
2007-08	9.68263	1.14266	2.25593	13.08122
2008-09	9.57487	1.22236	2.25453	13.05176
2009-10	9.51294	1.60857	2.12548	13.24699
2010-11	9.48824	1.87545	2.06548	13.42917

Tax Levies				
2001-02	428,331	71,903	68,275	568,509
2002-03	451,805	73,740	69,225	594,770
2003-04	436,736	104,636	10,864	552,236
2004-05	422,140	57,695	138,675	618,510
2005-06	493,315	78,000	137,475	708,790
2006-07	463,548	82,164	135,955	681,667
2007-08	495,282	58,000	132,575	685,857
2008-09	540,856	68,552	135,280	744,688
2009-10	570,320	95,754	132,625	798,699
2010-11	583,267	114,445	134,745	832,457

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

Limitation does not include debt service.

Taxes Due July 1.

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

Penalties for Delinquency: 1 Percent per month.

Discount Allowed: None

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

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

Tax Sale Date: First Monday in June.

Overlapping

Tax Rates

West Monona School	Monona County	Western Iowa Tech	State Levy	Total Overlapping	Total Direct and Overlapping
10.91229	6.29521	0.62121	0.00500	17.83371	29.87081
10.95505	6.45078	0.94866	0.00400	18.35849	30.28442
11.84505	6.38161	0.54141	0.00400	18.77207	30.97373
12.34320	6.86233	0.57204	0.00400	19.78157	33.43825
13.38780	7.06811	0.69873	0.00400	21.15864	34.77331
15.68733	7.11172	0.71282	0.00400	23.51587	37.49260
15.80332	7.16224	0.73555	0.00350	23.70461	36.78583
14.83407	8.21534	0.82762	0.00350	23.88053	36.93229
15.05894	7.71758	0.82137	0.00300	23.60089	36.84788
14.98761	7.78490	0.81778	0.00340	23.59369	37.02286

Tax Levies

642,041	370,388	36,550	294	1,049,273	1,617,782
634,348	373,530	54,932	232	1,063,042	1,657,812
710,839	382,970	32,491	240	1,126,540	1,678,776
712,714	396,240	33,030	231	1,142,215	1,760,725
810,693	428,007	42,311	242	1,281,253	1,990,043
925,003	419,342	41,442	236	1,386,023	2,067,690
928,720	420,906	43,226	207	1,393,059	2,078,916
890,099	492,951	49,660	210	1,432,920	2,177,608
896,417	459,406	48,894	179	1,404,896	2,203,595
914,584	475,056	49,903	207	1,439,750	2,272,207

CITY OF ONAWA, IOWA

TABLE X

Special Assessment Collections
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Current Assessments Due</u>	<u>Current Assessments Collected</u>	<u>Ratio of Collections to Amount</u>	<u>Total Outstanding Assessments Due</u>
2001-02	\$ 140,038	\$ 19,792	14.13%	\$ 12,246
2002-03	120,246	12,029	10.00	108,217
2003-04	174,527	46,788	26.81	127,739
2004-05	127,739	36,693	28.72	91,046
2005-06	148,005	29,471	32.37	118,534
2006-07	184,465	30,030	26.10	191,787
2008-09	292,046	90,455	30.97	201,591
2009-10	210,254	51,968	24.72	158,286
2010-11	\$ 205,517	\$ 44,009	21.41%	\$ 161,508

CITY OF ONAWA, IOWA

TABLE XI

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

<u>Fiscal Year</u>	<u>Popula- tion</u>	<u>Taxable Value</u>	<u>Gross Bonded Debt</u>	<u>Less: Debt Service Monies Available</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Net Taxable Value</u>	<u>Net Bonded Debt to Per Capita</u>	<u>Net Bonded Debt as % of Personal Income</u>
2001-02	3,091	\$ 58,836,549	\$ 847,143	-	\$ 847,143	.014 to 1	\$ 274.07	1.53%
2002-03	3,091	57,904,591	711,429	-	711,249	.012 to 1	230.10	1.28
2003-04	3,091	60,011,516	2,151,429	-	2,151,429	.036 to 1	696.03	3.88
2004-05	3,091	57,741,439	1,995,715	-	1,995,715	.035 to 1	645.65	3.60
2005-06	3,091	60,554,613	1,845,000	\$ 4,674	1,840,326	.035 to 1	595.38	3.32
2006-07	3,091	58,964,966	1,695,000	12,370	1,625,630	.028 to 1	525.92	2.93
2007-08	3,091	58,767,376	1,530,000	13,381	1,516,619	.026 to 1	501.90	2.74
2008-09	3,091	60,003,689	1,355,000	14,708	1,340,292	.022 to 1	433.61	2.42
2009-10	3,091	59,527,239	1,180,000	14,821	1,165,179	.020 to 1	376.96	2.10
2010-11	2,998	\$ 61,022,694	\$1,645,000	\$ 6,675	\$1,638,325	.027 to 1	\$ 546.47	2.26%

