



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

November 6, 2014

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 \$14,605,297 for the year ended June 30, 2014, a 28% decrease from the prior year. The receipts included \$5,307,302 in property tax, \$1,725,842 from tax increment financing, \$938,472 from local option sales tax, \$1,547,994 from charges for service, \$1,000,437 from operating grants, contributions and restricted interest, \$1,156,054 from capital grants, contributions and restricted interest, \$7,625 from unrestricted interest on investments, \$2,673,188 from bond proceeds, \$171,156 from other general receipts and \$77,227 from component unit transfers.

Disbursements for the year ended June 30, 2014 totaled \$13,057,091, a 23% decrease from the prior year, and included \$3,859,465 for capital projects, \$3,057,630 for debt service, \$2,442,144 for public safety, \$1,082,634 for general government and \$966,848 for culture and recreation. Also, disbursements for business type activities totaled \$717,391.

The significant decrease in receipts is primarily due to note proceeds received during fiscal year 2013 for various water, sewer and street improvements and urban renewal projects. The significant decrease in disbursements is primarily due to the escrow payment for refunding of debt in fiscal year 2013.

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/1420-0545-B00F.pdf>

###

CITY OF HIAWATHA

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

JUNE 30, 2014

Table of Contents

		<u>Page</u>
Officials		3-4
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		20-28
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		30-31
Notes to Other Information – Budgetary Reporting		32
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	34-35
Schedule of Indebtedness	2	36-37
Note and Bond Maturities	3	38-39
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	40-41
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>		43-44
Schedule of Findings		45-46
Staff		47

City of Hiawatha

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
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
(After January 2014)		
Thomas A. Theis	Mayor	Jan 2016
Robert Rampulla	Mayor Pro tem	Jan 2018
Dennis Norton	Council Member	Jan 2016
Richard Olson	Council Member	Jan 2016
Robert Wheeler	Council Member	Jan 2016
Martin Bruns	Council Member	Jan 2018

City of Hiawatha

Officials (continued)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kimberly Downs	City Administrator	Indefinite
Cindy Kudrna	Finance Director	Indefinite
Kelly Kornegor	City Clerk	Indefinite
Mark Parmenter	City Attorney	Indefinite
Troy Anderson	Water Board Chairperson	Jan 2016
Patrick White	Water Board Vice Chairperson	Jan 2017
Charles Fridal	Water Board Trustee	Jan 2015
Beverly Daws	Water Board Trustee	Jan 2018
Gary Casady	Water Board Trustee	Jan 2020
Carl Ransford	Water Superintendent	Indefinite
Debra Larson	Billing Clerk	Indefinite
Sara Ries	Assistant Billing Clerk	Indefinite



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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, 2014, 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, 2014, and the respective changes in its 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 opinions are 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, 2013 (which are not presented herein) and expressed unmodified 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 30 through 32, 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 October 10, 2014 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

October 10, 2014

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, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Receipts for the City's governmental activities decreased 29%, or approximately \$5,625,000, from fiscal year 2013 to fiscal year 2014. Capital grants, contributions and restricted interest increased approximately \$820,000 due to the City receiving more RISE grant funds from the Iowa Department of Transportation. The City received approximately \$6,751,000 less in debt proceeds in fiscal year 2014 than in fiscal year 2013.
- Disbursements for the City's governmental activities decreased 23%, or approximately \$3,778,000, from fiscal year 2013 to fiscal year 2014. Payment to escrow agent to refund debt disbursements and community and economic disbursements decreased approximately \$4,474,000 and \$204,000, respectively. Debt service and capital projects disbursements increased approximately \$212,000 and \$343,000, respectively.
- The City's total cash basis net position increased 15%, or approximately \$1,548,000, from June 30, 2013 to June 30, 2014. Of this amount, the net position of the governmental activities increased approximately \$1,339,000 and the net position of the business type activities increased approximately \$209,000.

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.

