



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____

January 27, 2010

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Hiawatha, Iowa.

The City's receipts totaled \$10,693,546 for the year ended June 30, 2009, a 9 percent decrease from 2008. The receipts included \$4,219,247 in property tax, \$1,423,388 from tax increment financing, \$1,113,113 from charges for service, \$692,935 from operating grants, contributions and restricted interest, \$13,252 from capital grants, contributions and restricted interest, \$24,916 from unrestricted interest on investments, \$2,923,148 from note proceeds, \$110,832 from other general receipts and \$172,715 from component unit transfers.

Disbursements for the year totaled \$10,168,439, a 34 percent decrease from the prior year, and included \$3,058,406 for debt service, \$2,439,920 for capital projects and \$1,886,866 for public safety. Also, disbursements for business type activities totaled \$608,792.

The decrease in receipts is due primarily to receiving fewer operating and capital grants in 2009. In addition, the note proceeds received in 2009 were approximately \$1,751,000 less than the note proceeds received in 2008 for the refunding of prior year notes. The significant decrease in disbursements is due primarily to decreased capital projects activity and the completion of the new City Hall project.

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/index.html>.

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CITY OF HIAWATHA

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

JUNE 30, 2009

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City of Hiawatha

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Thomas A. Theis	Mayor	Jan 2012
Linda J. Bendixen	Mayor Pro tem	Jan 2012
Robert Rampulla (Appointed)	Council Member	Nov 2009
Martin Bruns	Council Member	Jan 2010
Richard Olson	Council Member	Jan 2012
Nancy Melsa	Council Member	Jan 2012
Dave Van Dee	City Administrator	(Resigned)
Gary G Rogers, Jr.	City Administrator	Indefinite
Laurie A. Hebl	Finance Director	(Resigned)
Cindy Kudrna	Interim Finance Director	Indefinite
Kimberly Downs	City Clerk	Indefinite
Randal Scholer	City Attorney	Indefinite
Troy Anderson	Water Board Chairperson	Jan 2010
Sandra Brewer	Water Board Trustee	Jan 2011
Bev Daws (Appointed)	Water Board Trustee	Jan 2012
Richard Larson	Water Board Trustee	(Resigned)
Gary Casady (Appointed)	Water Board Trustee	Jan 2014
Charles Fridal	Water Board Trustee	Jan 2015
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:

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, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Hiawatha's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

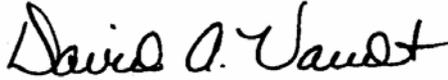
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

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, 2009, and the respective changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2009 on our consideration of the City of Hiawatha's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 28 through 30 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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 second paragraph of this report, the financial statements for the six years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other 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. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 30, 2009

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, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Receipts for the City's governmental activities decreased 10%, or approximately \$1,078,000, from fiscal 2008 to fiscal 2009. The main contributing factor for the decrease is a reduction in note proceeds of approximately \$1,751,000.
- Disbursements for the City's governmental activities decreased 35%, or approximately \$5,115,000, from fiscal 2008 to fiscal 2009. The main contributing factors for this decrease were a decrease in capital projects activity of approximately \$4,807,000 and the completion of the City Hall project.
- The City's total cash basis net assets increased 14%, or approximately \$525,000, from June 30, 2008 to June 30, 2009. Of this amount, the net assets of the governmental activities increased approximately \$597,000 and the net assets of the business type activities decreased approximately \$72,000.

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 Statement of Activities and Net Assets. 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 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.

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds 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 Statement of Activities and Net Assets reports information which helps answer this question.

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

The Statement of Activities and Net Assets 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.
- Component Unit includes the Hiawatha Water Department, which accounts for the activities of the waterworks.

Fund Financial Statements

The City has two 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, 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.

