



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE

November 20, 2013

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Hiawatha, Iowa.

The City's receipts totaled \$20,238,647 for the year ended June 30, 2013, an 18% increase over the prior year. The receipts included \$4,775,173 in property tax, \$2,037,467 from tax increment financing, \$887,535 from local option sales tax, \$1,577,466 from charges for service, \$969,659 from operating grants, contributions and restricted interest, \$336,365 from capital grants, contributions and restricted interest, \$8,962 from unrestricted interest on investments, \$9,423,903 from note proceeds, \$147,120 from other general receipts and \$74,997 from component unit transfers.

Disbursements for the year totaled \$16,903,313, a 5% increase over the prior year, and included \$3,515,993 for capital projects, \$2,845,514 for debt service, \$2,298,698 for public safety and a payment of \$4,473,680 to an escrow agent to refund debt. Also, disbursements for business type activities totaled \$785,429.

The significant increase in receipts is primarily due to note proceeds received during fiscal year 2013 for various water, sewer and street improvements and urban renewal projects.

A copy of the audit report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1320-0545-B00F.pdf>.

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CITY OF HIAWATHA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2013

Table of Contents

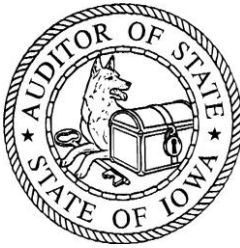
	<u>Page</u>
Officials	3
Independent Auditor’s Report	5-6
Management’s Discussion and Analysis	7-12
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A 14-15
Governmental Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 16-17
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 18
Fiduciary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D 19
Notes to Financial Statements	20-29
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds, Proprietary Fund and Component Unit	32-33
Notes to Other Information – Budgetary Reporting	34
Supplementary Information:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1 36-37
Schedule of Indebtedness	2 38-39
Note Maturities	3 40-41
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4 42-43
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	45-46
Schedule of Findings	47-48
Staff	49

City of Hiawatha

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Thomas A. Theis	Mayor	Jan 2016
Robert Rampulla	Mayor Pro tem	Jan 2014
Martin Bruns	Council Member	Jan 2014
Dennis Norton	Council Member	Jan 2016
Richard Olson	Council Member	Jan 2016
Robert Wheeler	Council Member	Jan 2016
Kimberly Downs	City Administrator	Indefinite
Cindy Kudrna	Finance Director	Indefinite
Kelly Kornegor	City Clerk	Indefinite
Mark Parmenter	City Attorney	Indefinite
Charles Fridal	Water Board Chairperson	Jan 2015
Patrick White	Water Board Vice Chairperson	Jan 2017
Gary Casady	Water Board Trustee	Jan 2014
Troy Anderson	Water Board Trustee	Jan 2016
Beverly Daws	Water Board Trustee	Jan 2018
Carl Ransford	Water Superintendent	Indefinite
Debra Larson	Billing Clerk	Indefinite
Sara Ries	Assistant Billing Clerk	Indefinite

City of Hiawatha



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Hiawatha, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis 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 Hiawatha as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hiawatha's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.


The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 32 through 34, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 6, 2013 on our consideration of the City of Hiawatha'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 in considering the City of Hiawatha's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 6, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Hiawatha provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Receipts for the City's governmental activities increased 18.7%, or approximately \$3,026,000, from fiscal year 2012 to fiscal year 2013. Capital grants, contributions and restricted interest decreased approximately \$780,000 due to the City receiving less RISE grant funds from the Iowa Department of Transportation (IDOT). The City received approximately \$3,848,000 more in note proceeds in fiscal year 2013 than in fiscal year 2012.
- Disbursements for the City's governmental activities increased 4.1%, or approximately \$631,000, from fiscal year 2012 to fiscal year 2013. Public safety and payment to escrow agent to retire debt disbursements increased approximately \$173,000 and \$2,179,000, respectively. Debt service and capital projects disbursements decreased approximately \$623,000 and \$1,064,000, respectively.
- The City's total cash basis net position increased 48.1%, or approximately \$3,335,000, from June 30, 2012 to June 30, 2013. Of this amount, the net position of the governmental activities increased approximately \$3,192,000 and the net position of the business type activities increased approximately \$144,000.

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into the following activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax, debt proceeds and state and federal grants finance most of these activities.
- Business Type Activities include the sanitary sewer system. These activities are financed primarily by user charges.
- The Component Unit includes the Hiawatha Water Department, which accounts for the activities of the waterworks.

Fund Financial Statements

The City has three kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Urban Renewal Tax Increment, Local Option Sales Tax and Employee Benefits, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the 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 the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Fund. Enterprise Funds are used to report business type activities. The City maintains one Enterprise Fund to provide information for the Sewer Fund, considered to be a major fund of the City.

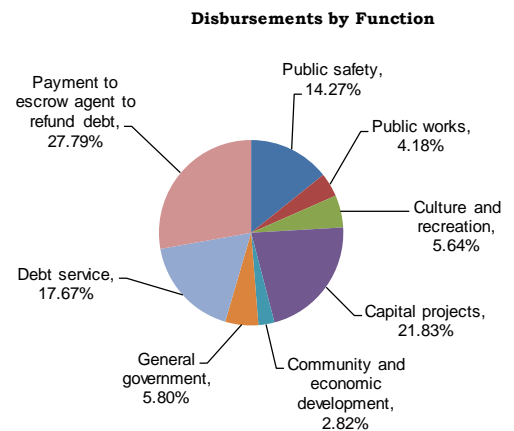
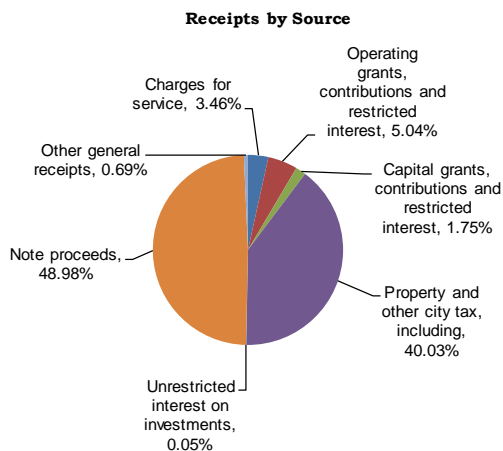
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

