

**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
CITY OF HAWARDEN, IOWA  
FOR THE  
YEAR ENDED JUNE 30, 2011**

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

**CITY OF HAWARDEN  
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**CITY OF HAWARDEN, IOWA**  
**Directory of City Officials**  
**June 30, 2011**

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**Elected City Officers**

Ricard Porter - Mayor

**Council Members:**

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

**Hospital Trustees:**

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

**Appointed City Officers**

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

**Appointed Boards and Commissions**

**Library Board of Trustees:**

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

**Planning and Zoning Commission**

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

**Board of Zoning Adjustment:**

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

**Park Board:**

Duane Schiefen  
Jerrod Lynott  
Elaine Kane  
John Blankenship  
Jim Kinney



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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hawarden, Iowa (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Hawarden Municipal Hospital, (a discretely presented component unit), which statements reflect total assets of \$5,013,691 and total program revenues of \$6,413,568 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Hawarden Municipal Hospital, is based solely on the report of the other auditors.

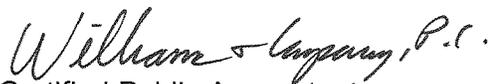
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 22, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

  
Certified Public Accountants

November 22, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

As management of the City of Hawarden, we offer readers of the City of Hawarden's financial statements this narrative overview and analysis of the financial activities of the City of Hawarden for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information contained within the City's financial statements that follow this report, as well as the separately issued financial statements of the Hawarden Community Hospital, a discretely presented component unit of the City.

### Financial Highlights

- The assets of the City of Hawarden exceeded liabilities at June 30, 2011 by \$15,719,970. Of this amount, \$5,987,325 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased \$616,203 during the year. Of this amount, the assets of our Governmental Activities increased \$95,598 and the assets of our Business-Type Activities increased \$520,605.
- The City's long-term debt reflected a significant decrease of \$590,078 as a result of the scheduled debt payments being made. Outstanding General Obligation debt totals \$977,436. Outstanding Revenue Bond Debt totals \$1,610,000.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

## REPORTING THE CITY AS WHOLE

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

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

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

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

- **Governmental Activities** – Most of the City's basic services are reported here, such as Police, Fire, Ambulance, Public Works, Parks, and Recreation departments, and general administration. Property Taxes, charges for services, state and federal grants finance most of these activities.
- **Business Type Activities** – The City charges fees to customers to cover the cost of these services. Included here are the City Electric, Water, Sewer, Natural Gas, City Telephone, and Cable/High Speed Internet.

## REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

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

- **Governmental Funds** – Most of the City's basic services are included in Governmental Funds, which focus on how money moves into and out of these funds and the balances left at year-end are available for spending. These funds are reported using a modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The

Governmental Fund Statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship between Governmental Activities (reported in the Statement of Net Assets and the Statement of Activities) and the Governmental Funds in a reconciliation following each Governmental Fund financial statement.

- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the Proprietary Funds report and the Business Type Activities report in the government-wide statements is the detail and additional information, such as cash flows, provided in the Proprietary Funds report.

## THE CITY AS TRUSTEE

### Reporting the City's Fiduciary Responsibilities

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

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

## THE CITY AS A WHOLE

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

For the year ended June 30, 2011, net assets changed as follows:

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$3,539,528	\$ 3,765,225	\$4,955,095	\$ 4,944,118	\$8,494,623	\$ 8,709,343
Capital Assets	8,103,778	8,227,461	3,246,593	3,057,853	11,350,371	11,285,314
Total Assets	11,643,306	11,992,686	8,201,688	8,001,971	19,844,994	19,994,657
Long-term Liabilities Outstanding	1,160,619	1,454,750	1,643,884	1,926,758	2,658,189	3,381,508
Other Liabilities	1,016,302	1,167,149	304,219	342,233	1,466,835	1,509,382
Total Liabilities	2,176,921	2,621,899	1,948,103	2,268,991	4,125,024	4,890,890
Net Assets:						
Invested in Capital Assets, Net of Related Debt	7,126,342	6,944,947	1,636,593	1,162,853	8,762,935	8,107,800
Restricted	654,631	632,035	315,079	340,833	969,710	972,868
Unrestricted	1,685,412	1,793,805	4,301,913	4,229,294	5,987,325	6,023,099
Total Net Assets	\$9,466,385	\$ 9,370,787	6,253,585	\$ 5,732,980	15,719,970	\$ 15,103,767

The government's net assets increased by \$575,105 during the current fiscal year before making a prior period adjustment of \$41,098. Reasons for the increase of the government's net assets are higher utility profits due to improved wholesale pricing and decreases in operating expenses. This summary reflects an increase of total net assets by 1.0% for the Governmental Activities and an increase of 9% in the Business-Type Activities.

Total Revenue and Expenses and changes in Net Assets reported in Fiscal 2011 as compared to Fiscal 2010 are shown in the chart below.

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for Services	\$350,647	\$ 362,628	\$5,659,276	\$ 5,880,998	\$6,009,923	\$ 6,243,626
Operating Grants & Contributions	279,727	255,781	-	-	279,727	255,781
Capital Grants & Contributions	42,926	40,156	6,375	-	49,301	40,879
General Revenues:						
Property Taxes	1,031,974	1,026,342	-	-	1,031,974	1,026,342
Other Taxes	278,820	258,303	-	-	278,820	258,303
Other	56,051	258,356	41,119	130,812	97,170	389,168
Total Revenues	\$2,040,145	\$ 2,201,566	\$5,706,770	\$ 6,012,533	\$7,746,915	\$ 8,214,099

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Expenses:						
General Government	\$137,848	\$ 128,297	\$ -	\$ -	\$137,848	\$ 128,297
Public Safety	594,774	560,396	-	-	594,774	560,396
Public Works	613,346	554,567	-	-	613,346	554,567
Health & Welfare	280,115	259,598	-	-	280,115	259,598
Culture & Recreation	505,171	524,332	-	-	505,171	524,332
Community and Economic Development	58,133	277,993	-	-	58,133	277,993
Capital Projects	11,346	80,251	-	-	11,346	80,251
Debt Service	65,814	89,018	-	-	65,814	89,018
Water Utility	-	-	306,132	370,420	306,132	370,420
Waste Water Utility	-	-	352,849	380,657	352,849	380,657
Electric Utility	-	-	1,969,669	1,954,650	1,969,669	1,954,650
Gas Utility	-	-	1,072,550	1,163,540	1,072,550	1,163,540
Solid Waste Utility	-	-	131,344	113,498	131,344	113,498
Telephone Utility	-	-	656,957	685,490	656,957	685,490
Cable/Internet Utility	-	-	415,762	390,581	415,762	390,581
<b>Total Expenses</b>	<b>2,266,547</b>	<b>2,474,452</b>	<b>4,905,263</b>	<b>5,058,836</b>	<b>7,171,810</b>	<b>7,533,288</b>
Increase (Decrease) in Net Assets Before Transfers						
	(226,402)	(272,886)	801,507	953,697	575,105	680,811
Transfers						
	322,000	511,205	(322,000)	(511,205)	-	-
Increase (Decrease) in Net Assets						
	95,598	238,319	479,507	442,492	575,105	680,811
Net Assets July 1	9,370,787	9,132,468	5,774,078	5,290,488	15,144,865	14,422,956
Net Assets June 30	\$9,466,385	\$ 9,370,787	\$ 6,253,585	\$ 5,732,980	\$15,719,970	\$ 15,103,767

Program revenues totaled \$6,338,951 for fiscal year 2011 compared to \$6,540,286 for fiscal year 2010. Governmental Activities provided \$673,300 and Business-Type Activities provided \$5,665,651. Revenue collected for Charges for Services during fiscal year 2011 was \$6,009,923 accounting for 94.8% of the total program revenues.

General Revenues for fiscal year 2011 totaled \$1,407,964. Governmental Activities provided \$1,366,845 and Business-Type Activities provided \$41,119. Property Tax Revenues for fiscal year 2011 totaled \$1,031,974 accounting for 73.3% of General Revenues.

Expenses for fiscal year 2011 totaled \$7,171,810. Expenses for General Governmental Activities totaled \$2,266,547, accounting for 32% of total expenses. Business-Type Activity expenses totaled \$4,905,263, for 68% of the total.

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

<u>Program Level</u>	<u>Activity</u>
Public Safety .....	Individual & Community Protection, Physical Health
Public Works .....	Roadway Construction, Airport Operations, Street Lighting, Transportation Services
Culture and Recreation .....	Education & Culture, Leisure Time Opportunities

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

**Governmental Activities**

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Public Safety, the City spent \$594,774 and received \$189,008 in revenue, thus leaving a cost to the taxpayer of \$405,766 to be funded by various methods. The format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

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

The total cost of governmental activities this year was \$2,266,547. Of these costs, \$350,647 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 \$322,653, leaving a Net Expense of \$1,593,247 for Governmental Activities. These expenses were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail.

Total resources available during the year to finance governmental operations were \$11,732,932, consisting of Net Assets at July 1, 2010 of \$9,370,787, Program Revenues of \$673,300 and General Revenues and transfers of \$1,688,845. Total Governmental Activities during the year expended \$2,266,547; thus, Net Assets were increased by \$95,598, to \$9,466,385.

## **Business-Type Activities**

Business-Type Activities increased the City's net assets by \$479,507.

The cost of all Proprietary Activities this year was \$4,905,263. As shown in the Statement of Activities, the amount paid by users of the systems was \$5,659,276, resulting in total Net Revenue for Business-Type Activities of \$754,013.

Total resources available during the year to finance Proprietary Fund activities were \$11,158,848, consisting of Net Assets at July 1, 2010 of \$5,774,078, Program Revenues of \$5,665,651 and General Revenues and transfers of (\$280,881). Total Proprietary Fund Activities during the year expended \$4,905,263; thus Net Assets were increased by \$479,507 to \$6,253,585.

## **Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of the government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of \$1,411,095. The combined Governmental Funds balance decreased \$148,094 from the prior year.

The General Fund is the primary operating fund of the City. During the year, expenditures were greater than revenues in the General fund by \$39,133. This amount is a decline from 2010 when revenues were more than expenditures in the General fund by \$20,678. The TIF Fund saw a decrease in its fund balance of \$96,071, due mainly to increases in project debt. The debt service fund saw very minimal changes from FY10.

## Budgetary Highlights

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

	Amended Budget	Actual Expenditures	Variance
Public Safety	\$595,402	\$574,331	\$ 21,071
Public Works	450,480	467,643	(17,163)
Culture and Recreation	482,106	446,020	36,086
Community and Economic Development	107,236	67,633	39,603
General Government	136,961	130,097	6,864
Health and Social Services	280,000	278,820	1,180
Debt Service	361,637	371,570	(9,933)
Capital Projects	150,000	48,499	101,501
Business Type Activities	13,193,103	11,295,822	1,897,281
<b>Total Expenditures</b>	<b>\$15,756,925</b>	<b>\$13,680,435</b>	<b>\$2,076,490</b>

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

- The total original revenue budget of \$15,851,211 was increased to \$15,875,801 (an increase of \$24,590). A substantial portion of this increase can be attributed to fines and misc. charges.
- Property Tax budgeted revenues exceeded actual revenues by \$336,929 due primarily to changes in assessment valuations.
- Intergovernmental revenue exceeded budget figures by \$552,601 which is primarily attributed to the allocation of local option sales tax utilized by the hospital.
- Charges totaled \$12,446,223 which was \$1,617,663 less than the budgeted amount due to lower weather-related utility revenues, utility administration charges and hospital Medicare reimbursement variables.
- Contribution revenue exceeded budget figures by \$73,707 with the increase primarily attributed to Hospital Auxiliary donation proceeds.
- The total original expenditure budget of \$15,597,542 was increased to \$15,756,925 (an increase of \$159,383).
- The above amendments to budgets were related to appropriation for capital improvements and capital outlay. Capital project expenditures included the walking trail and other small projects. Expenditures fell below the revised budget projections by \$2,076,490. This is primarily due to careful attention to expenditures.