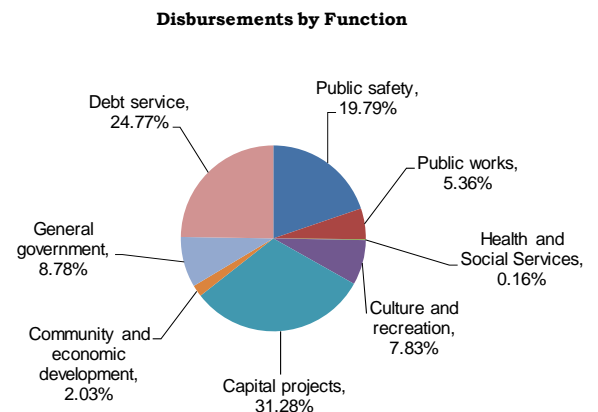
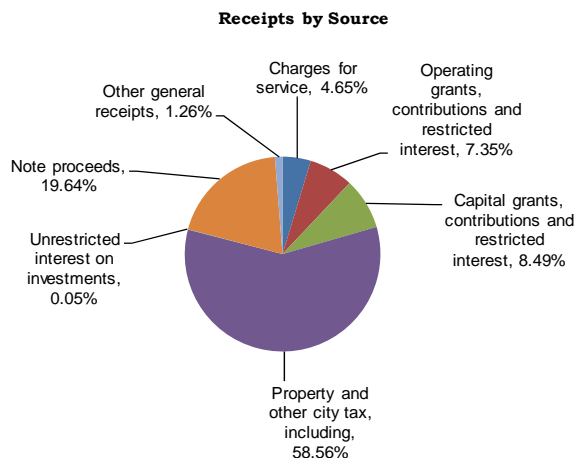
The required financial statement for the proprietary fund is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

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 \$1,340,000 over a year ago, from \$9,354,102 to \$10,693,558. 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,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service	\$ 632,527	665,435
Operating grants, contributions and restricted interest	1,000,437	969,659
Capital grants, contributions and restricted interest	1,156,054	336,365
General receipts:		
Property and other city tax, including tax increment financing	7,971,616	7,700,175
Unrestricted interest on investments	7,551	8,897
Note /bond proceeds	2,673,188	9,423,903
Other general receipts	171,156	133,361
Total receipts	13,612,529	19,237,795
Disbursements:		
Public safety	2,442,144	2,298,698
Public works	660,902	672,815
Health and social services	20,000	14,500
Culture and recreation	966,848	908,408
Community and economic development	250,077	453,642
General government	1,082,634	934,634
Debt service	3,057,630	2,845,514
Capital projects	3,859,465	3,515,993
Payment to escrow agent to refund debt	-	4,473,680
Total disbursements	12,339,700	16,117,884
Change in cash basis net position before transfers	1,272,829	3,119,911
Transfers, net	66,627	71,897
Change in cash basis net position	1,339,456	3,191,808
Cash basis net position beginning of year	9,354,102	6,162,294
Cash basis net position end of year	\$ 10,693,558	9,354,102



The City's total receipts for governmental activities decreased 29%, or approximately \$5,625,000. The total cost of all programs and services decreased approximately \$3,778,000. The decrease in receipts was primarily the result of a decrease in the amount of bond proceeds received in fiscal year 2014 compared to the amount of note proceeds received in fiscal year 2013, netted with an increase of capital grants, contributions and restricted interest.

The cost of all governmental activities this year was \$12,339,700. However, as shown in the Cash Basis Statement of Activities and Net Position, the amount financed by taxes for these activities was \$9,550,682, with the remainder paid for with user fees, grants, contributions, interest on investments, fund balances and bond proceeds.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 915,467	912,031
General receipts:		
Unrestricted interest on investments	74	65
Miscellaneous	-	13,759
Total receipts	915,541	925,855
Disbursements:		
Sewer	717,391	785,429
Increase in cash basis net position before transfers	198,150	140,426
Transfers, net	10,600	3,100
Increase in cash basis net position	208,750	143,526
Cash basis net position beginning of year	909,699	766,173
Cash basis net position end of year	<u>\$ 1,118,449</u>	<u>909,699</u>

The business type activities receipts for the fiscal year were \$915,541 compared to \$925,855 last year. Disbursements for the fiscal year decreased 8.7% to \$717,391. As a result of these items, the cash balance increased 23%, or \$208,750, from 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 \$10,693,558, an increase of approximately \$1,339,000 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 \$260,398 over the prior year to \$1,328,321. This increase can be attributed to an increase in property tax receipts for fiscal year 2014.
- The Special Revenue, Urban Renewal Tax Increment Fund had a cash balance of \$205,974 at the end of the fiscal year, which represents a decrease of \$195,246 from the previous year. The decrease was the result of a decrease in tax increment financing received.