3) Fiduciary funds account for resources held for others. The Fiduciary funds consist of the Agency, Flexible Benefits Fund and the Water Department Clearing Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased approximately \$3,192,000 over a year ago, from \$6,162,294 to \$9,354,102. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service	\$ 665,435	\$ 633,757
Operating grants, contributions and restricted interest	969,659	952,606
Capital grants, contributions and restricted interest	336,365	1,116,545
General receipts:		
Property and other city tax, including tax increment financing	7,700,175	7,870,433
Unrestricted interest on investments	8,897	7,512
Note proceeds	9,423,903	5,575,915
Other general receipts	133,361	55,120
Total receipts	19,237,795	16,211,888
Disbursements:		
Public safety	2,298,698	2,125,619
Public works	672,815	694,613
Health and social services	14,500	19,500
Culture and recreation	908,408	839,416
Community and economic development	453,642	503,720
General government	934,634	959,966
Debt service	2,845,514	3,468,756
Capital projects	3,515,993	4,580,163
Payment to escrow agent to refund debt	4,473,680	2,295,000
Total disbursements	16,117,884	15,486,753
Change in cash basis net position before transfers	3,119,911	725,135
Transfers, net	71,897	69,615
Change in cash basis net position	3,191,808	794,750
Cash basis net position beginning of year	6,162,294	5,367,544
Cash basis net position end of year	\$ 9,354,102	\$ 6,162,294



The City's total receipts for governmental activities increased 18.7%, or approximately \$3,026,000. The total cost of all programs and services increased approximately \$631,000. The increase in receipts was primarily the result of an increase in the amount of note proceeds received in fiscal year 2013 compared to the amount of note proceeds received in fiscal year 2012, netted with a decrease of capital grants, contributions and restricted interest.

The cost of all governmental activities this year was \$16,117,884. However, as shown in the Cash Basis Statement of Activities and Net Position, the amount financed by taxes for these activities was \$9,672,745, with the remainder paid for with user fees, grants, contributions, interest on investments, fund balances and note proceeds.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 912,031	857,702
General receipts:		
Unrestricted interest on investments	65	90
Miscellaneous	13,759	-
Total receipts	925,855	857,792
Disbursements:		
Sewer	785,429	605,956
Increase in cash basis net position before transfers	140,426	251,836
Transfers, net	3,100	6,600
Increase in cash basis net position	143,526	258,436
Cash basis net position beginning of year	766,173	507,737
Cash basis net position end of year	\$ 909,699	766,173

The business type activities receipts for the fiscal year were \$925,855 compared to \$857,792 last year. Disbursements for the fiscal year increased 29.6% to \$785,429. As a result of these items, the cash balance increased 18.7%, or \$143,526, over the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Hiawatha completed the year, its governmental funds reported a combined fund balance of \$9,354,102, an increase of approximately \$3,192,000 over last year's total. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$294,837 over the prior year to \$1,067,923. This increase can be attributed to an increase in property tax receipts and charges for service for fiscal year 2013.
- The Special Revenue, Urban Renewal Tax Increment Fund had a cash balance of \$401,220 at the end of the fiscal year, which represents an increase of \$85,645 over the previous year. The increase was the result of a decrease in disbursements.
- The Special Revenue, Local Option Sales Tax Fund had a cash balance of \$1,643,766 at the end of the fiscal year, which represents an increase of \$489,689 over the previous fiscal year. The increase is due to the City receiving local option sales tax in excess of the amount transferred to the Capital Projects Fund.

- The Special Revenue, Employee Benefits Fund had a cash balance of \$464,982 at the end of the fiscal year, which represents a decrease of \$96,034 from the previous fiscal year. The decrease in fiscal year 2013 is primarily due to decrease in the property tax rate of \$1.06254 per \$1,000 of taxable valuation.
- The Debt Service Fund cash balance increased \$31,038 to \$146,970 during the fiscal year. The increase was due to an increase in the property tax rate of \$0.63751 per \$1,000 of taxable valuation.
- The Capital Projects Fund is a combination of several sub-funds, including the Projects Fund, the Library Project Fund, the Local Option Sales Tax (LOST) Projects Fund and the Tax Increment Financing (TIF) Projects Fund. The fiscal year 2013 total cash balance for the Capital Projects Fund was \$5,213,794, an increase of \$2,348,711 over the prior fiscal year. The main contributing factor to the increase in the Capital Projects Fund was the receipt of note proceeds during fiscal year 2013 and less capital projects disbursements.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Sewer Fund cash balance increased 18.7% to \$909,699 due to the increase in receipts for charges for service made in fiscal year 2013 compared to fiscal year 2012.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget three times. The first amendment was approved on February 20, 2013 and resulted in an increase of \$5,378,713 related to the undertaking of several capital projects and an increase of \$6,206,900 to increase the budget for other financing sources for the receipt of note proceeds to refund certain debt. The second amendment was approved on May 1, 2013 to provide for additional disbursements in certain City departments. The third amendment was approved on May 15, 2013 to increase debt service function disbursements for an advance debt refunding.

The City's receipts were \$1,243,568 less than budgeted. This was primarily due to the City over budgeting in the areas of intergovernmental and charges for service receipts.

Total disbursements were \$8,743,917 less than the final amended budget. The actual disbursements for the capital projects and debt service functions were \$3,392,322 and \$4,544,731, respectively, less than the amended budget. This was primarily due to less TIF project payments and the City budgeted the payment to the escrow agent for refunding debt from the debt service function when it is reported as an other financing use.

During the year ended June 30, 2013, disbursements did not exceed the amounts budgeted.

DEBT ADMINISTRATION

At June 30, 2013, the City had \$22,710,000 of general obligation capital loan notes outstanding, compared to \$19,695,000 of notes and bonds last year.

Debt increased as a result of issuing three general obligation capital loan notes. The debt issued was to advance refund the general obligation bonds and for various capital projects.