## **Capital Assets**

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2011, was \$8,762,935 (net of accumulated depreciation and outstanding financings) compared to \$8,107,800 as of June 30, 2010. The increase can be accounted for by several large capital equipment expenditures and debt reduction funded with increased profits from our utilities. See Note 4 to the financial statements for more information on the City's capital assets.

## **DEBT ADMINISTRATION**

At year-end, the City had \$2,587,436 of debt outstanding which is a \$590,078 decrease from last year due to scheduled payments. Debt administration is on track for all City debt to be repaid within the next 10 years. This rapid repayment, when combined with the use of TIF revenue has allowed the City to maintain our good rating. This reflects well on our community.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt Outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$4,217,324. With outstanding General Obligation Debt applicable to this limit of \$977,436, we are utilizing 23.2% of this limit. More detailed information on debt administration is provided in Note 5 of the financial statements.

## **ECONOMIC FACTORS**

The City of Hawarden worked hard in FY 2011 to maintain a progressive approach to growth and community development. During the year work proceeded on vertical infrastructure in our industrial park and capital projects continued as scheduled.

Economically, the City works hard to attract new businesses and industry, while maintaining the quality of life residents have come to expect and enjoy. The following are a few examples of these efforts: Coilcraft's production and distribution facility continues to provide needed job growth to the community and will be completing a 20,000 square foot expansion in FY 2012. The Spec Building continues to be marketed with a professional R/E agency. The local Farmer's Cooperative has completed a \$2.5M expansion in FY 2011 with increased drying and storage capacity. The City has invested in the infrastructure for these projects and will complete a resurfacing project on W. 10<sup>th</sup> Street in FY 2012.

In business and industry recruitment, the City of Hawarden's Community Development Director continues to work on business recruitment and retention. Furthermore the director will focus on marketing Hawarden through various means (i.e. internet, flyers)

both internally (the community) and externally (surrounding communities and/or potential businesses). The City of Hawarden has expanded its comprehensive marketing campaign with a new website and logo which will promote Hawarden in a professional light as well as brand the community's name to decision-makers around the world.

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

Beautification projects continue to be a priority for the community. The City of Hawarden has been committed to a Walking Trail Project that will eventually surround the entire city. Work on the walking trail will continue in Fiscal Year 2012 along Highway 10 North and a section near the high school. This will enhance the health and wellness of our citizens who do a great deal of walking, and also provide a much safer place for citizens to walk and get exercise. The City of Hawarden continues their beautification efforts through enforcement of its Property Maintenance Code.

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

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gary Tucker at 712-551-2565.

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

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Hawarden Community Hospital
	Activities	Activities		
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,831,426	\$ 1,733,357	\$ 4,564,783	\$ 1,362,443
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	33,870	175,794	209,664	919,973
Taxes	21,622	-	21,622	-
Subsequent Year Taxes	1,041,515	-	1,041,515	-
Accrued Interest	356	7,602	7,958	-
Other	-	-	-	114,687
Estimated Unbilled Usage	-	171,711	171,711	-
Special Assessments	-	5,107	5,107	-
Notes Receivable	526,593	-	526,593	-
Internal Balances	(1,158,327)	1,158,327	-	-
Due From Related Party	-	-	-	552,234
Due from Other Governmental Agencies	64,608	-	64,608	-
Inventories	-	469,592	469,592	80,598
Prepaid Assets	42,920	41,020	83,940	111,428
Investment in Joint Venture	-	800,259	800,259	-
Restricted Assets:				
Cash and Cash Equivalents - Board Restricted	-	-	-	378,398
Cash and Cash Equivalents - Donor Restricted	134,945	-	134,945	99,846
Cash and Cash Equivalents - Bond Reserve	-	320,500	320,500	-
Customer Deposits	-	51,065	51,065	-
Bond Issue Costs	-	20,761	20,761	-
Land	375,893	56,094	431,987	234,912
Construction in Progress	37,153	447,110	484,263	92,233
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 4)	7,690,732	2,743,389	10,434,121	1,066,939
<b>Total Assets</b>	<b>11,643,306</b>	<b>8,201,688</b>	<b>19,844,994</b>	<b>5,013,691</b>
<b>LIABILITIES</b>				
Accounts Payable	76,365	192,876	269,241	197,508
Accrued Wages	34,080	18,906	52,986	232,734
Accrued Expenses	76	9,889	9,965	88,110
Due to Other Governments	-	23,342	23,342	-
Accrued Postclosure Costs	-	2,720	2,720	-
Deferred Revenue - Subsequent Year Taxes	1,041,515	-	1,041,515	-
Accrued Interest Payable	10,583	-	10,583	-
Estimated 3rd Party Payor Settlements	-	-	-	707,509
Payables from Restricted Assets:				
Customer Deposits	-	51,065	51,065	-
Accrued Revenue Bond Interest	-	5,421	5,421	-
Long-Term Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	295,000	295,000	-
General Obligation Bonds	124,941	-	124,941	-
Compensated Absences	6,450	6,776	13,226	-
Due in more than one year:				
Revenue Bonds Payable	-	1,315,000	1,315,000	-
General Obligation Bonds	852,495	-	852,495	-
Compensated Absences	25,800	27,108	52,908	-
Estimated Other Post Employment Benefit Obligations	4,616	-	4,616	-
<b>Total Liabilities</b>	<b>2,176,921</b>	<b>1,948,103</b>	<b>4,125,024</b>	<b>1,225,861</b>
<b>NET ASSETS</b>				
Invested in Capital Assets,				
Net of Related Debt	7,126,342	1,636,593	8,762,935	1,394,084
Restricted for:				
Debt Service	38,514	-	38,514	-
Specific Revenues	439,661	-	439,661	-
Revenue Bonds	-	315,079	315,079	-
Endowments:				
Expendable	41,511	-	41,511	75,177
Nonexpendable	134,945	-	134,945	96,123
Unrestricted	1,685,412	4,301,913	5,987,325	2,222,446
<b>Total Net Assets</b>	<b>\$ 9,466,385</b>	<b>\$ 6,253,585</b>	<b>\$ 15,719,970</b>	<b>\$ 3,787,830</b>

**CITY OF HAWARDEN, 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
<b>Primary Government:</b>				
Governmental Activities:				
Public Safety	\$ 594,774	\$ 182,779	\$ 5,000	\$ 1,229
Public Works	613,346	94,188	233,389	23,992
Health and Social Services	280,115	-	-	-
Culture and Recreation	505,171	50,781	41,338	17,705
Community and Economic Development	58,133	-	-	-
General Government	137,848	22,899	-	-
Capital Projects	11,346	-	-	-
Interest Expense	65,814	-	-	-
Total governmental activities	<u>2,266,547</u>	<u>350,647</u>	<u>279,727</u>	<u>42,926</u>
<b>Business-Type Activities:</b>				
Water Utility	306,132	277,212	-	6,375
WasteWater Treatment Utility	352,849	306,816	-	-
Electric Utility	1,969,669	2,523,762	-	-
Gas Utility	1,072,550	1,250,441	-	-
Solid Waste Utility	131,344	153,245	-	-
Telephone Utility	656,957	644,781	-	-
Cable/Internet Utility	415,762	503,019	-	-
Total Business-Type Activities:	<u>4,905,263</u>	<u>5,659,276</u>	<u>-</u>	<u>6,375</u>
Total Primary Government	<u>\$ 7,171,810</u>	<u>\$ 6,009,923</u>	<u>\$ 279,727</u>	<u>\$ 49,301</u>
<b>Component Unit:</b>				
Hawarden Community Hospital	<u>\$ 6,216,865</u>	<u>\$ 6,337,360</u>	<u>\$ 303,820</u>	<u>\$ 51,208</u>

General Revenues:  
Property taxes  
Local Option Sales Tax  
Interest  
Sale of Uncapitalized Assets  
Miscellaneous  
Interfund Transfers  
Total general revenues and transfers  
Change in net assets  
Net assets - beginning  
Prior Period Adjustment  
Net assets - beginning, as Restated  
Net assets - ending

<b>Net (Expense) Revenue and Changes in Net Assets</b>			<b>Component Unit Hawarden Comm. Hospital</b>
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
\$ (405,766)		\$ (405,766)	
(261,777)		(261,777)	
(280,115)		(280,115)	
(395,347)		(395,347)	
(58,133)		(58,133)	
(114,949)		(114,949)	
(11,346)		(11,346)	
(65,814)		(65,814)	
<u>(1,593,247)</u>		<u>(1,593,247)</u>	
	\$ (22,545)	(22,545)	
	(46,033)	(46,033)	
	554,093	554,093	
	177,891	177,891	
	21,901	21,901	
	(12,176)	(12,176)	
	87,257	87,257	
	<u>760,388</u>	<u>760,388</u>	
<u>(1,593,247)</u>	<u>760,388</u>	<u>(832,859)</u>	
			<u>\$ 475,523</u>
1,031,974	-	1,031,974	-
278,820	-	278,820	-
28,064	19,798	47,862	21,353
5,554	-	5,554	-
22,433	21,321	43,754	-
322,000	(322,000)	-	-
<u>1,688,845</u>	<u>(280,881)</u>	<u>1,407,964</u>	<u>21,353</u>
95,598	479,507	575,105	496,876
9,370,787	5,732,980	15,103,767	3,290,954
-	41,098	41,098	-
<u>9,370,787</u>	<u>5,774,078</u>	<u>15,144,865</u>	<u>-</u>
<u>\$ 9,466,385</u>	<u>\$ 6,253,585</u>	<u>\$ 15,719,970</u>	<u>\$ 3,787,830</u>

**CITY OF HAWARDEN, IOWA**  
**BALANCE SHEET**  
**Governmental Funds**  
**JUNE 30, 2011**

	General	TIF
<b>Assets</b>		
Cash and Cash Equivalents	\$ 286,664	\$ 1,766,106
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	33,870	-
Taxes	8,502	8,808
Subsequent Year Taxes	342,402	478,352
Accrued Interest	-	173
Notes Receivable	-	7,500
Due from Other Funds	113,423	-
Due from Other Governmental Agencies	-	-
Prepaid Assets	42,920	-
Restricted Assets:		
Donor Restricted Investments	-	-
<b>Total Assets</b>	<u>827,781</u>	<u>2,260,939</u>
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts Payable	27,545	68
Accrued Wages and Compensated Absences	34,080	-
Accrued Expenses	76	-
Due to Other Funds	-	-
Deferred Revenue	343,786	483,163
Advance from Other Funds	-	1,827,501
<b>Total Liabilities</b>	<u>405,487</u>	<u>2,310,732</u>
Fund Balances:		
Nonspendable:		
Prepaid expenditures	42,920	-
Notes Receivable	-	7,500
Library Endowment	-	-
Restricted for:		
Debt Service	-	-
Road Surface Repairs	-	-
Employee Benefits	-	-
Revolving Loan Fund	-	-
Low-Moderate Income Project	-	-
Library Endowment	-	-
Assigned for:		
Heart of Hawarden	-	-
Capital Improvement	-	-
Mapping	-	-
Capital Improvement and Facilities	-	-
Unassigned:	379,374	(57,293)
<b>Total Fund Balances (Deficits)</b>	<u>422,294</u>	<u>(49,793)</u>
<b>Total Liabilities and Equity</b>	<u>\$ 827,781</u>	<u>\$ 2,260,939</u>