- The Special Revenue, Local Option Sales Tax Fund had a cash balance of \$1,883,633 at the end of the fiscal year, which represents an increase of \$239,867 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 \$380,389 at the end of the fiscal year, which represents a decrease of \$84,593 from the previous fiscal year. The decrease in the June 30, 2014 cash balance is primarily due to the increase of City employees.
- The Debt Service Fund cash balance increased \$190,463 to \$337,433 during the fiscal year. The increase was primarily due to an increase in the property tax rate of \$.25275 per \$1,000 of taxable valuation to \$3.98802 per \$1,000 of taxable valuation and an increase in transfers from the Special Revenue, Urban Renewal Tax Increment Fund for debt service payments.
- 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, the Equipment Reserve Fund and the Tax Increment Financing (TIF) Projects Fund. The June 30, 2014 total cash balance for the Capital Projects Fund was \$6,077,278, an increase of \$863,484 over the June 30, 2013 cash balance. The main contributing factor to the increase in the Capital Projects Fund cash balance was the receipt of bond proceeds during fiscal year 2014.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Sewer Fund cash balance increased 23% to \$1,118,449 due to the decrease in disbursements in fiscal year 2014 compared to fiscal year 2013.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 21, 2014 and resulted in an increase of \$2,155,930 related to the undertaking of several capital projects and an increase of \$246,669 for other business type activities related to sewer disbursements.

The City's receipts were \$236,760 less than budgeted. This was primarily due to the City receiving less charges for service receipts.

Total disbursements were \$4,452,650 less than the final amended budget. The actual disbursements for the capital projects and business type activities functions were \$3,489,035 and \$290,244, respectively, less than the amended budget. This was primarily due to fewer capital project payments than budgeted and the City expecting more sewer related disbursements than were budgeted.

During the year ended June 30, 2014, disbursements did not exceed the amounts budgeted.

DEBT ADMINISTRATION

At June 30, 2014, the City had \$22,755,000 of general obligation notes and bonds outstanding, compared to \$22,710,000 at the end of the last fiscal year.

Debt increased as a result of issuing general obligation bonds in May 2014 to fund 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 \$23,228,025, including \$473,025 of TIF indebtedness, is below its constitutional debt limit of approximately \$26,535,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Hiawatha's elected officials considered many factors when setting the fiscal year 2015 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's unemployment rate in June 2014 was 4.5% versus 4.9% percent a year ago. This compares with the State's unemployment rate of 4.4% and the national rate of 6.1% percent.

The Consumer Price Index for urban consumers in June 2014 was 1.7% higher than the previous year.

These indicators were taken into account when adopting the budget for fiscal year 2015. Total projected receipts, including beginning balances available for appropriation in the budget, are \$26,621,994. This receipt increase is primarily attributable to the issuance of notes and grant reimbursements for capital projects. The City will use its resources to finance programs we currently offer and fund our capital improvements. Budgeted disbursements (not including transfers) are expected to decrease 17% to \$15,553,864 from the final fiscal year 2014 budget. The City has added no major new programs to the fiscal year 2015 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 \$640,052 by the close of fiscal year 2015 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, 2014

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 2,442,144	504,222	50,510	-
Public works	660,902	-	704,751	-
Health and social services	20,000	-	-	-
Culture and recreation	966,848	116,382	244,148	-
Community and economic development	250,077	6,295	-	-
General government	1,082,634	5,628	-	-
Debt service	3,057,630	-	1,028	-
Capital projects	3,859,465	-	-	1,156,054
Total governmental activities	12,339,700	632,527	1,000,437	1,156,054
Business type activities:				
Sewer	717,391	915,467	-	-
Total primary government	\$ 13,057,091	1,547,994	1,000,437	1,156,054
Component unit:				
Hiawatha Water Department	\$ 1,292,358	1,260,524	-	-
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				
Bond proceeds				
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 Position			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Hiawatha Water Department
(1,887,412)	-	(1,887,412)	
43,849	-	43,849	
(20,000)	-	(20,000)	
(606,318)	-	(606,318)	
(243,782)	-	(243,782)	
(1,077,006)	-	(1,077,006)	
(3,056,602)	-	(3,056,602)	
(2,703,411)	-	(2,703,411)	
(9,550,682)	-	(9,550,682)	
-	198,076	198,076	
(9,550,682)	198,076	(9,352,606)	
			(31,834)
3,759,717	-	3,759,717	-
1,547,585	-	1,547,585	-
1,725,842	-	1,725,842	-
938,472	-	938,472	-
7,551	74	7,625	2,458
2,673,188	-	2,673,188	-
171,156	-	171,156	6,271
6,500	(6,500)	-	-
60,127	17,100	77,227	(77,227)
10,890,138	10,674	10,900,812	(68,498)
1,339,456	208,750	1,548,206	(100,332)
9,354,102	909,699	10,263,801	905,365
\$ 10,693,558	1,118,449	11,812,007	805,033
\$ 205,974	-	205,974	-
337,433	-	337,433	-
378,794	-	378,794	-
5,207,809	-	5,207,809	-
2,365,758	-	2,365,758	289,298
2,197,790	1,118,449	3,316,239	515,735
\$ 10,693,558	1,118,449	11,812,007	805,033