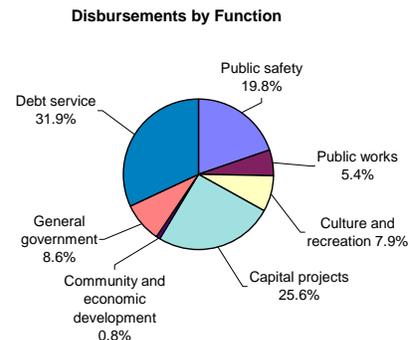
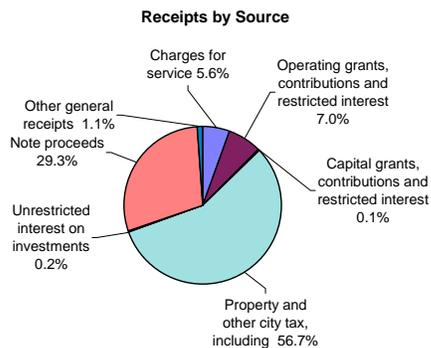
2) Proprietary funds account for the City's Enterprise Fund. Enterprise Funds are used to report business type activities. The City maintains one Enterprise Fund to provide information for the Sewer Revenue Fund, considered to be a major fund of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased approximately \$597,000 from a year ago, from \$3,299,829 to \$3,896,614. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service	\$ 556,604	455,542
Operating grants, contributions and restricted interest	692,935	799,097
Capital grants, contributions and restricted interest	13,252	126,120
General receipts:		
Property and other city tax, including tax increment financing	5,642,635	4,893,046
Unrestricted interest on investments	21,011	62,990
Note proceeds	2,923,148	4,674,008
Other general receipts	110,832	27,750
Total receipts	<u>9,960,417</u>	<u>11,038,553</u>
Disbursements:		
Public safety	1,886,866	1,735,730
Public works	512,414	611,525
Health and social services	13,850	-
Culture and recreation	750,906	670,286
Community and economic development	79,856	278,561
General government	817,429	772,037
Debt service	3,058,406	3,359,489
Capital projects	2,439,920	7,246,612
Total disbursements	<u>9,559,647</u>	<u>14,674,240</u>
Change in cash basis net assets before transfers	400,770	(3,635,687)
Transfers, net	196,015	173,913
Change in cash basis net assets	596,785	(3,461,774)
Cash basis net assets beginning of year	3,299,829	6,761,603
Cash basis net assets end of year	<u>\$ 3,896,614</u>	<u>3,299,829</u>



The City's total receipts for governmental activities decreased 10%, or approximately \$1,078,000. The total cost of all programs and services decreased approximately \$5,115,000. The decrease in receipts was primarily the result of a decrease in the amount of note proceeds received in 2009 compared to note proceeds received in 2008. The decrease in disbursements was primarily due to a decrease in capital projects activity in FY09 and the completion of the City Hall project.

The cost of all governmental activities this year was \$9,559,647. However, as shown in the Statement of Activities and Net Assets, the amount financed by taxes for these activities was \$5,642,635, with the remainder paid for with user fees, grants, contributions, interest on investments, fund balances and note proceeds.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 556,509	602,838
General receipts:		
Unrestricted interest on investments	3,905	17,714
Total receipts	560,414	620,552
Disbursements:		
Sewer	608,792	691,593
Decrease in cash basis net assets before transfers	(48,378)	(71,041)
Transfers, net	(23,300)	(92,050)
Decrease in cash basis net assets	(71,678)	(163,091)
Cash basis net assets beginning of year	447,107	610,198
Cash basis net assets end of year	\$ 375,429	447,107

The business type activities receipts for the fiscal year were \$560,414 compared to \$620,552 last year. Disbursements for the fiscal year decreased 12% to \$608,792. The decrease in disbursements was due to the completion of the sewer project during fiscal year 2008. As a result of these items, the cash balance decreased 16%, or \$71,678, 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 \$3,896,614, an increase of approximately \$597,000 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 decreased \$117,115 from the prior year to \$769,724. This decrease can be attributed to an increase in staff for the police department, the fire department, the ambulance service and building and housing department and an increase in insurance rates.
- The Special Revenue, Urban Renewal Tax Increment Fund had a cash balance of \$156,421 at the end of the fiscal year, which represents an increase of \$41,058 from the previous year. The increase was the result of a decrease in the amount of TIF rebate payments in 2009.