Debt Service	Non-major Governmental Funds	Total Governmental Funds
\$ 47,440	\$ 487,461	\$ 2,587,671
-	-	33,870
1,657	2,655	21,622
93,104	127,657	1,041,515
-	183	356
-	389,295	396,795
-	-	113,423
-	64,608	64,608
-	-	42,920
-	134,945	134,945
142,201	1,206,804	4,437,725
-	48,752	76,365
-	-	34,080
-	-	76
-	40,898	40,898
93,104	127,657	1,047,710
-	-	1,827,501
93,104	217,307	3,026,630
-	-	42,920
-	389,295	396,795
-	134,945	134,945
49,097	-	49,097
-	38,006	38,006
-	7,204	7,204
-	5,156	5,156
-	90,567	90,567
-	41,511	41,511
-	704	704
-	22,818	22,818
-	15,720	15,720
-	288,398	288,398
-	(44,827)	277,254
49,097	989,497	1,411,095
\$ 142,201	\$ 1,206,804	\$ 4,437,725

CITY OF HAWARDEN, IOWA  
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2011

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

Total Fund Balance - Governmental Funds (page 18)	\$ 1,411,095
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	7,343,984
Internal service funds are used by management to acquire the capital equipment which is provided to user departments and are included in the statement of net assets.	1,729,996
Deferred property tax revenues that provide current financial resources for governmental activities	6,195
Accrued expenses from the balance sheet that require current financial resources for governmental activities	(10,583)
Accrued compensated absences not reported on the modified accrual basis.	(32,250)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(977,436)
Other Post Employment Benefit Liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(4,616)</u>
Total Net Assets - Governmental Activities (page 14)	<u><u>\$ 9,466,385</u></u>

**CITY OF HAWARDEN, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
**For the Year Ended June 30, 2011**

	General	TIF
Revenue:		
Taxes	\$ 358,974	\$ 443,658
Licenses and Permits	22,898	-
Intergovernmental Revenue	54,893	-
Charges for Services	203,255	-
Fines and Forfeits	13,286	-
Contributions	6,920	-
Refunds/Reimbursements	14,785	-
Rental Income	14,454	-
Proceeds from Sale of Real Estate	7,486	-
Interest	4,315	4,764
Miscellaneous	2,714	-
Total Revenue	<u>703,980</u>	<u>448,422</u>
Expenditures:		
Public Safety	563,031	-
Public Works	394,561	-
Health and Social Services	-	-
Culture and Recreation	438,687	-
Community and Economic Development	38,427	29,206
General Government	130,097	-
Capital Projects	-	10,129
Debt Service	-	24,447
Total Expenditures	<u>1,564,803</u>	<u>63,782</u>
Excess (deficiency) of revenues over expenditures	<u>(860,823)</u>	<u>384,640</u>
Other financing sources (uses):		
Transfers In	836,940	-
Transfers Out	(15,250)	(480,711)
Total other financing sources (uses)	<u>821,690</u>	<u>(480,711)</u>
Net Change in Fund Balance	(39,133)	(96,071)
Fund balances-(Deficits)- beginning of year	<u>461,427</u>	<u>46,278</u>
Fund balances -(Deficits)- end of year	<u>\$ 422,294</u>	<u>\$ (49,793)</u>

Debt Service	Non-major Governmental Funds	Total Governmental Funds
\$ 94,106	\$ 133,850	\$ 1,030,588
-	-	22,898
-	536,201	591,094
-	-	203,255
-	-	13,286
-	15,579	22,499
-	7,304	22,089
-	-	14,454
-	-	7,486
2,349	6,914	18,342
-	-	2,714
96,455	699,848	1,948,705
-	11,300	574,331
-	73,082	467,643
-	278,820	278,820
-	7,333	446,020
-	-	67,633
-	-	130,097
-	38,370	48,499
347,123	-	371,570
347,123	408,905	2,384,613
(250,668)	290,943	(435,908)
252,211	39,250	1,128,401
-	(344,626)	(840,587)
252,211	(305,376)	287,814
1,543	(14,433)	(148,094)
47,554	1,003,930	1,559,189
\$ 49,097	\$ 989,497	\$ 1,411,095

CITY OF HAWARDEN, IOWA  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2011

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

Net change in fund balances - total governmental funds (page 21) \$ (148,094)

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:

	\$	59,727	
Expenditures for capital assets		59,727	
Depreciation expense		<u>(251,181)</u>	(191,454)

Governmental funds report the proceeds from the sale of fixed assets as revenue whereas the statement of activities reports the gain or (loss) on the sale of fixed assets. This is the effect on the change in net assets on the statement of activities. (1,932)

Revenues reported in the funds that are not available to provide current financial resources 1,386

Accrued interest expense that does not require current financial resources 2,211

Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in the long-term compensated absences for the year was: 6,072

Internal service funds are used by management to fund and maintain the City's insurance policies provided to user departments and for the maintenance, repair, and replacement of the City's automotive equipment and are included in the statement of net assets. The net revenue of the internal service funds is reported with governmental activities. 126,173

The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities (1,534)

Other Post Employment Benefits that do not require current financial resources. (2,308)

The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was: 305,078

Change in net assets of governmental activities (page 16) \$ 95,598

CITY OF HAWARDEN, IOWA  
 COMBINING STATEMENT OF NET ASSETS  
 Proprietary Funds  
 June 30, 2011

	Business Type Activities		
	Water Utility	Waste Water Treatment Utility	Electric Utility
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 1	\$ 261,092	\$ 701,852
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	21,265	21,173	55,055
Accrued Interest	-	3,594	4,008
Estimated Unbilled Usage	13,393	12,036	124,606
Special Assessments	5,107	-	-
Notes Receivable	-	-	-
Due from Other Funds	-	-	7,324
Investment in Joint Venture	-	-	766,483
Advances to Other Funds	220,000	149,114	393,387
Inventories	28,249	-	232,082
Prepaid Assets	5,222	4,503	16,625
Non-Current Assets:			
Restricted Assets:			
Cash and Cash Equivalents - Bond Reserve	-	-	320,500
Customer Deposits	-	-	-
Bond Issue Costs	-	-	20,761
Land	33,873	130	-
Construction in Progress	82,191	41,065	121,830
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	633,457	460,464	1,316,984
<b>Total Assets</b>	<b>1,042,758</b>	<b>953,171</b>	<b>4,081,497</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	6,678	5,022	121,465
Accrued Wages	1,728	1,421	8,295
Accrued Expenses	1,010	57	7,699
Due to Other Funds	79,849	-	144,899
Due to Other Governments	-	-	-
Accrued Postclosure Costs	-	-	-
Payables from Restricted Assets:			
Customer Deposits	-	-	-
Accrued Revenue Bond Interest	-	-	5,421
Noncurrent Liabilities:			
Due within one year:			
Revenue Bonds Payable	-	-	295,000
Compensated Absences	762	218	3,093
Due in more than one year:			
Revenue Bonds Payable	-	-	1,315,000
Compensated Absences	3,047	873	12,371
<b>Total Liabilities</b>	<b>93,074</b>	<b>7,591</b>	<b>1,913,243</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	749,521	501,659	(171,186)
Restricted for:			
Revenue Bonds	-	-	315,079
Unrestricted	200,163	443,921	2,024,361
<b>Total Net Assets</b>	<b>\$ 949,684</b>	<b>\$ 945,580</b>	<b>\$ 2,168,254</b>

Business Type Activities				Governmental
Gas	Telephone	Non-major	Total	Activities
Utility	Utility	Enterprise		Internal
		Funds		Service
\$ 235,694	\$ 142,834	\$ 391,884	\$ 1,733,357	\$ 243,755
33,426	29,431	15,444	175,794	-
-	-	-	7,602	-
14,272	-	7,404	171,711	-
-	-	-	5,107	-
-	-	-	-	129,798
133,250	-	-	140,574	11,649
-	-	33,776	800,259	-
-	300,000	180,000	1,242,501	585,000
46,412	111,829	51,020	469,592	-
4,823	5,459	4,388	41,020	-
-	-	-	320,500	-
46,404	4,661	-	51,065	-
-	-	-	20,761	-
6	-	22,085	56,094	-
-	128,526	73,498	447,110	-
164,227	39,658	128,599	2,743,389	759,794
678,514	762,398	908,098	8,426,436	1,729,996
12,139	17,058	30,514	192,876	-
2,634	3,311	1,517	18,906	-
851	131	141	9,889	-
-	-	-	224,748	-
-	23,342	-	23,342	-
-	-	2,720	2,720	-
46,404	4,661	-	51,065	-
-	-	-	5,421	-
-	-	-	295,000	-
975	1,213	515	6,776	-
-	-	-	1,315,000	-
3,902	4,853	2,062	27,108	-
66,905	54,569	37,469	2,172,851	-
164,233	168,184	224,182	1,636,593	759,794
-	-	-	315,079	-
447,376	539,645	646,447	4,301,913	970,202
\$ 611,609	\$ 707,829	\$ 870,629	\$ 6,253,585	\$ 1,729,996

CITY OF HAWARDEN, IOWA  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
 Proprietary Funds  
 For the Year Ended June 30, 2011

	Business Type Activities			
	Water Utility	Waste Water Treatment Utility	Electric Utility	Gas Utility
<b>Operating Revenues:</b>				
Charges for Services	\$ 277,212	\$ 306,816	\$ 2,523,762	\$ 1,250,441
<b>Total Operating Revenue</b>	<b>277,212</b>	<b>306,816</b>	<b>2,523,762</b>	<b>1,250,441</b>
<b>Operating Expenses:</b>				
Resale Purchases	-	-	1,262,461	688,703
Employee Services	75,344	63,002	162,687	115,610
Contract Services	104,362	125,282	190,591	166,927
Supplies	44,057	37,622	108,386	52,966
Repairs and Improvements	14,471	9,147	37,014	11,700
Utilities	13,498	48,495	-	-
Miscellaneous	1,213	1,918	11,914	14,452
Depreciation	53,187	67,383	118,441	22,192
Amortization	-	-	3,718	-
<b>Total Operating Expenses</b>	<b>306,132</b>	<b>352,849</b>	<b>1,895,212</b>	<b>1,072,550</b>
<b>Operating Income (Loss)</b>	<b>(28,920)</b>	<b>(46,033)</b>	<b>628,550</b>	<b>177,891</b>
<b>Non-Operating Income (Expense):</b>				
Interest Income	3,111	10,908	24,338	1,262
(Loss) on Sale of Fixed Assets	-	-	-	-
Other Non-operating Revenues (Expenses)	2,062	1,739	(16,336)	2,780
Interest Expense	-	-	(74,457)	-
Special Assessment Revenue	6,375	-	-	-
<b>Total Non-Operating Income (Expenses)</b>	<b>11,548</b>	<b>12,647</b>	<b>(66,455)</b>	<b>4,042</b>
<b>Income (Loss) Before Transfers</b>	<b>(17,372)</b>	<b>(33,386)</b>	<b>562,095</b>	<b>181,933</b>
<b>Transfers In</b>	<b>-</b>	<b>-</b>	<b>200,000</b>	<b>-</b>
<b>Transfers Out</b>	<b>(37,000)</b>	<b>(22,000)</b>	<b>(230,500)</b>	<b>(77,500)</b>
<b>Change in Net Assets</b>	<b>(54,372)</b>	<b>(55,386)</b>	<b>531,595</b>	<b>104,433</b>
<b>Net Assets - Beginning</b>	<b>962,958</b>	<b>1,000,966</b>	<b>1,636,659</b>	<b>507,176</b>
<b>Prior Period Adjustment</b>	<b>41,098</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets -Beginning, as restated</b>	<b>1,004,056</b>	<b>1,000,966</b>	<b>1,636,659</b>	<b>507,176</b>
<b>Net Assets - Ending</b>	<b>\$ 949,684</b>	<b>\$ 945,580</b>	<b>\$ 2,168,254</b>	<b>\$ 611,609</b>