City of Hiawatha

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

As of and for the year ended June 30, 2014

	Special Revenue			
	General	Urban Renewal Tax Increment	Local Option Sales Tax	Employee Benefits
Receipts:				
Property tax	\$ 2,870,829	-	-	829,146
Tax increment financing	-	1,725,842	-	-
Other city tax	46,301	-	938,472	13,441
Licenses and permits	211,064	-	-	-
Use of money and property	51,766	78	1,395	-
Intergovernmental	200,044	-	-	-
Charges for service	326,183	-	-	-
Special assessments	-	-	-	-
Miscellaneous	193,056	-	-	-
Total receipts	<u>3,899,243</u>	<u>1,725,920</u>	<u>939,867</u>	<u>842,587</u>
Disbursements:				
Operating:				
Public safety	1,747,502	-	-	634,219
Public works	69,984	-	-	-
Health and social services	20,000	-	-	-
Culture and recreation	727,902	-	-	156,579
Community and economic development	4,228	245,849	-	-
General government	930,504	-	-	136,382
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>3,500,120</u>	<u>245,849</u>	<u>-</u>	<u>927,180</u>
Excess (deficiency) of receipts over (under) disbursements	399,123	1,480,071	939,867	(84,593)
Other financing sources (uses):				
Bond proceeds, including premium of \$23,188	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	(138,725)	(1,675,317)	(700,000)	-
Component unit transfers in	-	-	-	-
Sale of property	-	-	-	-
Total other financing sources (uses)	<u>(138,725)</u>	<u>(1,675,317)</u>	<u>(700,000)</u>	<u>-</u>
Change in cash balances	260,398	(195,246)	239,867	(84,593)
Cash balances beginning of year	1,067,923	401,220	1,643,766	464,982
Cash balances end of year	<u>\$ 1,328,321</u>	<u>205,974</u>	<u>1,883,633</u>	<u>380,389</u>
Cash Basis Fund Balances				
Restricted for:				
Urban renewal purposes	\$ -	205,974	-	-
Debt service	-	-	-	-
Streets	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	1,883,633	380,389
Committed for equipment	-	-	-	-
Unassigned	1,328,321	-	-	-
Total cash basis fund balances	<u>\$ 1,328,321</u>	<u>205,974</u>	<u>1,883,633</u>	<u>380,389</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
1,525,679	-	-	5,225,654
-	-	-	1,725,842
21,906	-	-	1,020,120
-	-	-	211,064
55	336	8	53,638
-	992,103	701,373	1,893,520
-	-	32,941	359,124
973	126,240	-	127,213
-	37,375	88,635	319,066
1,548,613	1,156,054	822,957	10,935,241
-	21,087	39,336	2,442,144
-	-	590,918	660,902
-	-	-	20,000
-	28,647	53,720	966,848
-	-	-	250,077
-	15,748	-	1,082,634
3,057,630	-	-	3,057,630
-	3,859,465	-	3,859,465
3,057,630	3,924,947	683,974	12,339,700
(1,509,017)	(2,768,893)	138,983	(1,404,459)
-	2,673,188	-	2,673,188
1,675,317	919,225	-	2,594,542
-	-	(74,000)	(2,588,042)
24,163	35,964	-	60,127
-	4,000	100	4,100
1,699,480	3,632,377	(73,900)	2,743,915
190,463	863,484	65,083	1,339,456
146,970	5,213,794	415,447	9,354,102
337,433	6,077,278	480,530	10,693,558
-	-	-	205,974
337,433	-	-	337,433
-	-	378,794	378,794
-	5,207,809	-	5,207,809
-	-	101,736	2,365,758
-	869,469	-	869,469
-	-	-	1,328,321
337,433	6,077,278	480,530	10,693,558