- The Special Revenue, Equipment Reserve Fund had a cash balance of \$684,982 at the end of the fiscal year, which represents an increase of \$103,995 over the previous year. The increase is due to the contributions from City departments to be used to purchase city vehicles and equipment in the future exceeding the actual vehicle and equipment purchases in fiscal year 2009.
- The Debt Service Fund cash balance increased \$541,213 to \$551,808 during the fiscal year. The debt service tax levy was increased from \$3.27905 to \$5.16074 per \$1,000 of taxable valuation to account for new debt issued during fiscal 2009. The increase of the levy was calculated to “break-even” based on actual and estimated obligations of current and future debt.
- 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 TIF Projects Fund. The fiscal year 2009 total cash balance for the Capital Projects Fund was \$1,546,501, a decrease of \$18,828 from the prior year. The main contributing factor to this decrease is the difference between the fiscal year 2009 costs associated with various capital project activities during the year and the long-term debt proceeds for those projects received in prior fiscal years.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Sewer Revenue Fund cash balance decreased 16% to \$375,429 due to the City only receiving eleven payments from the Water Department for the storm sewer revenues received during fiscal year 2009.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended the budget once. The amendment was approved on May 6, 2009. The amendment resulted in an increase in governmental operating and capital disbursements of \$201,628 related to the undertaking of several capital projects and increased general government costs. The City had adequate funding to cover these additional costs.

The City’s receipts were \$579,109 more than budgeted. This was primarily due to the City under budgeting in the areas of property tax and miscellaneous receipts.

Total disbursements were \$639,120 less than the amended budget. The actual disbursements for the public safety, general government and capital projects functions were \$103,743, \$75,846 and \$959,230, respectively, less than the amended budget. This was primarily due to road work and other projects not progressing as anticipated.

During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the health and social services and debt service functions. The actual disbursements for the debt service function exceeded the amount budgeted by \$672,972 due to the City paying off the series 2003 capital loan notes.

DEBT ADMINISTRATION

At June 30, 2009, the City had \$16,750,000 of general obligation capital loan notes and bonds outstanding, compared to \$16,260,000 last year.

Debt increased as a result of issuing two general obligation capital loan notes, one of which was used to refund one general obligation capital loan note.

The City has obtained a bond rating and has continued to obtain favorable rates comparable to between aa 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 \$16,750,000 is below its constitutional debt limit of approximately \$22,700,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Hiawatha's elected officials considered many factors when setting the fiscal year 2010 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 2009 was 5.1% versus 3.9% percent a year ago. This compares with the State's unemployment rate of 6.5% and the national rate of 8.5% percent.

The Consumer Price Index for urban consumers in June, 2009 was 2.0% lower than the previous year.

These indicators were taken into account when adopting the budget for fiscal year 2010. Total projected receipts, including beginning balances available for appropriation in the budget, are \$14,956,506, an increase of 8.8% from the final 2009 budget. This receipt increase is primarily attributable to increases in the tax base and the issuance of notes. 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 6% to \$11,018,563 from the final 2009 budget. The City has added no major new programs to the 2010 budget. However, it should be noted the most significant change is in the capital projects program.

If the budget estimates are realized, the City's cash balance is expected to increase \$197,301 by the close of fiscal year 2010 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 Interim Finance Director Cindy Kudrna or City Administrator Gary G. Rogers, Jr., 81 Emmons Street, Hiawatha, Iowa 52233-1697.