Business Type Activities			Governmental
Telephone	Non-major		Activities
Utility	Enterprise	Total	Internal
	Funds		Service
\$ 644,781	\$ 656,264	\$ 5,659,276	\$ 246,332
644,781	656,264	5,659,276	246,332
225,175	349,265	2,525,604	-
75,075	59,430	551,148	-
276,112	95,181	958,455	-
30,628	13,412	287,071	-
9,288	17,109	98,729	4,848
13,321	-	75,314	-
24,938	2,560	56,995	-
2,420	10,149	273,772	158,503
-	-	3,718	-
656,957	547,106	4,830,806	163,351
(12,176)	109,158	828,470	82,981
4,651	6,131	50,401	9,722
-	-	-	(1,061)
(2,570)	3,043	(9,282)	345
-	-	(74,457)	-
-	-	6,375	-
2,081	9,174	(26,963)	9,006
(10,095)	118,332	801,507	91,987
-	-	200,000	34,186
(85,000)	(70,000)	(522,000)	-
(95,095)	48,332	479,507	126,173
802,924	822,297	5,732,980	1,603,823
		41,098	
802,924	822,297	5,774,078	1,603,823
\$ 707,829	\$ 870,629	\$ 6,253,585	\$ 1,729,996

**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

	Business Type Activities		
	Water Utility	Waste Water Treatment Utility	Electric Utility
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 286,891	\$ 322,778	\$ 2,562,778
Cash Received from Interfund Services Provided			
Cash Paid to Suppliers for Goods and Services	(228,514)	(222,115)	(1,575,716)
Cash Paid to Employees for Services	(75,081)	(62,100)	(161,071)
Other Nonoperating Income	8,437	1,739	14,267
Net Cash Provided (Used) by Operating Activities	<u>(8,267)</u>	<u>40,302</u>	<u>840,258</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and Construction of Capital Assets	(39,974)	(41,065)	(262,839)
Proceeds from Sales of Fixed Assets	-	-	-
Special Assessment Receipts	529	-	-
Principal Paid on Notes and Bonds	-	-	(285,000)
Interest Paid on Notes and Bonds	-	-	(75,312)
Net Cash (Used) by Capital and Related Financing Activities	<u>(39,445)</u>	<u>(41,065)</u>	<u>(623,151)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Operating Transfers to Other Funds	(37,000)	(22,000)	(230,500)
Operating Transfers From Other Funds	-	-	200,000
Advances From (To) Other Funds	(220,000)	11,217	(217,615)
Due From (To) Other Funds	51,149	(167,031)	(17,911)
Net Cash (Used) for Non-Capital Financing Activities	<u>(205,851)</u>	<u>(177,814)</u>	<u>(266,026)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest and Dividends on Investments	3,111	11,322	25,146
Net Cash Provided for Investing Activities	<u>3,111</u>	<u>11,322</u>	<u>25,146</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(250,452)	(167,255)	(23,773)
Cash and Cash Equivalents at Beginning of Year	250,453	428,347	1,046,125
Cash and Cash Equivalents at End of Year	<u>\$ 1</u>	<u>\$ 261,092</u>	<u>\$ 1,022,352</u>

Business Type Activities				Governmental
Gas	Telephone	Non-major	Total	Activities
Utility	Utility	Enterprise		Internal
		Funds		Service
\$ 1,279,089	\$ 687,661	\$ 655,807	\$ 5,795,004	\$ -
(939,374)	(578,593)	(479,077)	(4,023,389)	246,332
(115,565)	(74,922)	(59,132)	(547,871)	(4,848)
2,780	(2,570)	3,043	27,696	-
226,930	31,576	120,641	1,251,440	345
(44,222)	(11,957)	(16,792)	(416,849)	241,829
-	-	-	-	-
-	-	-	529	(233,767)
-	-	-	(285,000)	4,500
-	-	-	(75,312)	-
(44,222)	(11,957)	(16,792)	(776,632)	(229,267)
(77,500)	(85,000)	(70,000)	(522,000)	34,186
-	-	-	200,000	-
-	(200,000)	(180,000)	(806,398)	(423,000)
(25,532)	-	-	(159,325)	(129,798)
(103,032)	(285,000)	(250,000)	(1,287,723)	(518,612)
1,262	4,651	6,131	51,623	9,722
1,262	4,651	6,131	51,623	9,722
80,938	(260,730)	(140,020)	(761,292)	(496,328)
201,160	408,225	531,904	2,866,214	740,083
\$ 282,098	\$ 147,495	\$ 391,884	\$ 2,104,922	\$ 243,755

(Continued)

**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS (Continued)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

	Business Type Activities		
	Water Utility	Waste Water Treatment Utility	Electric Utility
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (28,920)	\$ (46,033)	\$ 628,550
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	53,187	67,383	118,441
Amortization	-	-	3,718
Miscellaneous Non-Operating Income	8,437	1,739	14,267
(Increase) Decrease in Assets:			
Accounts Receivable	11,227	10,144	32,983
Estimated Unbilled Usage	4,088	5,818	6,033
Inventories	(2,746)	-	24,514
Prepaid Expenses	(274)	(167)	(1,788)
Increase (Decrease) in Liabilities			
Accounts Payable	(47,755)	548	12,556
Accrued Wages	226	133	745
Accrued Compensated Absences	37	769	871
Due To Other Governments	-	-	-
Accrued Expenses	(138)	(32)	(632)
Unearned Revenue	(5,636)	-	-
Customer Deposits	-	-	-
Total Adjustments	20,653	86,335	211,708
Net Cash Provided (Used) by Operating Activities	\$ (8,267)	\$ 40,302	\$ 840,258

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

Cash and Cash Equivalents	\$ 1	\$ 261,092	\$ 701,852
Customer Deposits	-	-	-
Restricted Cash and Cash Equivalents	-	-	320,500
	\$ 1	\$ 261,092	\$ 1,022,352

Business Type Activities				Governmental
Gas	Telephone	Non-major	Total	Activities
Utility	Utility	Enterprise		Internal
		Funds		Service
\$ 177,891	\$ (12,176)	\$ 109,158	\$ 828,470	\$ 82,981
22,192	2,420	10,149	273,772	158,503
-	-	-	3,718	-
2,780	(2,570)	3,043	27,696	345
15,503	44,266	(1,118)	113,005	-
7,387	-	661	23,987	-
3,228	695	(2,457)	23,234	-
(329)	(2)	(284)	(2,844)	-
(7,506)	4,408	2,122	(35,627)	-
(2)	(224)	273	1,151	-
47	377	25	2,126	-
-	(3,808)	-	(3,808)	-
(19)	(424)	(931)	(2,176)	-
-	-	-	(5,636)	-
5,758	(1,386)	-	4,372	-
49,039	43,752	11,483	422,970	158,848
\$ 226,930	\$ 31,576	\$ 120,641	\$ 1,251,440	\$ 241,829

\$ 235,694	\$ 142,834	\$ 391,884	\$ 1,733,357	\$ 243,755
46,404	4,661	-	51,065	-
-	-	-	320,500	-
\$ 282,098	\$ 147,495	\$ 391,884	\$ 2,104,922	\$ 243,755

**CITY OF HAWARDEN, IOWA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**Fiduciary Funds**  
**June 30, 2011**

	Pension Trust Fund			
	Police Retirement Fund		Agency Funds	Total
<b>ASSETS</b>				
Cash and Pooled Investments	\$	3,714	\$	15,584
Due From Other Governments		-		1,060
<b>Total Assets</b>		<b>3,714</b>		<b>16,644</b>
<b>LIABILITIES</b>				
Accounts Payable		369		-
Due to Other Governments		-		15,584
Cash Deficit		-		1,060
<b>Total Liabilities</b>		<b>369</b>		<b>16,644</b>
<b>NET ASSETS</b>				
Held in Trust for Pension Benefits		3,345		-
<b>Total Net Assets</b>	<b>\$</b>	<b>3,345</b>	<b>\$</b>	<b>-</b>
			<b>\$</b>	<b>3,345</b>

**CITY OF HAWARDEN, IOWA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2011**

	Pension Trust Fund Police Retirement Fund
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 11,300
Total Contributions	<u>11,300</u>
Investment Income:	
Interest, Dividends and Market Gain	<u>31</u>
Net Investment Income	<u>31</u>
Total Additions	<u>11,331</u>
<b>DEDUCTIONS</b>	
Pension Benefits	10,699
Miscellaneous Expenses	<u>600</u>
Total Deductions	<u>11,299</u>
Net Increase	32
Net Assets -- Beginning of Period	<u>3,313</u>
Net Assets -- End of Period	<u>\$ 3,345</u>

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

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

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

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

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

**A. Reporting Entity**

These financial statements present the City of Hawarden (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its financial relationship with the City. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from their administrative offices.

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

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

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

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

**B. Basis of Presentation**

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

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

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

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

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

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

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

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

The City reported the following major governmental funds.

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

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

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

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

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

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

**C. Measurement Focus and Basis of Accounting**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property taxes to be available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

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

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

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

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

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

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

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

**D. Assets, Liabilities and Fund Equity**

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

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

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

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2011 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects tax asking contained in the budget certified to the County Board of Supervisors March, 2010.

Customer Accounts and Unbilled Usage – Accounts receivable are recorded at the time the service is billed, net of an allowance for doubtful accounts of \$13,171 at June 30, 2011. Unbilled usage, recorded in the Enterprise Funds for service consumed between periodic scheduled billing dates, is estimated and is recognized as revenue in the period in which the service is provided.

Also, the Hawarden Community Hospital's accounts receivable consists of patient receivables net of allowances for estimated third-party contractual adjustments and uncollectibles of \$361,277 at June 30, 2011.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

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

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

Internal Balances – During the course of its operations, the City has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2011, the balance of interfund amounts payable or receivable have been recorded in the fund financial statements.

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

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

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

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

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

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

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

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

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

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

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax that will not be recognized as revenue until the year they are levied.

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

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

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

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

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

Assigned – Amounts the City intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.

Unassigned – All amounts not included in other spendable classifications.

Budgets and Budgetary Accounting – The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures for the year ended June 30, 2011 exceeded amounts budgeted in the public works and debt service functions.

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

The City deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has a fixed rate certificate of deposit dated September 23, 2010, which is due on August 23, 2011. The certificate of deposit pays an interest rate of 1.95%.