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, 2014

	<u>Enterprise</u> <u>Sewer</u>
Operating receipts:	
Charges for service	\$ 915,467
Operating disbursements:	
Business type activities	717,391
Excess of operating receipts over operating disbursements	<u>198,076</u>
Non-operating receipts:	
Interest on investments	74
Excess of receipts over disbursements	<u>198,150</u>
Transfers:	
Component unit transfers in	17,100
Operating transfer out	(6,500)
Total net transfers	<u>10,600</u>
Change in cash balances	208,750
Cash balances beginning of year	<u>909,699</u>
Cash balances end of year	<u>\$ 1,118,449</u>
Cash Basis Fund Balances	
Unrestricted	<u>\$ 1,118,449</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, 2014

	Agency	
	Flexible Benefits	Water Department Clearing
Additions:		
Employee contributions	\$ 5,435	-
Reimbursements from the Water Department	-	513,849
Total additions	<u>5,435</u>	<u>513,849</u>
Deductions:		
Medical reimbursements	3,258	-
Child care reimbursements	1,130	-
Payments made on behalf of the Water Department	-	512,215
Total deductions	<u>4,388</u>	<u>512,215</u>
Net change in cash balances	1,047	1,634
Cash balance beginning of year	2,484	(60,799)
Cash balance end of year	<u>\$ 3,531</u>	<u>(59,165)</u>

See notes to financial statements.

City of Hiawatha

Notes to Financial Statements

June 30, 2014

(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 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. Enabling legislation did not result in any restricted net position.

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 from general and emergency levies 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 property tax and other receipts to be used 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, 2014 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 \$4,506,000 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 and bonds are as follows:

Year Ending June 30,	General Obligation Notes		General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 2,680,000	357,548	160,000	61,739	2,840,000	419,287
2016	2,370,000	362,453	210,000	53,790	2,580,000	416,243
2017	2,045,000	323,135	210,000	49,590	2,255,000	372,725
2018	2,105,000	282,660	210,000	45,390	2,315,000	328,050
2019	1,735,000	236,604	215,000	41,190	1,950,000	277,794
2020-2024	7,505,000	660,229	1,140,000	139,815	8,645,000	800,044
2025-2026	1,665,000	54,922	505,000	20,020	2,170,000	74,942
Total	\$ 20,105,000	2,277,551	2,650,000	411,534	22,755,000	2,689,085

General Obligation Bonds

On May 1, 2014, the City issued \$2,650,000 of general obligation capital loan bonds, Series 2014A. The bonds were issued for various city hall construction and improvements, street projects and land acquisition. The bonds bear interest at 2.00% to 2.70% per annum and mature in varying annual amounts ranging from \$160,000 to \$255,000, with the final maturity due on June 1, 2026.

(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 5.95% of their annual covered salary and the City is required to contribute 8.93% 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, 2014, 2013 and 2012 were \$257,227, \$235,305 and \$209,934, 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 47 active and 5 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 \$397 for single coverage, \$754 for employee/children, \$813 for employee/spouse and \$1,247 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, 2014, the City contributed \$493,914 and plan members eligible for benefits contributed \$11,175 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	\$ 133,000
Sick leave	59,000
Total	<u>\$ 192,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2014.

(7) Construction Contracts

The City entered into various construction contracts during the year. Unpaid contract commitments as of June 30, 2014 totaled \$928,659. 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 11 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 \$473,025. The actual amount rebated during the year ended June 30, 2014 was \$215,409.

Economic Development Contributions

On October 20, 2010, the City 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 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, 2014 totaled \$642,417.

(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 \$856,798 is outstanding at June 30, 2014. 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 \$3,698,961 is outstanding at June 30, 2014. 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 \$2,646,042 is outstanding at June 30, 2014. 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 700 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 casualty 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 estimated for the fiscal 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 at a level determined by the Board not to exceed 300% of basis rate 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 property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2014 were \$113,165.

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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claims, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2014, 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. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

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, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	\$ 1,675,317
Capital Projects	General	138,725
	Special Revenue:	
	Local Option Sales Tax	700,000
	Road Use Tax	74,000
	Enterprise:	
	Sewer	6,500
		<u>919,225</u>
Total		<u>\$ 2,594,542</u>
<u>Transfers from Component Unit:</u>		
Debt Service	Enterprise:	
	Water Operating	\$ 24,163
Capital Projects	Water Operating	35,964
Enterprise:		
Sewer	Water Operating	17,100
Total		<u>\$ 77,227</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.