The City has obtained a bond rating and has continued to obtain favorable rates comparable to between a and aaa ratings. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$23,181,756, including \$471,756 of TIF indebtedness, is below its constitutional debt limit of approximately \$25,000,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Hiawatha's elected officials considered many factors when setting the fiscal year 2014 budget, tax rates and fees charged for various City activities. One of those factors is the economy. The City of Hiawatha is located in Linn County, Iowa. The County unemployment rate in June 2013 was 4.9% versus 5.4% percent a year ago. This compares with the State's unemployment rate of 4.6% and the national rate of 7.6% percent.

The Consumer Price Index for urban consumers in June 2013 was 2% higher than the previous year.

These indicators were taken into account when adopting the budget for fiscal year 2014. Total projected receipts, including beginning balances available for appropriation in the budget, are \$28,440,990. This receipt increase is primarily attributable to the issuance of notes and grant reimbursements for capital projects. The City will use our resources to finance programs we currently offer and fund our capital improvements. Budgeted disbursements (not including transfers) are expected to decrease 25% to \$16,585,661 from the final fiscal year 2013 budget. The City has added no major new programs to the fiscal year 2014 budget. However, it should be noted the most significant change is in the capital projects function.

If the budget estimates are realized, the City's cash balance is expected to decrease \$926,413 by the close of fiscal year 2014 due to capital project timing with grant reimbursements, with sufficient balances remaining.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Finance Director Cindy Kudrna, 101 Emmons Street, Hiawatha, Iowa 52233-1697.

Basic Financial Statements

City of Hiawatha

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 2,298,698	472,820	65,972	-
Public works	672,815	-	675,958	-
Health and social services	14,500	-	-	-
Culture and recreation	908,408	173,793	219,828	-
Community and economic development	453,642	7,622	-	-
General government	934,634	11,200	-	-
Debt service	2,845,514	-	401	-
Capital projects	3,515,993	-	7,500	336,365
Total governmental activities	11,644,204	665,435	969,659	336,365
Business type activities:				
Sewer	785,429	912,031	-	-
Total primary government	\$ 12,429,633	1,577,466	969,659	336,365
Component unit:				
Hiawatha Water Department	\$ 1,019,074	1,210,921	-	-
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Note proceeds, net of \$61,097 of discount				
Payment to escrow agent to refund debt				
Miscellaneous				
Transfers				
Component unit transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Urban renewal purposes				
Debt service				
Streets				
Capital projects				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets				
Governmental Activities	Primary Government		Total	Component Unit
	Business Type Activities			Hiawatha Water Department
(1,759,906)	-		(1,759,906)	
3,143	-		3,143	
(14,500)	-		(14,500)	
(514,787)	-		(514,787)	
(446,020)	-		(446,020)	
(923,434)	-		(923,434)	
(2,845,113)	-		(2,845,113)	
(3,172,128)	-		(3,172,128)	
(9,672,745)	-		(9,672,745)	
-	126,602		126,602	
(9,672,745)	126,602		(9,546,143)	
				191,847
3,427,788	-		3,427,788	-
1,347,385	-		1,347,385	-
2,037,467	-		2,037,467	-
887,535	-		887,535	-
8,897	65		8,962	3,147
9,423,903	-		9,423,903	-
(4,473,680)	-		(4,473,680)	-
133,361	13,759		147,120	174,765
13,500	(13,500)		-	-
58,397	16,600		74,997	(74,997)
12,864,553	16,924		12,881,477	102,915
3,191,808	143,526		3,335,334	294,762
6,162,294	766,173		6,928,467	610,603
\$ 9,354,102	909,699		10,263,801	905,365
\$ 401,220	-		401,220	-
146,970	-		146,970	-
342,339	-		342,339	-
4,505,881	-		4,505,881	-
2,263,565	-		2,263,565	358,038
1,694,127	909,699		2,603,826	547,327
\$ 9,354,102	909,699		10,263,801	905,365

City of Hiawatha

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2013

	Special Revenue			
	General	Urban Renewal Tax Increment	Local Option Sales Tax	Employee Benefits
Receipts:				
Property tax	\$ 2,560,835	-	-	787,779
Tax increment financing	-	2,037,467	-	-
Other city tax	60,337	-	887,535	18,837
Licenses and permits	217,390	-	-	-
Use of money and property	47,548	70	2,154	-
Intergovernmental	207,643	-	-	-
Charges for service	383,988	-	-	-
Special assessments	-	-	-	-
Miscellaneous	158,878	-	-	-
Total receipts	<u>3,636,619</u>	<u>2,037,537</u>	<u>889,689</u>	<u>806,616</u>
Disbursements:				
Operating:				
Public safety	1,634,531	-	-	589,399
Public works	62,861	-	-	-
Health and social services	14,500	-	-	-
Culture and recreation	698,574	-	-	177,266
Community and economic development	7,083	446,559	-	-
General government	795,508	-	-	135,985
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>3,213,057</u>	<u>446,559</u>	<u>-</u>	<u>902,650</u>
Excess (deficiency) of receipts over (under) disbursements	<u>423,562</u>	<u>1,590,978</u>	<u>889,689</u>	<u>(96,034)</u>
Other financing sources (uses):				
Note proceeds, net of \$61,097 of discount	-	-	-	-
Payment to escrow agent to refund debt	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	(128,725)	(1,505,333)	(400,000)	-
Component unit transfers in	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>(128,725)</u>	<u>(1,505,333)</u>	<u>(400,000)</u>	<u>-</u>
Change in cash balances	294,837	85,645	489,689	(96,034)
Cash balances beginning of year	773,086	315,575	1,154,077	561,016
Cash balances end of year	<u>\$ 1,067,923</u>	<u>401,220</u>	<u>1,643,766</u>	<u>464,982</u>
Cash Basis Fund Balances				
Restricted for:				
Urban renewal purposes	\$ -	401,220	-	-
Debt service	-	-	-	-
Streets	-	-	-	-
Capital projects	-	-	-	-
Other purposes	81,709	-	1,643,766	464,982
Committed for equipment	-	-	-	-
Unassigned	986,214	-	-	-
Total cash basis fund balances	<u>\$ 1,067,923</u>	<u>401,220</u>	<u>1,643,766</u>	<u>464,982</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
1,320,689	-	-	4,669,303
-	-	-	2,037,467
26,696	-	-	993,405
-	-	-	217,390
39	143	1	49,955
-	262,865	672,660	1,143,168
-	-	102	384,090
362	53,688	-	54,050
-	28,014	60,022	246,914
1,347,786	344,710	732,785	9,795,742
-	45,616	29,152	2,298,698
-	35,150	574,804	672,815
-	-	-	14,500
-	3,661	28,907	908,408
-	-	-	453,642
-	3,141	-	934,634
2,845,514	-	-	2,845,514
-	3,515,993	-	3,515,993
2,845,514	3,603,561	632,863	11,644,204
(1,497,728)	(3,258,851)	99,922	(1,848,462)
4,473,680	4,950,223	-	9,423,903
(4,473,680)	-	-	(4,473,680)
1,505,333	604,225	-	2,109,558
-	-	(62,000)	(2,096,058)
23,433	34,964	-	58,397
-	18,150	-	18,150
1,528,766	5,607,562	(62,000)	5,040,270
31,038	2,348,711	37,922	3,191,808
115,932	2,865,083	377,525	6,162,294
146,970	5,213,794	415,447	9,354,102
-	-	-	401,220
146,970	-	-	146,970
-	-	342,339	342,339
-	4,505,881	-	4,505,881
-	-	73,108	2,263,565
-	707,913	-	707,913
-	-	-	986,214
146,970	5,213,794	415,447	9,354,102