**Note 3 - JOINT VENTURES**

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

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 3 - JOINT VENTURES – (Continued)**

Summary financial information of the joint venture for the year ended December 31, 2010 follows:

	<u>Total</u>	<u>City Share</u>
Assets .....	\$ 7,418,329	\$ 871,654
Liabilities .....	417,267	49,029
Equity .....	7,001,062	822,625
	<u>7,418,329</u>	<u>871,654</u>
Revenues .....	1,098,564	129,081
Expenses .....	1,243,205	146,077
Net Decrease in Equity .....	<u>\$ (144,641)</u>	<u>\$ (16,996)</u>

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

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

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 4 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 377,825	\$ -	\$ 1,932	\$ 375,893
Construction in Progress-infrastructure	23,277	37,153	23,277	37,153
Total capital assets not being depreciated	401,102	37,153	25,209	413,046
Capital assets being depreciated:				
Buildings	5,093,764	-	-	5,093,764
Improvements other than buildings	1,353,982	13,074	-	1,367,056
Equipment and vehicles	2,872,524	243,267	141,160	2,974,631
Infrastructure, road network	4,747,315	23,277	-	4,770,592
Total capital assets being depreciated	14,067,585	279,618	141,160	14,206,043
Less: Accumulated Depreciation for:				
Buildings	2,220,171	109,342	-	2,329,513
Improvements other than buildings	517,425	36,934	-	554,359
Equipment and vehicles	2,048,960	178,847	135,599	2,092,208
Infrastructure, road network	1,454,670	84,561	-	1,539,231
Total Accumulated Depreciation	6,241,226	409,684	135,599	6,515,311
Total capital assets being depreciated, net	7,826,359	(130,066)	5,561	7,690,732
Governmental activities capital assets, net	\$ 8,227,461	\$ (92,913)	\$ 30,770	\$ 8,103,778
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 56,094	\$ -	\$ -	\$ 56,094
Construction in Progress	401,817	388,527	343,234	447,110
Total capital assets not being depreciated	457,911	388,527	343,234	503,204
Capital assets being depreciated:				
Buildings	142,376	-	-	142,376
Utility Plant	12,938,023	417,219	-	13,355,242
Total capital assets being depreciated	13,080,399	417,219	-	13,497,618
Less: Accumulated Depreciation for:				
Buildings	92,461	3,277	-	95,738
Utility Plant	10,387,996	270,495	-	10,658,491
Total Accumulated Depreciation	10,480,457	273,772	-	10,754,229
Total capital assets being depreciated, net	2,599,942	143,447	-	2,743,389
Business-Type activities capital assets, net	\$ 3,057,853	\$ 531,974	\$ 343,234	\$ 3,246,593

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 4 -CAPITAL ASSETS – (Continued)**

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

Governmental Activities:	
Public Safety	\$ 23,646
Public Works	145,659
Health & Social Services	1,295
Culture & Recreation	74,258
General Government	164,826
Total depreciation expense – governmental activities	<u>\$ 409,684</u>

The governmental depreciation expense amount shown above includes \$158,503 of depreciation expense from the City's internal service fund which is recorded as a governmental activity on the government-wide statements.

Business-Type Activities:	
Water	\$ 53,187
Wastewater	67,383
Electric	118,441
Gas	22,192
Cable/Internet	10,149
Telephone	2,420
Total depreciation expense – business type activities	<u>\$ 273,772</u>

Discretely presented component unit	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 19,384	\$ 215,528	\$ -	\$ 234,912
Construction-in-Progress	31,201	87,240	26,208	92,233
Total capital assets, not being depreciated	<u>50,585</u>	<u>302,768</u>	<u>26,208</u>	<u>327,145</u>
Capital assets being depreciated:				
Land Improvements	41,289	13,708	-	54,997
Hospital	1,556,820	-	-	1,556,820
Fixed Equipment	511,595	-	3,584	508,011
Major Moveable Equipment	1,903,860	148,743	8,333	2,044,270
Total capital assets being depreciated	<u>4,013,564</u>	<u>162,451</u>	<u>11,917</u>	<u>4,164,098</u>
Less: Accumulated Depreciation for:				
Land Improvements	30,435	1,793	-	32,228
Hospital	1,085,875	38,378	-	1,124,253
Fixed Equipment	403,433	13,065	3,584	412,914
Major Moveable Equipment	1,264,906	271,191	8,333	1,527,764
Total Accumulated Depreciation	<u>2,784,649</u>	<u>324,427</u>	<u>11,917</u>	<u>3,097,159</u>
Total capital assets being depreciated, net	1,228,915	(161,976)	-	1,066,939
Total capital assets, net	<u>\$ 1,279,500</u>	<u>\$ 140,792</u>	<u>\$ 26,208</u>	<u>\$ 1,394,084</u>

Total depreciation expense – discretely presented component unit \$ 324,428

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 4 - CAPITAL ASSETS – (Continued)**

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

	Governmental Activities	Business-Type Activities	Component Unit
Land	\$ 375,893	\$ 56,094	\$ 234,912
Construction-in-Progress	37,153	447,110	92,233
Capital Assets (net of accumulated depreciation)	7,690,732	2,743,389	1,066,939
Less:			
General Obligation Bonds Payable	977,436	-	-
Revenue Bonds	-	1,610,000	-
	<u>\$ 7,126,342</u>	<u>\$ 1,636,593</u>	<u>\$ 1,394,084</u>

**Note 5 - CHANGES IN LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011	Due Within One Year
Governmental activities:					
Compensated Absences	\$ 38,322	\$ 1,592	\$ 7,664	\$ 32,250	\$ 6,450
General Obligation Bonds/Notes	632,514	486	233,000	400,000	50,000
General Obligation Refunding Note	650,000	-	72,564	577,436	74,941
Other Post Employment Benefit	2,308	2,308	-	4,616	-
	<u>\$ 1,323,144</u>	<u>\$ 4,386</u>	<u>\$ 313,288</u>	<u>\$ 1,014,302</u>	<u>\$ 131,391</u>

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011	Due Within One Year
Business type activities:					
Revenue notes	\$ 1,895,000	\$ -	\$ 285,000	\$ 1,610,000	\$ 295,000
Compensated Absences	31,758	8,477	6,351	33,884	6,776
	<u>\$ 1,926,758</u>	<u>\$ 8,477</u>	<u>\$ 291,351</u>	<u>\$ 1,643,884</u>	<u>\$ 301,776</u>

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011	Due Within One Year
Component unit:					
Bank Notes	\$ 224,466	\$ -	\$ 224,466	\$ -	\$ -

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

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

General Obligation Bonds/Notes

Two issues of unmatured general obligation bonds/notes, totaling \$977,436 are outstanding at June 30, 2011. General obligation bonds/notes bear interest at rates ranging from 3.25-4.25% and mature in varying annual amounts, ranging from \$50,000 to \$90,000, with the final maturities due in the year ending June 1, 2019.

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

Details of general obligation bonds/notes payable at June 30, 2011 are as follows:

Governmental Activities:	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2011
General obligation bonds/notes:						
General Corporate Purpose	August 20, 2009	4.25%	June 1, 2019	50,000	500,000	\$ 400,000
General Obligation Refunding Note	June 1, 2010	3.25%	June 1, 2018	74,000-89,500	650,000	<u>577,436</u>
						<u>\$ 977,436</u>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 124,941	\$ 34,631	\$ 159,572
2013	127,397	30,051	157,448
2014	129,932	25,390	155,322
2015	132,551	20,646	153,197
2016	135,256	15,817	151,073
2017-2019	327,359	18,381	345,740
Total	<u>\$ 977,436</u>	<u>\$ 144,916</u>	<u>\$ 1,122,352</u>

Revenue Notes

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

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

<u>Enterprise</u>	<u>Type of Account</u>	<u>Required Balance June 30, 2011</u>	<u>Actual Balance June 30, 2011</u>
Electric	Electric Revenue Sinking Fund	\$ 30,004	\$ 31,000
Electric	Bond and Interest Reserve	161,000	189,500
Electric	Bond Improvement	100,000	100,000

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

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

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

Details of revenue notes payable at June 30, 2011 are as follows:

Business Type Activities	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2011
Revenue Notes:						
Electric Crossover Refunding	Jan. 26, 2004	2.55-4.3%	June 1, 2016	250,000-350,000	\$ 2,945,000	<u>\$ 1,610,000</u>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 295,000	\$ 65,053	\$ 360,053
2013	310,000	53,843	363,843
2014	320,000	41,753	361,753
2015	335,000	28,953	363,953
2016	350,000	15,050	365,050
Total	<u>\$ 1,610,000</u>	<u>\$ 204,652</u>	<u>\$ 1,814,652</u>

Bank Loans:

In fiscal year 2002, the City borrowed \$180,000 for Wee Care Child Care for improvements to the leased portion of the community center. The City paid off this loan during fiscal year 2011 but Wee Care is still making payments to the City as scheduled in Note 11.

Component Unit:

In July 2006, the Hospital took out a note from Farmers State Bank in Hawarden for \$172,000 to be used for the purchase of property and equipment. This note had an interest rate of 6.0% and was repaid over five years in monthly installments of \$3,326, beginning August 28, 2006. The note was extinguished in its entirety by the Hospital in 2011.

In December 2006, the Hospital took out a note from First State Bank in Hawarden for \$135,000 to be used for the purchase of property and equipment. This note had an interest rate of 5.95% and was repaid over five years in monthly installments of \$2,611, beginning January 10, 2007. The note was extinguished in its entirety by the Hospital in 2011.

In May 2007, the Hospital took out a note from Farmers State Bank in Hawarden for \$74,184 for the purchase of property and equipment. This note had an interest rate of 5.75% and was repaid over five years in monthly installments of \$1,426, beginning July 1, 2007. The note was extinguished in its entirety by the Hospital in 2011.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

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

In December 2007, the Hospital took out a note from Peoples Bank in Hawarden for \$200,000 for the purchase of property and equipment. This note had an interest rate of 4.49% and was repaid over five years in monthly installments of \$3,728, beginning January 5, 2008. The note was extinguished in its entirety by the Hospital in 2011.

The total of component unit interest expense on borrowed funds during the year ended June 30, 2011 was \$6,247.

**Note 6 - INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Tax Increment Financing Revenues	\$ 28,500
	Non-Major Governmental	320,440
	Enterprise	
	Water	30,000
	Electric	220,500
	Gas	67,500
	Telephone	85,000
	Wastewater	15,000
	Non-Major Enterprise	70,000
	<u>836,940</u>	
Debt Service	Special Revenue:	
	Tax Increment Financing Revenues	252,211
		<u>252,211</u>
Electric	Special Revenue:	
	Tax Increment Financing Revenues	200,000
		<u>200,000</u>
Internal Service	General	10,000
	Non-Major Governmental	24,186
		<u>34,186</u>
Non-Major Capital Project Fund	General	5,250
	Enterprise:	
	Water	7,000
	Electric	10,000
	Gas	10,000
	Wastewater	7,000
	<u>39,250</u>	
Total Transfers		<u>\$ 1,362,587</u>

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 6 - INTERFUND TRANSFERS – (Continued)**

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

**Note 7 – INTERNAL BALANCES**

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 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.

The detail of short-term interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise:	
	Water	\$ 72,525
	Non-major Capital Project Funds	40,898
		<u>113,423</u>
Enterprise:	Enterprise:	
Gas	Electric	133,250
Electric	Water	7,324
Internal Service:	Enterprise:	
Capital Equipment	Electric	11,649
		<u>\$ 265,646</u>

The detail of long-term advances to and from other funds at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise:	Special Revenue:	
Solid Waste	Tax Increment Financing	\$ 180,000
Electric	Tax Increment Financing	393,387
Wastewater	Tax Increment Financing	149,114
Telephone	Tax Increment Financing	300,000
Water	Tax Increment Financing	220,000
Internal Service	Tax Increment Financing	585,000
		<u>\$ 1,827,501</u>

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

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**Note 8 - PENSION AND RETIREMENT FUND COMMITMENTS**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute plan to members and beneficiaries. IPERS issues a publicly available financial report that includes financial 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% of their annual covered salary and the City is required to contribute 6.95% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate.

Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$92,236, \$83,405 and \$75,993, respectively, equal to the required contributions for each year.

In addition the Hawarden Municipal Hospital contributed the following amounts for the year ended June 30, 2011, 2010, and 2009, respectively, \$139,603, \$123,484, and \$121,143. These amounts also equal the required annual contributions.