Note: City-wide personal income data from the year 2010 and 2000 in the amount of \$72,011,960 and \$55,415,448 respectively, from Table XVI, was used to calculate the net bonded debt as a percentage of personal income.

CITY OF ONAWA, IOWA

TABLE XII

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt Limit	\$ 4,340,156	\$ 4,631,242	\$ 4,633,504	\$ 4,665,804	\$ 4,817,537
Total Net Debt Applicable to Limit	<u>847,143</u>	<u>711,249</u>	<u>2,151,429</u>	<u>1,995,715</u>	<u>1,845,000</u>
Legal Debt Margin	\$ 3,493,013	\$ 3,919,993	\$ 2,482,075	\$ 2,670,089	\$ 2,972,537
Total Net Debt Applicable to the Limit as a percentage of debt limit	19.52%	15.36%	46.43%	42.77%	38.30%

TABLE XIII

Computation of Legal Debt Margin
June 30, 2011

Assessed Property Value Total Real Estate and Corporation	<u>\$ 105,245,759</u>
Debt Limit - 5% of Total Actual Valuation	\$ 5,262,288
Amount of Debt Applicable to Debt Limit: Total Bonded Debt	<u>1,645,000</u>
Legal Debt Margin	\$ <u>3,617,288</u>

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

Fiscal Year				
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 4,820,322	\$ 4,845,064	\$ 5,055,370	\$ 5,142,102	\$ 5,262,288
<u>1,695,000</u>	<u>1,530,000</u>	<u>1,355,000</u>	<u>1,180,000</u>	<u>1,645,000</u>
\$ 3,125,322	\$ 3,315,064	\$ 3,700,370	\$ 3,962,102	\$ 3,617,288
35.16%	31.58%	26.80%	22.95%	31.26%

CITY OF ONAWA, IOWA

TABLE XIV

Computation of Direct and Overlapping Debt
June 30, 2011

<u>Name of Governmental Unit</u>	<u>Percentage Applicable Net Debt* Outstanding</u>	<u>To This Governmental Unit</u>	<u>City of Onawa Share of Debt</u>
City of Onawa, Iowa	\$ <u>1,638,325</u>	100%	\$ <u>1,638,325</u>
Total	\$ <u>1,638,325</u>		\$ <u>1,638,325</u>

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

TABLE XV

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures</u>	<u>Ratio of Debt Service to Total General Expenditures</u>
2001-02	\$ 115,000	\$ 50,595	\$ 165,595	\$ 931,644	17.77%
2002-03	125,000	43,878	168,878	1,024,885	16.48
2003-04	60,000	67,148	127,148	1,081,972	11.75
2004-05	145,000	85,887	230,887	1,027,126	22.48
2005-06	140,000	81,405	221,405	1,009,479	21.93
2006-07	150,000	71,961	221,961	1,060,756	20.92
2007-08	165,000	63,270	228,270	1,129,546	20.21
2008-09	175,000	58,255	233,255	1,316,205	17.72
2009-10	175,000	52,625	227,625	1,294,023	17.59
2010-11	\$ 185,000	\$ 59,587	\$ 244,587	\$ 1,258,023	19.44%

CITY OF ONAWA, IOWA

TABLE XVI

Demographic Statistics

	(1)	(4)	(1)	(1)	(2)	(3)
<u>Per Fiscal Year</u>	<u>Population</u>	<u>Total Personal Income</u>	<u>Per Capita Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Monona County Unemployment Rate</u>
1970	3,154	\$ 8,386,486	\$ 2,659	38.3	1,154	4.1 %
1980	3,283	23,532,544	7,168	39.2	833	5.4 %
1990	2,936	31,785,136	10,826	43.2	733	4.2 %
2000	3,091	\$ 55,415,448	\$ 17,928	42.3	679	3.1 %
2010	2,998	\$ 72,011,960	\$ 24,020	43.8	678	7.4 %