Exhibit C

City of Hiawatha

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Fund

As of and for the year ended June 30, 2013

	<u>Enterprise</u> <u>Sewer</u>
Operating receipts:	
Charges for service	\$ 912,031
Operating disbursements:	
Business type activities	<u>785,429</u>
Excess of operating receipts over operating disbursements	126,602
Non-operating receipts:	
Interest on investments	65
Sale of capital assets	<u>13,759</u>
Total non-operating receipts	<u>13,824</u>
Excess of receipts over disbursements	<u>140,426</u>
Transfers:	
Component unit transfers in	16,600
Operating transfer out	<u>(13,500)</u>
Total net transfers	<u>3,100</u>
Change in cash balances	143,526
Cash balances beginning of year	<u>766,173</u>
Cash balances end of year	<u><u>\$ 909,699</u></u>
Cash Basis Fund Balances	
Unrestricted	<u><u>\$ 909,699</u></u>

See notes to financial statements.

City of Hiawatha

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Fiduciary Funds

As of and for the year ended June 30, 2013

	Agency	
	Flexible Benefits	Water Department Clearing
Additions:		
Employee contributions	\$ 7,044	-
Reimbursements from Water Department	-	483,375
Total additions	<u>7,044</u>	<u>483,375</u>
Deductions:		
Medical reimbursements	4,386	-
Child care reimbursements	2,903	-
Payments made on behalf of Water Department	-	486,150
Total deductions	<u>7,289</u>	<u>486,150</u>
Net change in cash balances	(245)	(2,775)
Cash balance beginning of year	<u>2,729</u>	<u>(58,024)</u>
Cash balance end of year	<u>\$ 2,484</u>	<u>(60,799)</u>

See notes to financial statements.

City of Hiawatha

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

The City of Hiawatha is a political subdivision of the State of Iowa located in Linn County. It was first incorporated in 1950 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

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

These financial statements present the City of Hiawatha (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Discretely Presented Component Unit

The Hiawatha Water Department is presented in a separate column to emphasize it is legally separate from the City, but is financially accountable to the City or its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

The Hiawatha Water Department was established to operate the City's waterworks facilities. The Water Department is governed by a five member Board of Trustees appointed by the Mayor and approved by the City Council. Title to all property of the Water Department is held in the name of the City. A financial benefit/burden relationship exists between the City and the Water Department in that the City is authorized by statute to issue general obligation debt for a City utility and may certify taxes for the payment of the debt. The Water Department is presented as a discretely presented component unit in these financial statements.

Blended Component Units – The Hiawatha Firefighters Association, Friends of the Hiawatha Public Library and Friends of Hiawatha Parks and Recreation are legally separate from the City but are so intertwined with the City they are, in substance, the same as the City. These component units are reported as part of the City and blended into the Special Revenue Funds of the City.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Linn County Assessor's Conference Board, City Assessor's Conference Board, Linn County Emergency Management Commission, Cedar Rapids/Linn County Solid Waste Agency and Linn County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

Fund Financial Statements – Separate financial statements are provided for governmental funds, the proprietary fund and the fiduciary funds. Major individual governmental funds and major individual enterprise 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 reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts 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 disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Local Option Sales Tax Fund is used to account for local option sales tax collections authorized by referendum and used for improvements related to the water and sewer systems, streets, public safety, park and recreation.

The Employee Benefits Fund is used to account for the employee benefit tax levy used to fund pension and related employee benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary fund:

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

Additionally, the City reports two fiduciary funds to account for assets held by the City as an agent for employee flexible benefit contributions and the related payments and a fund which acts as a clearing account for payments made by the City on behalf of the Water Department and the related reimbursements from the Water Department.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

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

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

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 are 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. 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.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Supplementary Information.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2013 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.

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$5,161,000 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated.

(3) Bonds and Notes Payable

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

Year Ending June 30,	Principal	Interest	Total
2014	\$ 2,605,000	446,238	3,051,238
2015	2,680,000	400,980	3,080,980
2016	2,370,000	362,450	2,732,450
2017	2,045,000	323,133	2,368,133
2018	2,105,000	282,657	2,387,657
2019-2023	7,975,000	829,260	8,804,260
2024-2026	2,930,000	122,478	3,052,478
Total	\$ 22,710,000	2,767,196	25,477,196

General Obligation Capital Loan Notes

On May 1, 2013, the City issued \$3,880,000 of general obligation capital loan notes, Series 2013A. The notes were issued for various sewer and water improvements, street projects and land acquisition. The notes bear interest at .30% to 1.85% per annum and mature in varying annual amounts ranging from \$180,000 to \$345,000, with the final maturity due on June 1, 2025.