Police Pension - The City maintains a single-employer, defined benefit pension plan (police retirement system), which was organized under Chapter 410 of the Code of Iowa. Police personnel who were in the employ of the City prior to July 1, 1971, are eligible to participate in the plan. Any eligible participant may be entitled to benefits if such member has served 22 years or more and shall have reached the age of 50 years; or who shall, while a member of the department, become mentally or physically permanently disabled while performing his duties. The salary benefit is equal to one-half the amount of salary received by him monthly at the date he actually retires from the department. Benefits are increased subsequent to retirement by 50% of any increase in the pension benefits for the rank at which the member retired. In the event of the death of a retired participant, the benefit paid to a surviving spouse is reduced to 50% of the retiree's benefit. Presently, the City has only one individual who qualifies as a participant because of the employment of their spouse prior to July 1, 1971. The payroll for employees covered by the system was \$-0- and the City's total payroll for the police department was \$208,667.

The amount shown below as the Actuarial Accrued Liability is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. This measure is the actuarial present value of credited projected benefits and is intended to (1) help users assess the system's funding status on a going-concern basis, (2) assess progress being made in accumulating sufficient assets to pay benefits when due, and (3) allow for comparisons among public employee retirement plans. The net pension obligation was determined as part of an actuarial valuation of the plan as of July 1, 2011.

<u>Net Pension Obligation</u>	
Retirees and Beneficiaries Currently Receiving Benefits .....	\$ 100,430
Net Assets Available for Benefits at Market .....	-

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

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

There were no current year member contributions. Eligible participants were required to contribute annually an amount equal to 1% of current annual salary, or approximately \$200 per year. The City has chosen to fund the plan on a pay-as-you-go basis under which contributions to the plan above and beyond employee contributions are made at the same time and in the same amounts as benefit payments and expenses become due.

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

The unfunded actuarial present value of credited projected benefits is \$100,430.

The unfunded actuarial present value of credited projected benefits is not recorded as a liability of the City. The City's contribution for the year was \$10,699 as required by the pay-as-you-go method of funding. This \$10,699 was paid by the City as required. The amount was not actuarially determined.

Three-year trend information is as follows:

	June 30, <u>2011</u>	June 30, <u>2010</u>	June 30, <u>2009</u>
Net assets available for benefits as a percentage of the net pension obligation applicable to the City's employees	0.00%	0.00%	0.00%
Unfunded net pension obligation as a percentage of the City's annual covered pay-roll	N/A	N/A	N/A
City's contributions to the pension plan as a percentage of annual covered payroll	N/A	N/A	N/A

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

**Note 9 - RISK FINANCING**

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the 2010-11 fiscal year the City has elected to purchase commercial insurance to cover against the risk of loss. There have been no settlements that exceeded insurance coverage during the last three fiscal years.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

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**Note 10 - POSTCLOSURE COSTS**

The City's landfill site has been closed since 1986 but state and federal laws and regulations require the City perform certain maintenance and monitoring functions at the site for 30 years after closure. The long-term postclosure costs recorded in the Solid Waste Utility of \$2,720 represents the estimated postclosure costs related to the landfill. These amounts are based on what it would cost to perform all postclosure care during the year ended June 30, 2011. Actual costs may be higher due to inflation, changes in technology, changes in regulations, or unexpected test results.

**Note 11 - NOTES RECEIVABLE**

In fiscal year 2002, the City advanced Wee Care Child Care \$180,000 for improvements to leased portion of community center. The City borrowed these funds from a local institution and a receivable and liability of the same amount was recorded in the debt service fund. During fiscal year 2011 the City repaid the loan from local institutions and renegotiated with Wee Care to repay the City over 12 years. The receivable and liability were removed from the debt service fund and now a receivable is recorded in the internal service fund. The note bears interest at 3.00% with payments as follows:

<u>Fiscal Year</u>	<u>Principal</u>
2012	\$ 10,151
2013	10,460
2014	10,778
2015	11,106
2016	11,444
2017-2021	62,653
2022	13,206
Total Note Receivable	<u>\$ 129,798</u>

During the fiscal year ended June 30, 2010 the City loaned Pro Sport Bistro \$10,000 as part of the downtown incentive program for economic development. The loan was provided from the Tax Increment Financing fund and had a balance of \$7,500 as of June 30, 2011. The first payment was due on April 1, 2010 and the note bears no interest. The remaining payments consist of the following:

<u>Fiscal Year</u>	<u>Principal</u>
2012	\$ 2,000
2013	2,000
2014	2,000
2015	1,500
Total Note Receivable	<u>\$ 7,500</u>

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

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

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**Note 12 - RELATED PARTY TRANSACTIONS**

*Hawarden Community Clinic*

Effective January 1, 2005, the Hospital and Mercy Medical Services entered into a joint venture whereby each partner has a 50% sponsorship interest in Hawarden Community Clinic, LLC. (HCC). The Hospital and MMS share equally in the net income (loss) of HCC. The Hospital's share of HCC's 2011 and 2010 (from January 1 through June 30) operating loss was \$109,580 and \$54,780, respectively, and is included in joint venture loss, net in the accompanying statements of revenue, expenses and changes in net assets.

The Hospital hires the employees of HCC and leases them back to HCC. Amounts received by the Hospital for expenses paid in 2011 and 2010 was \$328,013 and \$316,700, respectively, and is included in the accompanying statements of revenue, expenses and changes in net assets. The Hospital also received management fees from HCC totaling \$50,000 in 2011 and 2010, and monthly rent totaling \$27,600 for the years ended June 30, 2011 and 2010. These amounts are included in other revenue.

HCC owed the Hospital \$507,862 and \$367,212 at June 30, 2011 and 2010, respectively. These amounts are recorded in due from related party on the balance sheets.

*Ireton Community Clinic*

Effective June 1, 2008, the Hospital and Mercy Medical Services (MMS) entered into a joint venture whereby each partner has a 50% sponsorship interest in Ireton Community Clinic, LLC. (ICC). The Hospital and MMS share equally in the net income (loss) of ICC. The Hospital's share of ICC's 2011 and 2010 operating loss was \$13,284 and \$16,837, respectively, and is included in joint venture loss, net in the accompanying statements of revenue, expenses and changes in net assets.

The Hospital hires the employees of ICC and leases them back to ICC. Amounts received by the Hospital for expenses paid in 2011 and 2010 was \$39,630 and \$36,719, respectively, and is included in the accompanying statements of revenue, expenses and changes in net assets. The Hospital also received management fees from ICC totaling \$10,000 in 2011 and 2010. These fees are included in other revenue.

ICC owed the hospital \$44,372 and \$9,766 at June 30, 2011 and 2010, respectively. These amounts are recorded in due from related party on the balance sheet.

**Note 13 - LEASES WITH RELATED PARTIES**

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

**Note 14 - DEFICIT FUND BALANCES**

The City has three funds with deficit fund balances at June 30, 2011. The City intends to finance these deficits from tax increment property taxes.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

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**Note 14 - DEFICIT FUND BALANCES - (Continued)**

The fund deficits are as follows:

TIF.....	\$	49,793
Walking Trail Project.....		3,745
Capital Project Street Project.....		41,082

**Note 15 - MAJOR CUSTOMERS**

During the year ended June 30, 2011, charges for services provided by the waste water utility of the City to Superior Farms Iowa was \$75,831, or 25% of total waste water charges for service. Charges for services provided by the water utility to Superior Farms Iowa was \$39,607, or 14% of total water charges for service. Gas utility charges for services provided to Superior Farms Iowa totaled \$185,875, or 15% of total gas charges for services.

**Note 16 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

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

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

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

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

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 changes in the City's net OPEB obligation:

Annual required contribution	\$	2,308
Interest on net OPEB obligation		-0-
Adjustment to annual required contribution		-0-
Annual OPEB cost		2,308
Contributions made		-0-
Increase in net OPEB obligation		2,308
Net OPEB obligation beginning of year		2,308
Net OPEB obligation end of year	\$	4,616

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 16 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)**

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, 2011.

For the year ended June 30, 2011, the City contributed \$-0- to the medical plan. Plan members eligible for benefits did not contribute any of the premium costs.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 2,308	0.0%	\$ 2,308
June 30, 2011	\$ 2,308	0.0%	\$ 4,616

Funded Status and Funding Progress - As of June 30, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$14,965, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$14,965. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,290,000 and the ratio of the UAAL to covered payroll was 1.2%. 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 assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

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

Projected annual claim costs of the medical plan are \$13,708 for retirees and \$15,870 for their spouses less than age 65 and there are no participating retirees who have attained age 65. The

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 16 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)**

salary increase rate was assumed to be 2% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Note 17 – PRIOR PERIOD ADJUSTMENT**

For the year ended June 30, 2010, construction in progress was incorrectly calculated for the water fund. This amount understated construction in progress and overstated expenses recorded in the water fund. The error has been corrected and has had the following effect on the beginning fund balances:

	Water Utility
Beginning Fund Balance, As Previously Reported	\$ 962,958
Prior Period Adjustment	41,098
Beginning Fund Balance, As Restated	\$ 1,004,056

**Note 18 – ACCOUNTING CHANGE / RESTATEMENT**

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	General Fund	Contingency Project Fund
Balances June 30, 2010, as previously reported	\$ 364,360	\$ 97,067
Change in fund type classification per implementation of GASB Statement No. 54	97,607	(97,067)
Balances July 1, 2010, as restated	\$ 461,427	\$ -

**Note 19 – SUBSEQUENT EVENT**

In November 2011, the City approved issuance of a \$4,615,000 electric revenue bond to be used for electric improvements and to refund a 2004 electric revenue bond. The bond is payable from charges for services generated by the electric fund.

In November 2011, the City approved issuance of a \$750,000 general obligation bond to pay the costs of certain street improvements. The bond is payable from a continuing annual levy of taxes against all taxable property of the City.

**CITY OF HAWARDEN, IOWA**  
**Required Supplementary Information – Budgetary Reporting**  
**For the Year Ended June 30, 2011**

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

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

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

	<b>Original Budget</b>	<b>5/25/11 Amendment</b>	<b>Amended Budget</b>
Public Safety	\$ 591,920	\$ 3,500	\$ 595,402
Public Works	412,480	38,000	450,480
Health and Social Services	280,000	-	280,000
Culture and Recreation	441,606	40,500	482,106
Community and Economic Development	594,790	487,554	107,236
General Government	136,961	-	136,961
Debt Service	109,425	252,212	361,637
Capital Projects	31,000	119,000	150,000
Business Type Activities	12,999,378	193,725	13,193,103
Transfer Out	1,048,240	1,838,260	2,886,500

**CITY OF HAWARDEN, IOWA**  
**Required Supplementary Information – Budgetary Reporting**  
**For the Year Ended June 30, 2011**

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5. Legally adopted budgets are prepared on a program basis for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Project Funds and the Permanent Fund on a basis consistent with generally accepted accounting principles and reflect the annual appropriation resolutions adopted by the City Council.
  