Sources:

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

CITY OF ONAWA, IOWA

TABLE XVII

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

Fiscal Year	Commercial (1) Construction		Residential (1) Construction		Bank Deposits (2) (3)
	No. of Units	No. of Value	Units	Value	(in Thousands)
2001-02	(3)	\$ 2,229,289	3	\$ 3,543,752	\$ 83,553
2002-03	(3)	(24,634)	(7)	641,368	83,867
2003-04	(2)	(28,771)	(3)	2,585	93,954
2004-05	21	3,125,585	(1)	(267,178)	85,037
2005-06	(1)	(233,809)	(2)	559,460	95,877
2006-07	(1)	496,074	(1)	4,585,830	100,527
2007-08	7	2,342,800	(3)	947,866	116,173
2008-09	(1)	171,622	3	380,875	112,534
2009-10	1	60,000	5	462,000	102,953
2010-11	5	\$ 3,045,030	5	\$ 920,000	\$ 127,404

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

(1) Includes new construction and remodeling.

(2) Combined deposits in three banks through 2005-2006 (Source: Bank Financial Statements).

(3) Combined deposits in four banks for 2006-2007 and after (Source: Bank Financial Statements).

TABLE XVIII
Principal Taxpayers
June 30, 2011
Last Ten Fiscal Years

Taxpayer	2002	2003	2004	2005	2006
Western Iowa Cooperative	\$ 817,395	\$ 807,245	\$ 750,422	\$ 1,659,824	\$ 1,659,824
Regal Manors of Onawa, Inc.	1,704,029	2,302,542	2,319,778	2,299,145	2,299,145
Vetter Equipment	1,064,754	1,007,459	1,015,000	1,015,000	850,000
Onawa – Pam Limited Partnership	1,207,409	1,198,438	1,207,409	1,146,494	1,146,494
Westendorf, Inc.	1,140,984	1,140,984	1,140,984	1,061,653	1,061,653
Bradley Properties, LLC				824,000	824,000
NFG, LLC.			743,744		
NILS Holdings LLC	750,422	744,846	813,288	738,098	738,098
Matthew and Christine Westendorf					
Richard Stillman					
Timothy and Brenda Peters					
Brett and Debra Ewing	723,069	574,607	896,335	647,179	647,179
Sarah and Derek Cartmill			821,460	629,559	629,559
Longlines, Inc.			688,429		
James W & Diane P Stangel				597,279	597,279
Cargill, Inc.	743,744	1,032,330			
Burgess Health Center	584,959	580,613			
Leon and Carolyn Larson		532,069			
McDonalds Corporation	499,536				
	<u>\$ 9,236,301</u>	<u>\$ 9,921,133</u>	<u>\$ 10,396,849</u>	<u>\$ 10,618,231</u>	<u>\$ 10,453,231</u>

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 1,688,462	\$ 2,359,905	\$ 3,054,167	\$ 3,330,662	\$ 3,370,908
2,299,145	2,621,918	2,527,859	2,724,305	2,984,226
850,000	850,000	850,000	890,817	1,293,471
1,146,494	1,103,855	1,061,214	1,124,887	1,166,507
1,061,653	1,009,529	1,009,529	1,009,529	1,012,004
824,000	824,000	824,000	873,662	879,028
			754,007	770,914
738,098	724,983	711,870	754,582	733,129
	695,615	771,906	771,906	720,688
	824,040	912,678	762,665	675,057
		626,651		
647,179	659,824			
629,199				
593,720				
<u>\$ 10,477,950</u>	<u>\$ 11,673,669</u>	<u>\$ 12,349,874</u>	<u>\$ 12,997,022</u>	<u>\$ 13,605,932</u>

CITY OF ONAWA, IOWA

TABLE XIX

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

Function	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Government	4	4	4	4	4	4	4	4	4	4
Library	2.5	2.5	2.5	2.5	2.6	2.6	2.6	2.6	3.5	2.7
Public Safety										
Police										
Officers	6	6	6	6	6	6	6	6	6	6
Fire										
Volunteers	24	24	24	24	24	24	24	25	22	22
Highways and Streets										
Street Maintenance	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Culture and Recreation	6	6	6	7	7	7	7	7	7	7
Electric	4	4	4	4	4	4	4	4	4	4
Water	3	3	3	3	3	3	3	3	3	3
Sewer	3	3	3	3	3	3	3	3	3	3
	<u>54</u>	<u>54</u>	<u>54</u>	<u>55</u>	<u>55.1</u>	<u>55.1</u>	<u>55.1</u>	<u>56.1</u>	<u>54</u>	<u>53.2</u>