On May 1, 2013, the City issued \$1,060,000 of general obligation capital loan notes, Series 2013C. The notes were issued for the planning, undertaking and carrying out of an urban renewal project. The notes bear interest at .50% to 2.85% per annum and mature in varying annual amounts ranging from \$20,000 to \$105,000, with the final maturity due on June 1, 2025.

General Obligation Refunding Notes

On May 1, 2013, the City issued \$4,545,000 of general obligation refunding notes, Series 2013B. The notes were issued for an advance refunding of \$4,170,000 of the general obligation bonds issued September 6, 2006. The notes bear interest at .30% to 1.90% per annum and mature in varying annual amounts ranging from \$325,000 to \$385,000, with the final maturity due June 1, 2026.

The City entered into an escrow agreement whereby the proceeds from the general obligation refunding notes were converted into U.S. Securities. These securities were placed in an escrow account for the express purpose of paying the principal and interest on the refunded general obligation bonds as they became due. After the principal and interest on all the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the City. The amount of the refunded general obligation bonds that were considered extinguished and, therefore, excluded from long term debt was \$4,710,000 at June 30, 2013.

The City refunded the bonds to reduce its total debt service payments by \$417,306 and to obtain an economic gain of \$377,296.

(4) Pension and Retirement Benefits

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 to plan 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.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of 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, 2013, 2012 and 2011 were \$235,305, \$209,934 and \$191,782, respectively, equal to the required contributions for each year.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 44 active and 3 retired members in the plan. Retired participants must be age 65 or older and be a full-time employee of the City for 15 continuous years or, if under age 65, be a full-time employee of the City for 25 continuous years at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. For retirees under age 65, the City pays the same premium for the medical/prescription drug benefits as active employees. For retirees age 65 or older, the City pays a reduced premium for supplemental Medicare coverage and, as an added benefit, the single rate premium for a qualifying spouse for up to 3 years.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a month to month basis. The most recent active member monthly premiums for the City are \$464 for single coverage, \$878 for employee/children, \$950 for employee/spouse and \$1,423 for family coverage. The same monthly premiums apply to retirees under the age of 65. For retirees age 65 or older, the monthly premiums are \$203 for supplemental Medicare coverage. For the year ended June 30, 2013, the City contributed \$560,740 and plan members eligible for benefits contributed \$10,752 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 123,000
Sick leave	<u>56,000</u>
Total	<u>\$ 179,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2013.

(7) Construction Contracts

The City entered into various construction contracts during the year. Unpaid contract commitments as of June 30, 2013 totaled \$2,445,721. The balance on these contracts will be paid as work on the projects progresses.

(8) Urban Renewal Project Rebate and Economic Development Agreements

Rebate Agreements

The City has eight active tax increment financing rebate agreements. The City agreed to assist in urban renewal projects by rebating incremental property tax paid by the participating companies with respect to the improvements set forth in the urban renewal plan. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated for a period of up to five years beginning with the tax year in which the property tax on the completed value of the improvements is first paid. The total amount to be rebated in fiscal year 2014 for the active tax increment financing agreements is not to exceed \$451,756. The actual amount rebated during the year ended June 30, 2013 was \$413,047.

Economic Development Contributions

On October 20, 2010, the City passed and approved Resolution No. 10-247 pledging financial support of \$10,000 per year for fiscal year 2011 through fiscal year 2016 to Priority One for services provided in attracting businesses to the metro area and assisting existing companies with expansion projects. The contribution is to be appropriated annually from the incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa and paid to the corporation in annual installments of \$10,000.

On October 19, 2011, the City passed and approved Resolution No. 11-240 pledging financial support of \$10,000 for fiscal year 2013 to Entrepreneurial Development Center Inc. (EDC) for services provided to businesses. The contribution was appropriated from the incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa.

The above agreements are not general obligations of the City. However, the agreements are subject to the constitutional debt limitation of the City.

The rebate agreements and economic development contributions are subject to an annual appropriation and only the amount payable in the succeeding year is subject to the constitutional debt limitation.

(9) Sewer Maintenance Agreement

The City entered into an agreement with the City of Cedar Rapids to discharge all waste collected in its sanitary sewer system into the City of Cedar Rapids' interceptor for treatment. The City agreed to share the operation, maintenance and construction costs of the water pollution control facility of the City of Cedar Rapids. The City's share of the operation and maintenance costs for the year ended June 30, 2013 totaled \$598,034.

(10) Industrial Development Revenue Bonds

The City has issued a total of \$2,142,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$982,860 is outstanding at June 30, 2013. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

(11) Private College Revenue Bonds

The City has issued a total of \$4,500,000 of private college revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$3,903,978 is outstanding at June 30, 2013. The bonds and related interest are payable solely from revenues derived from the project to be financed and the bond principal and interest do not constitute liabilities of the City.

(12) Midwestern Disaster Area Revenue Bonds

The City has issued a total of \$3,000,000 of Midwestern disaster area revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$2,751,315 is outstanding at June 30, 2013. The bonds and related interest are payable solely from revenues derived from the project to be financed and the bond principal and interest do not constitute liabilities of the City.

(13) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2013 were \$108,181.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by The Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

The City also carries commercial insurance purchased from other insurers for coverage associated with crime, general liability, commercial auto, workers compensation, and umbrella liability in the amount of \$10,000 per occurrence, \$2,000,000 per occurrence, \$2,000,000 per occurrence, \$1,000,000 per accident and \$4,000,000 per occurrence, respectively. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(14) Solid Waste Agreement

On October 19, 1994, the City entered into a 28E Agreement with Cedar Rapids/Linn County Solid Waste Agency to be an associate member of the Agency. The Cedar Rapids/Linn County Solid Waste Agency was created under Chapter 28E of the Code of Iowa by the City of Cedar Rapids and Linn County to provide for the proper and efficient management and disposal of solid waste. The 28E Agreement between the City of Cedar Rapids and Linn County became fully operative on July 1, 1994 and shall continue until June 30, 2044. At termination, each member and associate member shall make such guarantees as are necessary to facilitate closure of all solid waste disposal sites. All solid waste fees are collected by private solid waste handlers who are licensed by the City.