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, 2014

	Governmental Funds Actual	Proprietary Fund Actual	Component Unit Actual	Less Funds not Required to be Budgeted
Receipts:				
Property tax	\$ 5,225,654	-	-	-
Tax increment financing	1,725,842	-	-	-
Other city tax	1,020,120	-	-	-
Licenses and permits	211,064	-	-	-
Use of money and property	53,638	74	2,458	7
Intergovernmental	1,893,520	-	-	-
Charges for service	359,124	915,467	2,045,739	920,560
Special assessments	127,213	-	-	-
Miscellaneous	319,066	-	136,523	69,843
Total receipts	10,935,241	915,541	2,184,720	990,410
Disbursements:				
Public safety	2,442,144	-	-	6,788
Public works	660,902	-	-	-
Health and social services	20,000	-	-	-
Culture and recreation	966,848	-	-	53,720
Community and economic development	250,077	-	-	-
General government	1,082,634	-	-	-
Debt service	3,057,630	-	-	-
Capital projects	3,859,465	-	-	-
Business type activities	-	717,391	2,207,825	915,467
Total disbursements	12,339,700	717,391	2,207,825	975,975
Excess (deficiency) of receipts over (under) disbursements	(1,404,459)	198,150	(23,105)	14,435
Other financing sources (uses), net	2,743,815	10,600	(77,227)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,339,356	208,750	(100,332)	14,435
Balances beginning of year	9,354,102	909,699	905,365	129,610
Balances end of year	\$ 10,693,458	1,118,449	805,033	144,045

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
5,225,654	5,213,629	5,261,362	(35,708)
1,725,842	1,732,991	1,732,991	(7,149)
1,020,120	972,733	995,000	25,120
211,064	189,050	142,650	68,414
56,163	44,800	46,000	10,163
1,893,520	1,980,243	2,001,552	(108,032)
2,399,770	2,458,575	2,714,298	(314,528)
127,213	210,000	130,790	(3,577)
385,746	257,227	257,209	128,537
13,045,092	13,059,248	13,281,852	(236,760)
2,435,356	2,706,064	2,763,598	328,242
660,902	687,549	709,682	48,780
20,000	24,000	20,000	-
913,128	1,004,452	1,018,284	105,156
250,077	477,757	320,900	70,823
1,082,634	1,090,352	1,199,352	116,718
3,057,630	3,125,463	3,061,282	3,652
3,859,465	5,416,700	7,348,500	3,489,035
2,009,749	2,053,324	2,299,993	290,244
14,288,941	16,585,661	18,741,591	4,452,650
(1,243,849)	(3,526,413)	(5,459,739)	4,215,890
2,677,188	2,600,000	2,654,100	23,088
1,433,339	(926,413)	(2,805,639)	4,238,978
11,039,556	8,943,688	8,943,688	2,095,868
12,472,895	8,017,275	6,138,049	6,334,846

City of Hiawatha

Notes to Other Information – Budgetary Reporting

June 30, 2014

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, one budget amendment increased budgeted disbursements by \$2,155,930. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, 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, 2014

	Road Use Tax	Fire Department Trust	Police Forfeiture
Receipts:			
Use of money and property	\$ -	1	-
Intergovernmental	701,373	-	-
Charges for service	-	-	32,941
Miscellaneous	-	2,974	40
Total receipts	701,373	2,975	32,981
Disbursements:			
Operating:			
Public safety	-	669	25,575
Public works	590,918	-	-
Culture and recreation	-	-	-
Total disbursements	590,918	669	25,575
Excess of receipts over disbursements	110,455	2,306	7,406
Other financing sources(uses):			
Operating transfers out	(74,000)	-	-
Sale of personal property	-	100	-
Total other financing sources (uses)	(74,000)	100	-
Change in cash balances	36,455	2,506	7,406
Cash balances beginning of year	342,339	11,149	8,235
Cash balances end of year	\$ 378,794	13,655	15,641
Cash Basis Fund Balances			
Restricted for:			
Streets	\$ 378,794	-	-
Other purposes	-	13,655	15,641
Total cash basis fund balances	\$ 378,794	13,655	15,641

See accompanying independent auditor's report.