6. Unexpended appropriations lapse at the end of each fiscal year.

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

**CITY OF HAWARDEN, IOWA**  
**Required Supplementary Information – Budgetary Reporting**  
**For the Year Ended June 30, 2011**

	Governmental Fund Types	Proprietary Fund Types	Primary Government Total
<b>Revenues:</b>			
Property Taxes .....	\$ 1,030,588	\$ -	\$ 1,030,588
Special Assessments .....	-	6,375	6,375
Licenses .....	22,898	-	22,898
Intergovernmental .....	591,094	-	591,094
Charges .....	203,255	5,905,608	6,108,863
Fines .....	13,286	-	13,286
Contributions .....	22,499	-	22,499
Refunds .....	22,089	-	22,089
Rental Income .....	14,454	-	14,454
Interest .....	18,342	60,123	78,465
Miscellaneous .....	2,714	345	3,059
<b>Total Revenue .....</b>	<b>1,941,219</b>	<b>5,972,451</b>	<b>7,913,670</b>
<b>Expenditures:</b>			
Public Safety .....	574,331	-	574,331
Public Works .....	467,643	-	467,643
Health and Social Services .....	278,820	-	278,820
Culture and Recreation .....	446,020	-	446,020
Community and Economic Development .....	67,633	-	67,633
General Government .....	130,097	-	130,097
Capital .....	48,499	-	48,499
Debt Service .....	371,570	-	371,570
Business Type Activities .....	-	5,078,957	5,078,957
<b>Total Expenditures/Expenses .....</b>	<b>2,384,613</b>	<b>5,078,957</b>	<b>7,463,570</b>
Excess (Deficiency) of Revenues Over Expenditures ....	(443,394)	893,494	450,100
<b>Other Financing Sources (Uses):</b>			
Transfers from Other Funds .....	1,128,401	234,186	1,362,587
Proceeds from Asset Sales .....	7,486	-	7,486
Transfers to Other funds .....	(840,587)	(522,000)	(1,362,587)
<b>Total Other Financing Sources (Uses) .....</b>	<b>295,300</b>	<b>(287,814)</b>	<b>7,486</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures/Expenses and Other (Uses)	(148,094)	605,680	457,586
Fund Balance/Retained Earnings at Beginning of Year..	1,559,189	7,336,803	8,895,992
Prior Period Adjusting Journal Entry .....	-	41,098	41,098
Fund Balance Beginning of Year as Restated .....	-	7,377,901	8,937,090
<b>Fund Balance/Retained Earnings at End of Year .....</b>	<b>\$ 1,411,095</b>	<b>\$ 7,983,581</b>	<b>\$ 9,394,676</b>

**CITY OF HAWARDEN, IOWA**  
**Required Supplementary Information – Budgetary Reporting**  
**For the Year Ended June 30, 2011**

Hawarden Community Hospital	Reporting Entity Total	Original Budget	Final Amended Budget	Variance Favorable (Unfavorable)
\$ -	\$ 1,030,588	\$1,367,517	\$ 1,367,517	\$ (336,929)
-	6,375	-	-	6,375
-	22,898	26,460	26,460	(3,562)
278,820	869,914	317,313	317,313	552,601
6,337,360	12,446,223	14,052,371	14,063,886	(1,617,663)
-	13,286	-	13,075	211
51,208	73,707	-	-	73,707
-	22,089	-	-	22,089
-	14,454	-	-	14,454
21,353	99,818	44,050	44,050	55,768
25,000	28,059	43,500	43,500	(15,441)
<u>6,713,741</u>	<u>14,627,411</u>	<u>15,851,211</u>	<u>15,875,801</u>	<u>(1,248,390)</u>
-	574,331	591,902	595,402	21,071
-	467,643	412,480	450,480	(17,163)
-	278,820	280,000	280,000	1,180
-	446,020	441,606	482,106	36,086
-	67,633	594,790	107,236	39,603
-	130,097	136,961	136,961	6,864
-	48,499	31,000	150,000	101,501
-	371,570	109,425	361,637	(9,933)
6,216,865	11,295,822	12,999,378	13,193,103	1,897,281
<u>6,216,865</u>	<u>13,680,435</u>	<u>15,597,542</u>	<u>15,756,925</u>	<u>2,076,490</u>
<u>496,876</u>	<u>946,976</u>	<u>253,669</u>	<u>118,876</u>	<u>828,100</u>
-	1,362,587	1,048,240	2,886,500	(1,523,913)
-	7,486	-	-	7,486
-	(1,362,587)	(1,048,240)	(2,886,500)	1,523,913
<u>-</u>	<u>7,486</u>	<u>-</u>	<u>-</u>	<u>7,486</u>
496,876	954,462	253,669	118,876	835,586
3,290,954	12,186,948	-	-	-
-	41,098	-	-	-
-	12,228,046	-	-	-
<u>\$ 3,787,830</u>	<u>\$13,182,508</u>	<u>-</u>	<u>-</u>	<u>-</u>

CITY OF HAWARDEN, IOWA  
 POST EMPLOYMENT HEALTHCARE BENEFITS  
 SCHEDULE OF FUNDING PROGRESS  
 For the Year Ended June 30, 2011

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Audit Period	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
6/30/2010	6/30/2010 *	\$ -	\$ 14,965	\$ 14,965	0.00%	\$ 1,115,467	1.342%
6/30/2011	6/30/2010	\$ -	\$ 14,965	\$ 14,965	0.00%	\$ 1,290,000	1.160%

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

See Note 16 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

CITY OF HAWARDEN, IOWA  
 COMBINING BALANCE SHEET  
 Governmental Nonmajor Funds  
 JUNE 30, 2011

	Special Revenue Funds					Capital Projects	
	Road Use Tax	Employee Benefit Levy	Local	USDA	Revolving Loan Fund	Capital Project Street Project	Capital Improve- ment
			Option Sales Tax	Revolving Loan Fund			
<b>Assets</b>							
Cash and Cash Equivalents	\$ 18,221	\$ 4,549	\$ -	\$ 5,027	\$ 129	\$ -	\$ 22,818
Receivables (Net, where applicable, of allowance for uncollectibles)							
Taxes	-	2,655	-	-	-	-	-
Subsequent Year Taxes	-	127,657	-	-	-	-	-
Accrued Interest	-	-	-	-	-	-	-
Notes Receivable	-	-	-	-	389,295	-	-
Due from Other Governmental Agencies	19,785	-	44,823	-	-	-	-
Restricted Assets:							
Donor Restricted Investments	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>38,006</b>	<b>134,861</b>	<b>44,823</b>	<b>5,027</b>	<b>389,424</b>	<b>-</b>	<b>22,818</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts Payable	-	-	44,823	-	-	3,929	-
Due to Other Funds	-	-	-	-	-	37,153	-
Deferred Revenue - Subsequent Year Taxes	-	127,657	-	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>127,657</b>	<b>44,823</b>	<b>-</b>	<b>-</b>	<b>41,082</b>	<b>-</b>
<b>Fund Balances:</b>							
Nonspendable:							
Notes Receivable	-	-	-	-	389,295	-	-
Library Endowment	-	-	-	-	-	-	-
Restricted for:							
Road Surface Repairs	38,006	-	-	-	-	-	-
Employee Benefits	-	7,204	-	-	-	-	-
Revolving Loan Fund	-	-	-	5,027	129	-	-
Low-Moderate Income Project	-	-	-	-	-	-	-
Library Endowment	-	-	-	-	-	-	-
Assigned for:							
Heart of Hawarden	-	-	-	-	-	-	-
Capital Improvement	-	-	-	-	-	-	22,818
Mapping	-	-	-	-	-	-	-
Capital Improvement and Facilities	-	-	-	-	-	-	-
Unassigned:							
Total Fund Balances (Deficits)	38,006	7,204	-	5,027	389,424	(41,082)	22,818
<b>Total Liabilities and Equity</b>	<b>\$ 38,006</b>	<b>\$ 134,861</b>	<b>\$ 44,823</b>	<b>\$ 5,027</b>	<b>\$ 389,424</b>	<b>\$ -</b>	<b>\$ 22,818</b>

Capital Projects						Permanent Fund	Total Governmental Nonmajor Funds
Walking Trail Project	Heart of Hawarden Project	Public Works Building Replacement	Capital Facilities Fund	Mapping	Low-Mod Income Project	Marie Gregg/Vipond Trust	
\$ -	\$ 704	\$ 202,053	\$ 86,345	\$ 15,720	\$ 90,567	\$ 41,328	\$ 487,461
-	-	-	-	-	-	-	2,655
-	-	-	-	-	-	-	127,657
-	-	-	-	-	-	183	183
-	-	-	-	-	-	-	389,295
-	-	-	-	-	-	-	64,608
-	-	-	-	-	-	134,945	134,945
-	704	202,053	86,345	15,720	90,567	176,456	1,206,804
-	-	-	-	-	-	-	48,752
3,745	-	-	-	-	-	-	40,898
-	-	-	-	-	-	-	127,657
3,745	-	-	-	-	-	-	217,307
-	-	-	-	-	-	-	389,295
-	-	-	-	-	-	134,945	134,945
-	-	-	-	-	-	-	38,006
-	-	-	-	-	-	-	7,204
-	-	-	-	-	-	-	5,156
-	-	-	-	-	90,567	-	90,567
-	-	-	-	-	-	41,511	41,511
-	704	-	-	-	-	-	704
-	-	-	-	-	-	-	22,818
-	-	-	-	15,720	-	-	15,720
-	-	202,053	86,345	-	-	-	288,398
(3,745)	-	-	-	-	-	-	(44,827)
(3,745)	704	202,053	86,345	15,720	90,567	176,456	989,497
\$ -	\$ 704	\$ 202,053	\$ 86,345	\$ 15,720	\$ 90,567	\$ 176,456	\$ 1,206,804

CITY OF HAWARDEN, IOWA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
Governmental Nonmajor Funds  
JUNE 30, 2011

	Special Revenue Funds					Capital Projects	
	Road Use Tax	Employee Benefit Levy	Local Option Sales Tax	USDA Revolving Loan Fund	Revolving Loan Fund	Capital Project Street Project	Capital Improvement
Revenue:							
Taxes	\$ -	\$ 133,850	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenue	257,381	-	278,820	-	-	-	-
Contributions	-	-	-	-	-	-	-
Refunds/Reimbursements	-	-	-	-	-	-	7,304
Interest	58	-	-	27	2	-	236
Total Revenue	257,439	133,850	278,820	27	2	-	7,540
Expenditures:							
Public Safety	-	11,300	-	-	-	-	-
Public Works	32,000	-	-	-	-	41,082	-
Health and Social Services	-	-	278,820	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-	-
Total Expenditures	32,000	11,300	278,820	-	-	41,082	-
Excess (deficiency) of revenues over expenditures	225,439	122,550	-	27	2	(41,082)	7,540
Other financing sources (uses):							
Transfers In	-	-	-	-	-	-	-
Transfers Out	(217,186)	(122,440)	-	-	-	-	(5,000)
Total other financing sources (uses)	(217,186)	(122,440)	-	-	-	-	(5,000)
Net Change in Fund Balance	8,253	110	-	27	2	(41,082)	2,540
Fund balances (Deficits) - beginning of year	29,753	7,094	-	5,000	389,422	-	20,278
Fund balances - end of year	\$ 38,006	\$ 7,204	\$ -	\$ 5,027	\$ 389,424	\$ (41,082)	\$ 22,818

Capital Projects						Permanent Fund	Total
Walking Trail Project	Heart of Hawarden Project	Public Works Building Replacement	Capital Facilities Fund	Mapping	Low-Mod Income Project	Marie Gregg/Vipond Trust	Governmental Nonmajor Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 133,850
-	-	-	-	-	-	-	536,201
-	-	-	-	-	-	15,579	15,579
-	-	-	-	-	-	-	7,304
1	5	2,096	1,040	164	1,081	2,204	6,914
1	5	2,096	1,040	164	1,081	17,783	699,848
-	-	-	-	-	-	-	11,300
-	-	-	-	-	-	-	73,082
-	-	-	-	-	-	-	278,820
-	-	-	-	-	-	7,333	7,333
3,934	-	-	9,500	75	24,861	-	38,370
3,934	-	-	9,500	75	24,861	7,333	408,905
(3,933)	5	2,096	(8,460)	89	(23,780)	10,450	290,943
-	-	34,000	5,250	-	-	-	39,250
-	-	-	-	-	-	-	(344,626)
-	-	34,000	5,250	-	-	-	(305,376)
(3,933)	5	36,096	(3,210)	89	(23,780)	10,450	(14,433)
188	699	165,957	89,555	15,631	114,347	166,006	1,003,930
\$ (3,745)	\$ 704	\$ 202,053	\$ 86,345	\$ 15,720	\$ 90,567	\$ 176,456	\$ 989,497