(15) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service	Special Revenue: Urban Renewal Tax Increment	<u>\$ 1,505,333</u>
Capital Projects	General	128,725
	Special Revenue: Local Option Sales Tax	400,000
	Road Use Tax	62,000
	Enterprise: Sewer	<u>13,500</u>
		<u>604,225</u>
Total		<u><u>\$ 2,109,558</u></u>
<u>Transfers from Component Unit:</u>		
Debt Service	Enterprise: Water Operating	<u>\$ 23,433</u>
Capital Projects	Water Operating	34,964
Enterprise: Sewer	Water Operating	<u>16,600</u>
Total		<u><u>\$ 74,997</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(16) Water Department Clearing Fund

The City pays certain disbursements on behalf of the Hiawatha Water Department. The Water Department reimburses the City each month for the prior month's disbursements. Since those disbursements are included in the Water Department's financial statements, a discrete component unit of the City, the disbursements are already included in the Statement of Activities. To avoid double counting as disbursements, the Clearing Fund activity is recorded in an Agency Fund of the City. The nature of the City's Agency Fund results in a negative cash balance at the end of each month, which is cleared out by the receipt of the reimbursement from the Water Department in the following month.

City of Hiawatha

Other Information

City of Hiawatha
 Budgetary Comparison Schedule
 of Receipts, Disbursements and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds, Proprietary Fund
 and Component Unit

Other Information

Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Fund Actual	Component Unit Actual	Less Funds not Required to be Budgeted
Receipts:				
Property tax	\$ 4,669,303	-	-	-
Tax increment financing	2,037,467	-	-	-
Other city tax	993,405	-	-	-
Licenses and permits	217,390	-	-	-
Use of money and property	49,955	65	3,147	-
Intergovernmental	1,143,168	-	-	-
Charges for service	384,090	912,031	1,994,052	910,052
Special assessments	54,050	-	-	-
Miscellaneous	246,914	13,759	303,665	50,006
Total receipts	9,795,742	925,855	2,300,864	960,058
Disbursements:				
Public safety	2,298,698	-	-	11,016
Public works	672,815	-	-	-
Health and social services	14,500	-	-	-
Culture and recreation	908,408	-	-	28,907
Community and economic development	453,642	-	-	-
General government	934,634	-	-	-
Debt service	2,845,514	-	-	-
Capital projects	3,515,993	-	-	-
Business type activities	-	785,429	1,931,105	912,031
Total disbursements	11,644,204	785,429	1,931,105	951,954
Excess (deficiency) of receipts over (under) disbursements	(1,848,462)	140,426	369,759	8,104
Other financing sources (uses), net	5,040,270	3,100	(74,997)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	3,191,808	143,526	294,762	8,104
Balances beginning of year	6,162,294	766,173	610,603	121,506
Balances end of year	\$ 9,354,102	909,699	905,365	129,610

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
4,669,303	4,702,727	4,751,926	(82,623)
2,037,467	2,032,424	2,032,424	5,043
993,405	1,094,199	985,000	8,405
217,390	119,750	118,900	98,490
53,167	47,525	48,800	4,367
1,143,168	1,393,358	2,582,158	(1,438,990)
2,380,121	2,211,423	2,578,543	(198,422)
54,050	-	55,000	(950)
514,332	96,000	153,220	361,112
12,062,403	11,697,406	13,305,971	(1,243,568)
2,287,682	2,383,120	2,477,429	189,747
672,815	651,090	710,240	37,425
14,500	20,000	20,000	5,500
879,501	905,984	936,449	56,948
453,642	517,900	521,400	67,758
934,634	929,717	986,972	52,338
2,845,514	2,881,149	7,390,245	4,544,731
3,515,993	1,967,255	6,908,315	3,392,322
1,804,503	1,983,417	2,201,651	397,148
13,408,784	12,239,632	22,152,701	8,743,917
(1,346,381)	(542,226)	(8,846,730)	7,500,349
4,968,373	1,750,000	9,649,147	(4,680,774)
3,621,992	1,207,774	802,417	2,819,575
7,417,564	5,530,994	-	7,417,564
11,039,556	6,738,768	802,417	10,237,139

City of Hiawatha

Notes to Other Information – Budgetary Reporting

June 30, 2013

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, including the discretely presented component unit and excluding the blended component units. However, the sewer and storm water fees collected by the Hiawatha Water Department and remitted to the City of Hiawatha have been deducted in the column “Less Funds not Required to be Budgeted” since these are intra agency transactions not required to be budgeted. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Enterprise Fund and the discretely presented component unit. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, three budget amendments increased budgeted disbursements by \$9,913,069. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements did not exceed the amounts budgeted.

Supplementary Information

City of Hiawatha

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2013

	Road Use Tax	Fire Department Trust	Special Police Forfeiture
Receipts:			
Use of money and property	\$ -	1	-
Intergovernmental	672,660	-	-
Charges for service	-	-	102
Miscellaneous	-	8,020	-
Total receipts	<u>672,660</u>	<u>8,021</u>	<u>102</u>
Disbursements:			
Operating:			
Public safety	-	6,923	8,780
Public works	574,804	-	-
Culture and recreation	-	-	-
Total disbursements	<u>574,804</u>	<u>6,923</u>	<u>8,780</u>
Excess (deficiency) of receipts over (under) disbursements	97,856	1,098	(8,678)
Other financing uses:			
Operating transfers out	(62,000)	-	-
Change in cash balances	35,856	1,098	(8,678)
Cash balances beginning of year	306,483	10,051	16,913
Cash balances end of year	<u>\$ 342,339</u>	<u>11,149</u>	<u>8,235</u>
Cash Basis Fund Balances			
Restricted for:			
Streets	\$ 342,339	-	-
Other purposes	-	11,149	8,235
Total cash basis fund balances	<u>\$ 342,339</u>	<u>11,149</u>	<u>8,235</u>

See accompanying independent auditor's report.