Special Revenue				
K-9 Donations	Hiawatha Firefighters Association	Friends of the Hiawatha Public Library	Friends of Hiawatha Parks and Recreation	Total
-	-	7	-	8
-	-	-	-	701,373
-	-	-	-	32,941
15,782	7,969	10,354	51,516	88,635
15,782	7,969	10,361	51,516	822,957
6,304	6,788	-	-	39,336
-	-	-	-	590,918
-	-	10,092	43,628	53,720
6,304	6,788	10,092	43,628	683,974
9,478	1,181	269	7,888	138,983
-	-	-	-	(74,000)
-	-	-	-	100
-	-	-	-	(73,900)
9,478	1,181	269	7,888	64,983
6,856	3,934	14,274	28,660	415,447
16,334	5,115	14,543	36,548	480,430
-	-	-	-	378,794
16,334	5,115	14,543	36,548	101,836
16,334	5,115	14,543	36,548	480,630

City of Hiawatha
Schedule of Indebtedness
Year ended June 30, 2014

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 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 2014A	May 1, 2014	2.00-2.70% \$	2,650,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
1,420,000	-	260,000	1,160,000	52,360
545,000	-	110,000	435,000	19,695
1,495,000	-	180,000	1,315,000	53,478
170,000	-	170,000	-	3,060
2,445,000	-	240,000	2,205,000	64,905
3,050,000	-	445,000	2,605,000	74,907
800,000	-	150,000	650,000	12,193
2,410,000	-	455,000	1,955,000	23,997
890,000	-	70,000	820,000	18,510
3,880,000	-	180,000	3,700,000	46,578
4,545,000	-	325,000	4,220,000	56,084
1,060,000	-	20,000	1,040,000	20,513
\$ 22,710,000	-	2,605,000	20,105,000	446,280
-	2,650,000	-	2,650,000	-

City of Hiawatha
 Note and Bond Maturities
 June 30, 2014

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
2015	3.65%	\$ 275,000	3.50%	\$ 115,000	3.10%	\$ 190,000
2016	3.70	285,000	3.65	120,000	3.35	200,000
2017	3.70	295,000	3.75	100,000	3.55	220,000
2018	3.70	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>\$ 1,160,000</u>		<u>\$ 435,000</u>		<u>\$ 1,315,000</u>

Year Ending June 30,	Capital Loan Note Series 2012B		Capital Loan Note Series 2013A		General Obligation Notes Capital Loan Note Series 2013B	
	Issued Apr 4, 2012		Issued May 1, 2013		Issued May 1, 2013	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2015	1.15%	\$ 75,000	0.40%	\$ 325,000	0.40%	\$ 330,000
2016	1.15	75,000	0.50	325,000	0.50	330,000
2017	1.70	75,000	0.60	325,000	0.60	335,000
2018	1.70	80,000	0.80	335,000	0.80	340,000
2019	2.20	80,000	0.95	335,000	0.95	340,000
2020	2.20	80,000	1.10	340,000	1.10	345,000
2021	2.70	85,000	1.30	340,000	1.30	350,000
2022	2.70	85,000	1.50	340,000	1.50	360,000
2023	3.00	90,000	1.70	345,000	1.60	360,000
2024	3.00	95,000	1.80	345,000	1.70	365,000
2025		-	1.85	345,000	1.80	380,000
2026		-		-	1.90	385,000
Total		<u>\$ 820,000</u>		<u>\$ 3,700,000</u>		<u>\$ 4,220,000</u>

See accompanying independent auditor's report.

Notes							
Capital Loan Note Series 2010B		Capital Loan Note Series 2011A		Capital Loan Note Series 2011B		Capital Loan Note Series 2012A	
Issued June 15, 2010		Issued May 18, 2011		Issued Dec 21, 2011		Issued Apr 4, 2012	
Interest		Interest		Interest		Interest	
Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount
1.80%	\$ 250,000	1.45%	\$ 445,000	0.90%	\$ 135,000	0.55%	\$ 455,000
2.15	250,000	1.80	170,000	1.40	60,000	0.75	470,000
2.50	260,000	2.10	170,000	1.40	60,000	0.90	120,000
2.75	270,000	2.35	175,000	1.85	60,000	1.10	120,000
3.00	275,000	2.60	180,000	1.85	65,000	1.25	125,000
3.05	290,000	2.85	185,000	2.15	65,000	1.45	125,000
3.25	300,000	3.00	195,000	2.15	65,000	1.65	130,000
3.40	310,000	3.15	200,000	2.35	70,000	1.80	135,000
	-	3.20	215,000	2.35	70,000	1.95	135,000
	-	3.30	220,000		-	2.10	140,000
	-	3.40	225,000		-		-
	-	3.65	225,000		-		-
	<u>\$ 2,205,000</u>		<u>\$ 2,605,000</u>		<u>\$ 650,000</u>		<u>\$ 1,955,000</u>