Source: City of Onawa Accounting Department

CITY OF ONAWA, IOWA

TABLE XX

Principal Employers
June 30, 2011

Employer	Employees			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Burgess Health Center	221	245	250	250
West Monona School District	101	110	128	131
Monona County	110	110	109	107
Elmwood Care Center	85	89	81	80
Westendorf Manufacturing, Inc	75	74	74	74
City of Onawa	71	65	64	62
McDonald's Restaurant	49	55	47	41
Vaughn Foods	40	38	39	40
Crossroads of Western Iowa	41	50	38	36
Stangel Pharmacy	26	35	34	32

Source: Monona County Economic Development Partnership
Iowa Area Development Group and direct
communication with employers.

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

CITY OF ONAWA, IOWA

TABLE XXI

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Police					
Physical Arrests	201	183	174	154	136
Parking Violations	33	94	48	203	47
Traffic Violations	526	461	462	174	222
Fire					
Number of Calls Answered	58	41	43	46	64
Highways and Streets					
Street Maintenance (Miles)	39	39	40	40	40
Street Reconstruction (Blocks)	15	2	10	19	14
Building Permits					
Number	121	106	88	87	81
Value	4,397,493	1,851,757	3,717,616	4,841,880	1,904,285
Permit Fees	4,715	4,785	2,000	3,315	4,565
Water					
Water Pumped (in thousands of gallons)	170,959	178,120	183,600	177,991	193,084
Water Billed (in thousands of gallons)	101,960	104,466	107,433	96,013	103,043
Percent Accountable	60%	59%	59%	54%	53%

Source: City of Onawa Accounting Department

Fiscal Year

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
190	117	81	76	78
24	7	7	4	-
183	133	119	191	105
47	54	38	32	54
40	32	32	32	35
17	12	5	2	-
67	77	87	95	79
5,353,689	3,290,666	919,105	1,103,609	4,352,815
2,420	3,325	3,020	4,210	3,700
173,487	159,913	169,416	177,128	194,567
99,765	97,374	97,568	91,268	97,220
58%	61%	58%	52%	50%

CITY OF ONAWA, IOWA

TABLE XXII

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year				
	2002	2003	2004	2005	2006
Police					
Stations	1	1	1	1	1
Patrol Units	6	6	6	6	6
Fire Stations	2	2	2	2	2
Highways and Streets					
Streets City Maintained (miles)	39	39	40	40	40
Culture and Recreation					
Parks	4	4	4	4	4
Swimming Pools	1	1	1	1	1
Libraries	1	1	1	1	1
Community Centers	0	1	1	1	1
Airports	1	1	1	1	1
Golf Courses	1	1	1	1	1
Cemetery					
Cemeteries (acres)	21	21	21	21	21
Water					
Water Mains (miles)	n/a	n/a	n/a	28	28
Number of Service Connections	1,381	1,389	1,389	1,384	1,385
Daily Ave. Consumption in Gallons	468,271	453,761	501,546	485,912	527,396
Fire Hydrants	n/a	n/a	n/a	n/a	n/a
Maximum Daily Capacity (thousands in gallons)	1,728,000	1,728,000	1,728,000	1,728,000	1,728,000
Sewer					
Sanitary Sewer (miles)	n/a	n/a	n/a	39.5	39.5
Number of Treatment Plants	1	1	1	1	1
Number of Service Connections	1,355	1,361	1,361	1,355	1,356
Daily Ave. Treatments in Gallons	248,089	252,396	264,406	241,986	262,988
Maximum Daily Capacity (thousands in gallons)	852,000	852,000	852,000	852,000	852,000

Source: City of Onawa Accounting Department

Fiscal Year

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
1	1	1	1	1
6	6	6	6	6
2	2	2	2	2
40	40	32	32	35.3
4	4	4	4	4
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
21	21	21	21	21
28	28	28.5	40	40
1,391	1,394	1,398	1,494	1,488
473,807	438,118	464,153	485,304	533,060
96	96	99	100	101
1,728,000	1,728,000	1,728,000	1,728,000	1,728,000
39.5	39.5	39.5	39.75	39.75
1	1	1	1	1
1,364	1,368	1,373	1,388	1,382
230,645	264,967	253,145	417,047	538,151
852,000	852,000	852,000	852,000	852,000