Revenue					
K-9 Donations	Hiawatha Firefighters Association	Friends of the Hiawatha Public Library	Friends of Hiawatha Parks and Recreation		Total
-	-	-	-		1
-	-	-	-		672,660
-	-	-	-		102
2,000	11,089	12,795	26,118		60,022
2,000	11,089	12,795	26,118		732,785
2,433	11,016	-	-		29,152
-	-	-	-		574,804
-	-	9,658	19,249		28,907
2,433	11,016	9,658	19,249		632,863
(433)	73	3,137	6,869		99,922
-	-	-	-		(62,000)
(433)	73	3,137	6,869		37,922
7,289	3,861	11,137	21,791		377,525
6,856	3,934	14,274	28,660		415,447
-	-	-	-		342,339
6,856	3,934	14,274	28,660		73,108
6,856	3,934	14,274	28,660		415,447

City of Hiawatha
Schedule of Indebtedness
Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Capital loan note series 2007	Nov 1, 2007	3.45-3.75%	\$ 2,600,000
Capital loan note series 2008	Apr 1, 2008	2.40-3.80	2,100,000
Capital loan note series 2009A	Apr 1, 2009	1.60-4.05	2,250,000
Capital loan note series 2009B	Apr 1, 2009	1.60-2.55	690,000
Capital loan note series 2010A (refunding)	Apr 1, 2010	1.00-1.80	665,000
Capital loan note series 2010B	Jun 15, 2010	1.00-3.40	3,140,000
Capital loan note series 2011 (refunding)	May 18, 2011	1.00-3.65	3,605,000
Capital loan note series 2011B	Dec 21, 2011	0.40-2.35	1,795,000
Capital loan note series 2012A	Apr 4, 2012	0.35-2.10	2,855,000
Capital loan note series 2012B (refunding)	Apr 4, 2012	0.70-3.00	955,000
Capital loan note series 2013A	May 1, 2013	0.30-1.85	3,880,000
Capital loan note series 2013B (refunding)	May 1, 2013	0.30-1.90	4,545,000
Capital loan note series 2013C	May 1, 2013	0.50-2.85	1,060,000
Total			:
General obligation bonds:			
Series 2006B	Sep 1, 2006	4.00%	\$ 5,500,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
1,675,000	-	255,000	1,420,000	61,540
655,000	-	110,000	545,000	23,270
1,665,000	-	170,000	1,495,000	57,813
180,000	-	180,000	-	4,590
335,000	-	165,000	170,000	5,453
2,680,000	-	235,000	2,445,000	68,430
3,330,000	-	280,000	3,050,000	77,707
950,000	-	150,000	800,000	12,942
2,855,000	-	445,000	2,410,000	29,601
955,000	-	65,000	890,000	21,968
-	3,880,000	-	3,880,000	-
-	4,545,000	-	4,545,000	-
-	1,060,000	-	1,060,000	-
<u>\$ 15,280,000</u>	<u>9,485,000</u>	<u>2,055,000</u>	<u>22,710,000</u>	<u>363,314</u>
<u>\$ 4,415,000</u>	<u>-</u>	<u>4,415,000</u>	<u>-</u>	<u>176,600</u>

City of Hiawatha

Note Maturities

June 30, 2013

Year Ending June 30,	Capital Loan Note Series 2007		Capital Loan Note Series 2008		General Obligation Capital Loan Note Series 2009A	
	Issued Nov 1, 2007		Issued Apr 1, 2008		Issued Apr 1, 2009	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2014	3.625%	\$ 260,000	3.40%	\$ 110,000	2.90%	\$ 180,000
2015	3.650	275,000	3.50	115,000	3.10	190,000
2016	3.700	285,000	3.65	120,000	3.35	200,000
2017	3.700	295,000	3.75	100,000	3.55	220,000
2018	3.700	305,000	3.80	100,000	3.80	230,000
2019		-		-	4.00	240,000
2020		-		-	4.05	235,000
2021		-		-		-
2022		-		-		-
2023		-		-		-
2024		-		-		-
2025		-		-		-
2026		-		-		-
Total		<u>\$ 1,420,000</u>		<u>\$ 545,000</u>		<u>\$ 1,495,000</u>

Year Ending June 30,	Capital Loan Note Series 2012A		Capital Loan Note Series 2012B		General Obligation Capital Loan Note Series 2013A	
	Issued Apr 4, 2012		Issued Apr 4, 2012		Issued May 1, 2013	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2014	0.45%	\$ 455,000	0.70%	\$ 70,000	0.30%	\$ 180,000
2015	0.55	455,000	1.15	75,000	0.40	325,000
2016	0.75	470,000	1.15	75,000	0.50	325,000
2017	0.90	120,000	1.70	75,000	0.60	325,000
2018	1.10	120,000	1.70	80,000	0.80	335,000
2019	1.25	125,000	2.20	80,000	0.95	335,000
2020	1.45	125,000	2.20	80,000	1.10	340,000
2021	1.65	130,000	2.70	85,000	1.30	340,000
2022	1.80	135,000	2.70	85,000	1.50	340,000
2023	1.95	135,000	3.00	90,000	1.70	345,000
2024	2.10	140,000	3.00	95,000	1.80	345,000
2025		-		-	1.85	345,000
2026		-		-		-
Total		<u>\$ 2,410,000</u>		<u>\$ 890,000</u>		<u>\$ 3,880,000</u>

See accompanying independent auditor's report.

Notes							
Capital Loan Note Series 2010A		Capital Loan Note Series 2010B		Capital Loan Note Series 2011		Capital Loan Note Series 2011B	
Issued Apr 1, 2010		Issued June 15, 2010		Issued May 18, 2011		Issued Dec 21, 2011	
Interest		Interest		Interest		Interest	
Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount
1.80%	\$ 170,000	1.55%	\$ 240,000	1.25%	\$ 445,000	0.60%	\$ 150,000
	-	1.80	250,000	1.45	445,000	0.90	135,000
	-	2.15	250,000	1.80	170,000	1.40	60,000
	-	2.50	260,000	2.10	170,000	1.40	60,000
	-	2.75	270,000	2.35	175,000	1.85	60,000
	-	3.00	275,000	2.60	180,000	1.85	65,000
	-	3.05	290,000	2.85	185,000	2.15	65,000
	-	3.25	300,000	3.00	195,000	2.15	65,000
	-	3.40	310,000	3.15	200,000	2.35	70,000
	-		-	3.20	215,000	2.35	70,000
	-		-	3.30	220,000		-
	-		-	3.40	225,000		-
	-		-	3.65	225,000		-
	<u>\$ 170,000</u>		<u>\$ 2,445,000</u>		<u>\$ 3,050,000</u>		<u>\$ 800,000</u>