CITY OF HAWARDEN, IOWA  
 COMBINING STATEMENT OF NET ASSETS  
 Proprietary Nonmajor Funds  
 June 30, 2011

	Solid Waste Utility	Cable/Internet Utility	Total Enterprise Nonmajor Funds
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 87,431	\$ 304,453	\$ 391,884
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	11,360	4,084	15,444
Estimated Unbilled Usage	7,404	-	7,404
Investment in Joint Venture	33,776	-	33,776
Advances to Other Funds	180,000	-	180,000
Inventories	-	51,020	51,020
Prepaid Assets	624	3,764	4,388
Non-Current Assets:			
Restricted Assets:			
Land	22,085	-	22,085
Construction in Progress	-	73,498	73,498
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	-	128,599	128,599
<b>Total Assets</b>	<b>342,680</b>	<b>565,418</b>	<b>908,098</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	8,974	21,540	30,514
Accrued Wages	-	1,517	1,517
Accrued Expenses	12	129	141
Accrued Postclosure Costs	2,720	-	2,720
Noncurrent Liabilities:			
Due within one year:			
Compensated Absences	-	515	515
Due in more than one year:			
Compensated Absences	-	2,062	2,062
<b>Total Liabilities</b>	<b>11,706</b>	<b>25,763</b>	<b>37,469</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	22,085	202,097	224,182
Unrestricted	308,889	337,558	646,447
<b>Total Net Assets</b>	<b>\$ 330,974</b>	<b>\$ 539,655</b>	<b>\$ 870,629</b>

CITY OF HAWARDEN, IOWA  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
 Proprietary Nonmajor Funds  
 For the Year Ended June 30, 2011

	Solid Waste Utility	Cable/Internet Utility	Total Enterprise Nonmajor Funds
<b>Operating Revenues:</b>			
Charges for Services	\$ 153,245	\$ 503,019	\$ 656,264
<b>Total Operating Revenue</b>	<b>153,245</b>	<b>503,019</b>	<b>656,264</b>
<b>Operating Expenses:</b>			
Resale Purchases	112,718	236,547	349,265
Employee Services	-	59,430	59,430
Contract Services	17,628	77,553	95,181
Supplies	-	13,412	13,412
Repairs and Improvements	998	16,111	17,109
Miscellaneous	-	2,560	2,560
Depreciation	-	10,149	10,149
<b>Total Operating Expenses</b>	<b>131,344</b>	<b>415,762</b>	<b>547,106</b>
<b>Operating Income</b>	<b>21,901</b>	<b>87,257</b>	<b>109,158</b>
<b>Non-Operating Income:</b>			
Interest Income	3,265	2,866	6,131
Other Non-operating Revenues	1,218	1,825	3,043
<b>Total Non-Operating Income</b>	<b>4,483</b>	<b>4,691</b>	<b>9,174</b>
<b>Income before Transfers</b>	<b>26,384</b>	<b>91,948</b>	<b>118,332</b>
<b>Transfers Out</b>	<b>(40,000)</b>	<b>(30,000)</b>	<b>(70,000)</b>
<b>Change in Net Assets</b>	<b>(13,616)</b>	<b>61,948</b>	<b>48,332</b>
<b>Net Assets - Beginning</b>	<b>344,590</b>	<b>477,707</b>	<b>822,297</b>
<b>Net Assets - Ending</b>	<b>\$ 330,974</b>	<b>\$ 539,655</b>	<b>\$ 870,629</b>

CITY OF HAWARDEN, IOWA  
 COMBINING STATEMENT OF CASH FLOWS  
 Proprietary Nonmajor Funds  
 For the Year Ended June 30, 2011

	Solid Waste Utility	Cable/Internet Utility	Total Enterprise Nonmajor Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 154,617	\$ 501,190	\$ 655,807
Cash Paid to Suppliers for Goods and Services	(130,497)	(348,580)	(479,077)
Cash Paid to Employees for Services	-	(59,132)	(59,132)
Other Nonoperating Income	1,218	1,825	3,043
Net Cash Provided by Operating Activities	<u>25,338</u>	<u>95,303</u>	<u>120,641</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and Construction of Capital Assets	-	(16,792)	(16,792)
Net Cash (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(16,792)</u>	<u>(16,792)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Operating Transfers to Other Funds	(40,000)	(30,000)	(70,000)
Advances From (To) Other Funds	(180,000)	-	(180,000)
Net Cash (Used) for Non-Capital Financing Activities	<u>(220,000)</u>	<u>(30,000)</u>	<u>(250,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest and Dividends on Investments	<u>3,265</u>	<u>2,866</u>	<u>6,131</u>
Net Cash Provided for Investing Activities	<u>3,265</u>	<u>2,866</u>	<u>6,131</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(191,397)	51,377	(140,020)
Cash and Cash Equivalents at Beginning of Year	<u>278,828</u>	<u>253,076</u>	<u>531,904</u>
Cash and Cash Equivalents at End of Year	<u>\$ 87,431</u>	<u>\$ 304,453</u>	<u>\$ 391,884</u>

CITY OF HAWARDEN, IOWA  
 COMBINING STATEMENT OF CASH FLOWS (Continued)  
 Proprietary Nonmajor Funds  
 For the Year Ended June 30, 2011

	Solid Waste Utility	Cable/Internet Utility	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	\$ 21,901	\$ 87,257	\$ 109,158
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	-	10,149	10,149
Miscellaneous Non-Operating Income	1,218	1,825	3,043
(Increase) Decrease in Assets:			
Accounts Receivable	711	(1,829)	(1,118)
Estimated Unbilled Usage	661	-	661
Inventories	-	(2,457)	(2,457)
Prepaid Expenses	(38)	(246)	(284)
Increase (Decrease) in Liabilities			
Accounts Payable	1,565	557	2,122
Accrued Wages	-	273	273
Accrued Compensated Absences	-	25	25
Accrued Expenses	(680)	(251)	(931)
Total Adjustments	3,437	8,046	11,483
Net Cash Provided by Operating Activities	<u>\$ 25,338</u>	<u>\$ 95,303</u>	<u>\$ 120,641</u>

Reconciliation of Cash and Cash Equivalents  
to the Balance Sheet:

Cash and Cash Equivalents	\$ 87,431	\$ 304,453	\$ 391,884
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CITY OF HAWARDEN, IOWA  
 COMBINING STATEMENT OF NET ASSETS  
 Fiduciary Funds  
 JUNE 30, 2011

	Agency Funds			Total
	Payroll Clearing	Flex Spending	Community Projects	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ 3,248	\$ 12,336	\$ 15,584
Due from Other Governments	1,060	-	-	1,060
<b>Total Assets</b>	<b>1,060</b>	<b>3,248</b>	<b>12,336</b>	<b>16,644</b>
<b>LIABILITIES</b>				
Due to Other Governments	\$ -	3,248	12,336	15,584
Cash Deficit	1,060	-	-	1,060
<b>Total Liabilities</b>	<b>\$ 1,060</b>	<b>\$ 3,248</b>	<b>\$ 12,336</b>	<b>\$ 16,644</b>

CITY OF HAWARDEN, IOWA  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<b>PAYROLL CLEARING</b>				
Assets				
Cash and Cash Equivalents	\$ 14,157	\$ 1,836,852	\$ 1,851,009	\$ -
Due From Other Governments	-	1,060	-	1,060
Total Assets	14,157	1,837,912	1,851,009	1,060
Liabilities				
Due to Other Governments	14,157	1,836,852	1,851,009	-
Cash Deficit	-	1,060	-	1,060
Total Liabilities	14,157	1,837,912	1,851,009	1,060
<b>FLEX SPENDING</b>				
Assets				
Cash and Cash Equivalents	3,862	19,829	20,443	3,248
Total Assets	3,862	19,829	20,443	3,248
Liabilities				
Due to Other Governments	3,862	19,829	20,443	3,248
Total Liabilities	3,862	19,829	20,443	3,248
<b>COMMUNITY PROJECTS FUND</b>				
Assets				
Cash and Cash Equivalents	25,679	18,416	31,759	12,336
Total Assets	25,679	18,416	31,759	12,336
Liabilities				
Due to Other Governments	25,679	18,416	31,759	12,336
Total Liabilities	25,679	18,416	31,759	12,336
<b>ALL AGENCY FUNDS TOTAL</b>				
Assets				
Cash and Cash Equivalents	43,698	1,875,097	1,903,211	15,584
Due From Other Governments	-	1,060	-	1,060
Total Assets	43,698	1,876,157	1,903,211	16,644
Liabilities				
Due to Other Governments	43,698	1,875,097	1,903,211	15,584
Cash Deficit	-	1,060	-	1,060
Total Liabilities	\$ 43,698	\$ 1,876,157	\$ 1,903,211	\$ 16,644

CITY OF HAWARDEN  
Schedule of Findings  
For the Year Ended June 30, 2011

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, including 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**

**INSTANCES OF NON-COMPLIANCE:**

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

**SIGNIFICANT DEFICIENCIES:**

**II-A-11 Financial Reporting**

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

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

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

Conclusion – Response accepted.

**Part III: Other Findings Related to Required Statutory Reporting**

**III-A-11 Certified Budget** – Expenditures for the year ended June 30, 2011 exceed amounts budgeted in the public works and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

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

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

Conclusion – Response accepted.

**III-B-11 Questionable Expenses** – We noted no expenditures that we believe may constitute unlawful expenditures from public funds as defined in an Attorney General's opinion dated April 25, 1979.

CITY OF HAWARDEN  
Schedule of Findings  
For the Year Ended June 30, 2011

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**Part III: Other Findings Related to Required Statutory Reporting – (Continued)**

III-C-11 Travel Expenses – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

III-D-11 Business Transactions – The following business transactions between the City and City officials and/or employees were noted during the year ended June 30, 2011.

<u>Name, Title and Business Connection</u>	<u>Transaction/Description</u>	<u>Amount</u>
Dennis Anderson, Spouse of Council-Person and owner of Anderson Construction	Various concrete projects	\$ 17,942

These projects not awarded through the competitive bid process consist of small patching or repair projects. These transactions may represent a conflict of interest and the City should contact legal council for determination.

III-E-11 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions.

III-F-11 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

III-G-11 Revenue Bonds – No violations of revenue bond resolutions were noted.

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

III-I-11 Telecommunication Services – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.



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

Honorable Members of the City Council  
City of Hawarden, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hawarden, Iowa as of and for the year ended June 30, 2011, which collectively comprise the City of Hawarden, Iowa's basic financial statements and have issued our report thereon dated November 22, 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. We did not audit the financial statements of the Hawarden Municipal Hospital, which statements reflect total assets of \$5,013,691 and total program revenues of \$6,413,568 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Hawarden Municipal Hospital, is based solely on the report of the other auditors.

**Internal Control Over Financial Reporting**

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

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

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

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

We consider the deficiency described in the accompanying Schedule of Findings as item II-A-11 to be a material weakness and significant deficiency.

### **Compliance and Other Matters**

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

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

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

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

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
Certified Public Accountants

November 22, 2011