CITY OF ONAWA, IOWA

TABLE XXIII

Miscellaneous Statistics
June 30, 2011

Date of Incorporation	1859
Form of Government	Mayor - Council
Area	5.3 Sq Miles
Miles of Streets	35.3
Number of Street Lights	414
Fire Protection:	
Number of Stations	2
Number of Volunteer Firemen	22
Police Protection:	
Number of Stations	1
Number of Policemen and Officers	6
Education:	
Number of Schools	1 Public (Elementary, Middle, High School Early Childhood Development)
Municipal Water Department:	
Number of Consumers	1,488
Average Daily Consumption	533,060 Gallons
Miles of Water Mains	40 Miles
Miles of Sewers:	
Sanitary Sewers	39.75 Miles
Lift Stations	4
Building Permits Issued 2010-11	79
Recreation and Culture	
Number of Parks	4
Number of Libraries	1
Number of Volumes	29,501
Total Library Circulation	25,302

COMMENTS AND RECOMMENDATIONS

CITY OF ONAWA, IOWA

CITY OF ONAWA, IOWA
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2010

Status of Prior Audit Findings

II-A-10 Segregation of Accounting Functions

Condition - The finding was a material weakness stating that the City does not have an adequate segregation of duties in its accounting functions regarding cash receipts.

Recommendation - The auditor recommended that one employee be designated to open the mail and make a prelist of receipts, one employee post the receipts and the employee who opens the mail make the bank deposit.

Current Status - The City did not correct this weakness, and it is renumbered below as II-A-11.

III-A-10 Certified Budget

Condition - The finding was disbursements exceeding the amount budgeted in the Capital Projects function.

Recommendation - The auditor recommended that the budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements exceed the budget.

Current Status - The City did not correct this audit finding, and it is renumbered below as III-A-11.

III-H-10 Financial Condition

Condition - The finding was fund deficits in several individual funds.

Recommendation - The auditor recommended the City monitor these funds and investigate alternatives to eliminate these deficits.

Current Status - The City did not correct this audit finding, and it is renumbered below as III-H-11.

III-I-10 Water Loss

Condition - The finding was percentage water loss calculated was significantly greater than the allowable rate set by the Iowa Department of Natural Resources.

Recommendation - The auditor recommended the City should ensure all usage locations are metered and all meters are read on a routine basis. In addition, the City should attempt to locate major leaks and repair or replace as necessary.

Current Status - The City did not correct this audit finding, and it is renumbered below as III-I-11.

CITY OF ONAWA, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part I: Summary Of the Independent Auditors' Results

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

Part II: Findings Related to the Financial Statements

Reportable Condition:

II-A-11 Segregation of Accounting Functions

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

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

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

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

Instances of Non-Compliance:

No matters were reported.

Part III: Other Findings Related to Required Statutory Reporting

III-A-11 Certified Budget - The City amended its budget during the fiscal year ended June 30, 2011, and disbursements did not exceed the amount budgeted in any function, but the amended budget was not adopted by May 31.

Recommendation - Budget amendments in future years should be completed by May 31 to allow adequate time for a protest hearing and decision prior to June 30.

Response - The City intends to amend the budget prior to May 31st in the future.

Conclusion - Response accepted.

III-B-11 Questionable Disbursements - We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

III-C-11 Travel Expense - No expenditures of City money for travel expense of spouses of City officials or employees were noted.

III-D-11 Business Transactions - No significant transactions between the City and City officials or employees were noted.

III-E-11 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

III-F-11 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not. Closed sessions appear to have been handled and documented according to Chapter 21 of the Code of Iowa. However, publication of Council minutes was not completed within fifteen days.

Recommendation - The City should promptly publish the minutes to ensure compliance with Chapter 372.13 of the Code of Iowa.

Response - The City intends to publish all minutes timely in the future.

Conclusion - Response accepted.