Capital Loan Note Series 2013C			General Obligation Bonds	
Issued May 1 2013			Issued May 1 2014	
Interest			Interest	
Rates	Amount	Total	Rates	Amount
0.50%	\$ 85,000	2,680,000	2.00%	\$ 160,000
0.90	85,000	2,370,000	2.00	210,000
0.90	85,000	2,045,000	2.00	210,000
1.50	90,000	2,105,000	2.00	210,000
1.50	95,000	1,735,000	2.00	215,000
1.75	95,000	1,760,000	2.00	215,000
2.00	100,000	1,565,000	2.00	225,000
2.25	100,000	1,600,000	2.00	225,000
2.50	100,000	1,315,000	2.10	235,000
2.70	100,000	1,265,000	2.30	240,000
2.85	105,000	1,055,000	2.50	250,000
	-	610,000	2.70	255,000
	<u>\$ 1,040,000</u>	<u>20,105,000</u>		<u>\$ 2,650,000</u>

City of Hiawatha

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

For the Last Ten Years

	2014	2013	2012	2011	2010
Receipts:					
Property tax	\$ 5,225,654	\$ 4,669,303	4,672,857	4,623,136	4,175,612
Tax increment financing	1,725,842	2,037,467	2,200,459	1,803,156	1,692,261
Other city tax	1,020,120	993,405	997,117	951,205	821,051
Licenses and permits	211,064	217,390	219,117	221,051	177,440
Use of money and property	53,638	49,955	54,952	53,244	46,271
Intergovernmental	1,893,520	1,143,168	1,962,305	965,976	823,947
Charges for service	359,124	384,090	280,317	368,643	264,839
Special assessments	127,213	54,050	8,308	16,150	799
Miscellaneous	319,066	262,714	202,516	201,039	185,149
Total	\$ 10,935,241	9,811,542	10,597,948	9,203,600	8,187,369
Disbursements:					
Operating:					
Public safety	\$ 2,442,144	\$ 2,298,698	2,125,619	2,242,129	2,125,802
Public works	660,902	672,815	694,613	673,193	643,619
Health and social services	20,000	14,500	19,500	18,500	4,050
Culture and recreation	966,848	908,408	839,416	861,197	868,640
Community and economic development	250,077	453,642	503,720	360,720	137,352
General government	1,082,634	934,634	959,966	1,039,325	986,466
Debt service	3,057,630	2,845,514	3,468,756	3,759,876	3,352,349
Capital projects	3,859,465	3,515,993	4,580,163	6,073,153	1,268,989
Total	\$ 12,339,700	11,644,204	13,191,753	15,028,093	9,387,267

See accompanying independent auditor's report.

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

City of Hiawatha



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 10, 2014. 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 a deficiency in internal control, described in the accompanying Schedule of Findings as item (A), we consider to be a significant deficiency.

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.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 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 Response to the Finding


The City of Hiawatha's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The City of Hiawatha's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

October 10, 2014

City of Hiawatha
Schedule of Findings
Year ended June 30, 2014

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

- (A) 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. For the Hiawatha Firefighters Association, Friends of the Hiawatha Public Library and Friends of Hiawatha Parks and Recreation, bank reconciliations were not performed on a monthly basis and reviewed by an independent person. Generally, one individual has control over collecting, depositing and reconciling and preparing, signing and mailing checks for which no compensating controls exist. The Hiawatha Firefighters Association and the Friends of the Hiawatha Public Library do not use pre-numbered receipts to record donations and other miscellaneous receipts.

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 reconciliations. In addition, pre-numbered receipts should be used for donations and other miscellaneous receipts.

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, 2014 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.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.

City of Hiawatha
Schedule of Findings
Year ended June 30, 2014

- (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 – No instances of non-compliance with the Urban Renewal Annual Report were noted.

City of Hiawatha

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Eric L. Rath, Staff Auditor
Michael A. Chervek, Assistant Auditor
Melissa E. Janssen, Assistant Auditor
Zack D. Kubik, CPA, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State