Notes				
Capital Loan Note Series 2013B		Capital Loan Note Series 2013C		
Issued May 1, 2013		Issued May 1 2013		
Interest		Interest		Total
Rates	Amount	Rates	Amount	
0.30%	\$ 325,000	0.50%	\$ 20,000	2,605,000
0.40	330,000	0.50	85,000	2,680,000
0.50	330,000	0.90	85,000	2,370,000
0.60	335,000	0.90	85,000	2,045,000
0.80	340,000	1.50	90,000	2,105,000
0.95	340,000	1.50	95,000	1,735,000
1.10	345,000	1.75	95,000	1,760,000
1.30	350,000	2.00	100,000	1,565,000
1.50	360,000	2.25	100,000	1,600,000
1.60	360,000	2.50	100,000	1,315,000
1.70	365,000	2.70	100,000	1,265,000
1.80	380,000	2.85	105,000	1,055,000
1.90	385,000		-	610,000
	<u>\$ 4,545,000</u>		<u>\$ 1,060,000</u>	<u>22,710,000</u>

City of Hiawatha

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Ten Years

	2013	2012	2011	2010
Receipts:				
Property tax	\$ 4,669,303	4,672,857	4,623,136	4,175,612
Tax increment financing	2,037,467	2,200,459	1,803,156	1,692,261
Other city tax	993,405	997,117	951,205	821,051
Licenses and permits	217,390	219,117	221,051	177,440
Use of money and property	49,955	54,952	53,244	46,271
Intergovernmental	1,143,168	1,962,305	965,976	823,947
Charges for service	384,090	280,317	368,643	264,839
Special assessments	54,050	8,308	16,150	799
Miscellaneous	262,714	202,516	201,039	185,149
Total	\$ 9,811,542	10,597,948	9,203,600	8,187,369
Disbursements:				
Operating:				
Public safety	\$ 2,298,698	2,125,619	2,242,129	2,125,802
Public works	672,815	694,613	673,193	643,619
Health and social services	14,500	19,500	18,500	4,050
Culture and recreation	908,408	839,416	861,197	868,640
Community and economic development	453,642	503,720	360,720	137,352
General government	934,634	959,966	1,039,325	986,466
Debt service	2,845,514	3,468,756	3,759,876	3,352,349
Capital projects	3,515,993	4,580,163	6,073,153	1,268,989
Total	\$ 11,644,204	13,191,753	15,028,093	9,387,267

See accompanying independent auditor's report.

2009	2008	2007	2006	2005	2004
4,119,235	3,298,664	2,962,630	2,823,023	2,534,194	2,113,627
1,423,388	1,487,473	1,259,141	1,074,664	1,740,411	1,420,403
100,012	115,909	110,527	95,052	98,650	131,656
168,355	169,797	165,811	148,478	150,730	144,275
77,454	245,308	480,339	227,022	111,865	59,232
727,027	674,455	846,729	1,361,067	707,753	963,519
284,154	203,131	155,341	135,417	36,516	51,259
840	1,001	978	985	84,147	140
136,804	177,807	125,004	122,790	109,488	130,654
7,037,269	6,373,545	6,106,500	5,988,498	5,573,754	5,014,765
1,886,866	1,735,730	1,559,729	1,491,960	1,365,250	1,025,310
512,414	611,525	556,117	564,141	434,043	423,936
13,850	-	-	-	-	-
750,906	670,286	613,194	575,425	514,466	406,993
79,856	278,561	238,221	232,505	590,473	696,232
817,429	772,037	810,410	785,661	651,414	654,196
3,058,406	3,359,489	2,087,763	1,721,654	1,911,863	2,024,166
2,439,920	7,246,612	5,739,313	3,033,380	1,973,326	2,664,191
9,559,647	14,674,240	11,604,747	8,404,726	7,440,835	7,895,024

City of Hiawatha



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STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Hiawatha, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 6, 2013. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Hiawatha's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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 Hiawatha's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Hiawatha's internal control.

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 a material misstatement of the City of Hiawatha'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 which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as items (A) and (B) we consider to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


The City of Hiawatha's Responses to the Findings


The City of Hiawatha's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Hiawatha's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 6, 2013

City of Hiawatha
Schedule of Findings
Year ended June 30, 2013

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Computer Systems – The City’s current policies do not include employee responsibility to maintain password privacy and confidentiality.

Recommendation – The City should modify its current policies to include a password privacy and confidentiality policy in order to improve the City’s control over its computer based system.

Response – We have updated our City employee handbook to be more specific on our password privacy and confidentiality policy.

Conclusion – Response accepted.

- (B) Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over collecting, depositing and reconciling and preparing, signing and mailing checks, for which no compensating controls exist for the Hiawatha Firefighters Association, Friends of the Hiawatha Public Library and Friends of Hiawatha Parks and Recreation.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Currently available staff, including elected officials or other City employees, should be utilized to provide additional control through a review of financial transactions and reconciliation.

Response – The City will be reviewing the operating procedures of the Hiawatha Firefighters Association, Friends of the Public Library and Friends of Hiawatha Parks and Recreation to develop/revise a policy to segregate duties to have better internal accounting control.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2013, did not exceed the amounts budgeted.
- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Hiawatha
Schedule of Findings
Year ended June 30, 2013

- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the City understated the amount reported as Tax Increment Financing beginning balance by \$100,000 on the Levy Authority Summary.

Recommendation – The City should ensure the amounts reported on the Levy Authority Summary agree with City's records.

Response – We will be more attentive in the upcoming fiscal year 2013 Annual Urban Renewal Report for the State, and it will be reviewed closely for accuracy.

Conclusion – Response accepted.

City of Hiawatha

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Tyler L. Carter, Staff Auditor
Romona E. Daly, Assistant Auditor
Zack D. Kubik, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State