III-G-11 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

III-H-11 Financial Condition - There were fund deficits in the following individual funds at June 30, 2011:

Special Revenue - TIF	\$ 272,057
Capital Project - Library Expansion	\$ 21,268
Capital Project - 2011 Street Project	\$ 37,090
Capital Project - 2010 Street Project	\$ 242,279
Capital Project - 2009 Street Project	\$ 40,431
Capital Project - Fire Station	\$ 796,520

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

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

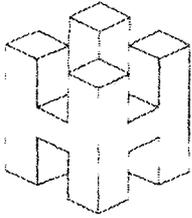
Conclusion - Response accepted.

III-I-11 Water Loss - The percentage water loss calculated was significantly greater than the allowable rate set by the Iowa Department of Natural Resources.

Recommendation - The City should ensure all usage locations are metered and all meters are read on a routine basis. In addition, the City should attempt to locate major leaks and repair or replace as necessary.

Response - The City is in the process of trying to identify potential leaks in the water system and are continually replacing water meters. A major pool repair project was completed prior to the 2011 swimming season to reduce leakage in the pool.

Conclusion - Response accepted.



HENJES, CONNER &
WILLIAMS, P.C.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the CITY OF ONAWA, IOWA, as of and for the year ended June 30, 2011, which collectively comprise the City of Onawa, Iowa's basic financial statements and have issued our report thereon date December 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the 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 all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting we consider to be a material weakness.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Onawa, Iowa's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-11 to be a material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Onawa, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

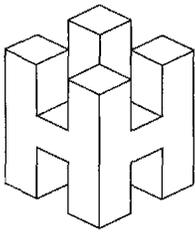
The City of Onawa, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City of Onawa, Iowa's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the officials, employees and citizens of the City of Onawa and other parties to whom the City of Onawa may report, including federal awarding agencies and pass-through entities, 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 of Onawa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Henjes, Lamm, & Williams, P.C.
Certified Public Accountants

Sioux City, Iowa
December 16, 2011



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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the CITY OF ONAWA, Iowa, as of and for the year ended June 30, 2011. Professional standards require that we provide you with the following information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 19, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Onawa are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2011. We noted no transactions entered into by the City of Onawa during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

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

Significant Audit Findings

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. We evaluated the disclosures in the financial statements and they are neutral, consistent, and clear in relation to the financial statements taken as a whole. The most sensitive disclosures affecting the financial statements were:

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 16, 2011.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

During our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our audit report for the year ended June 30, 2011, on the financial statements of the City of Onawa, Iowa. Our comments are summarized as follows:

Water Loss Rate

During our review of the City's water loss rate, we noted a percentage significantly higher than the Iowa Department of Natural Resources' range of acceptable loss. We recommend all usage locations have a meter installed and read on a monthly basis, regardless of whether the location is charged for these services. In addition, significant leaks should be identified and fixed as soon as feasible.

Special Assessment Rate

During our review of special assessment interest rates, we noted the motion passed in May 2001 to set the special assessment rate at six percent did not include a provision to to lower the rate if the special assessment public funds rate fell below six percent. We recommend the Council amend the May 2001 motion to set the special assessment rate at six percent or the special assessment public funds rate, if lower.

Cash Disbursements

During our review of cash disbursements, we noted a stamp of the City Clerk's signature is maintained by an employee other than the City Clerk. We recommend the City Clerk maintain the signature stamp, which can be requested by another employee when processing checks and should be promptly returned to the City Clerk.

We also noted during our review of cash disbursement that bank reconciliations are prepared by an authorized signer and not reviewed by another individual. We recommend the City of Onawa assign an individual to review the bank reconciliations.

Inventory

During inventory observation of electric items, we noted thirteen out of fifty items selected for testing did not agree to the inventory listing. We recommend more care be taken when updating the inventory listing.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various City personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

Hoyje, Lauer, & Williams, P.C.
Certified Public Accountants

Sioux City, Iowa
December 16, 2011

PAJE No.	Account Description	W/P Ref	Account Number	Asset	Liability	Equity	Revenue Expense
201	Operational Supplies	D-3	630-821-2-6507				1,606.68
201	Inventory		630-000-0-160	-1,606.68			
201	Operational Supplies		600-811-2-6507				1,366.60
201	Inventory		600-000-0-160	-1,366.60			

To pass on adjustment for projected inventory error.

PAJE Totals By Classification				-2,973.28	0.00	0.00	2,973.28
Classification Totals Before PAJE				11,926,123.80	-3,405,638.15	-9,563,632.64	1,043,146.99