Basic Financial Statements

City of Hiawatha

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2009

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 1,886,866	479,961	72,495	-
Public works	512,414	7,307	465,129	-
Health and social services	13,850	-	-	-
Culture and recreation	750,906	65,845	122,983	-
Community and economic development	79,856	-	-	-
General government	817,429	3,491	-	-
Debt service	3,058,406	-	2,467	13,252
Capital projects	2,439,920	-	29,861	-
Total governmental activities	9,559,647	556,604	692,935	13,252
Business type activities:				
Sewer	608,792	556,509	-	-
Total primary government	\$ 10,168,439	1,113,113	692,935	13,252
Component unit:				
Hiawatha Waterworks	\$ 928,490	925,642	-	-
General Receipts:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Unrestricted interest on investments				
Note proceeds, net of \$16,852 discount and fees				
Miscellaneous				
Component unit and other transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Sewer and storm water fees				
Customer water deposits				
Capital projects				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets				Component
Primary Government			Unit	
Governmental Activities	Business Type Activities	Total	Hiawatha Water Department	
(1,334,410)	-	(1,334,410)	-	-
(39,978)	-	(39,978)	-	-
(13,850)	-	(13,850)	-	-
(562,078)	-	(562,078)	-	-
(79,856)	-	(79,856)	-	-
(813,938)	-	(813,938)	-	-
(3,042,687)	-	(3,042,687)	-	-
(2,410,059)	-	(2,410,059)	-	-
(8,296,856)	-	(8,296,856)	-	-
-	(52,283)	(52,283)	-	-
(8,296,856)	(52,283)	(8,349,139)	-	-
-	-	-	(2,848)	-
2,658,214	-	2,658,214	-	-
1,561,033	-	1,561,033	-	-
1,423,388	-	1,423,388	-	-
21,011	3,905	24,916	9,276	-
2,923,148	-	2,923,148	-	-
110,832	-	110,832	-	-
196,015	(23,300)	172,715	(172,715)	-
8,893,641	(19,395)	8,874,246	(163,439)	-
596,785	(71,678)	525,107	(166,287)	-
3,299,829	447,107	3,746,936	569,351	-
\$ 3,896,614	375,429	4,272,043	403,064	-
\$ -	-	-	75,046	-
-	-	-	68,101	-
1,546,501	-	1,546,501	-	-
67,074	-	67,074	-	-
156,421	-	156,421	-	-
551,808	-	551,808	-	-
805,086	133,978	939,064	-	-
769,724	241,451	1,011,175	259,917	-
\$ 3,896,614	375,429	4,272,043	403,064	-

City of Hiawatha

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

As of and for the year ended June 30, 2009

	Special Revenue		
	General	Urban Renewal Tax Increment	Equipment Reserve
Receipts:			
Property tax	\$ 2,053,875	-	-
Tax increment financing	-	1,423,388	-
Other city tax	79,443	-	-
Licenses and permits	168,355	-	-
Use of money and property	55,076	-	7,284
Intergovernmental	187,972	-	-
Charges for service	284,154	-	-
Special assessments	-	-	-
Miscellaneous	93,542	-	-
Total receipts	<u>2,922,417</u>	<u>1,423,388</u>	<u>7,284</u>
Disbursements:			
Operating:			
Public safety	1,539,631	-	16,256
Public works	38,850	-	9,198
Health and social services	13,850	-	-
Culture and recreation	652,680	-	2,335
Community and economic development	41	79,815	-
General government	742,480	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>2,987,532</u>	<u>79,815</u>	<u>27,789</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(65,115)</u>	<u>1,343,573</u>	<u>(20,505)</u>
Other financing sources (uses):			
Note proceeds, net of \$16,852 discount and fees	-	-	-
Operating transfers in	-	-	121,250
Operating transfers out	(52,000)	(1,302,515)	-
Component unit transfers in	-	-	3,250
Total other financing sources (uses)	<u>(52,000)</u>	<u>(1,302,515)</u>	<u>124,500</u>
Net change in cash balances	(117,115)	41,058	103,995
Cash balances beginning of year	886,839	115,363	580,987
Cash balances end of year	<u>\$ 769,724</u>	<u>156,421</u>	<u>684,982</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ -	-	-
Unreserved:			
General fund	769,724	-	-
Special revenue funds	-	156,421	684,982
Capital projects fund	-	-	-
Total cash basis fund balances	<u>\$ 769,724</u>	<u>156,421</u>	<u>684,982</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
1,548,430	-	516,930	4,119,235
-	-	-	1,423,388
12,603	-	7,966	100,012
-	-	-	168,355
2,467	12,412	215	77,454
-	-	539,055	727,027
-	-	-	284,154
840	-	-	840
-	33,031	10,231	136,804
1,564,340	45,443	1,074,397	7,037,269
-	-	330,979	1,886,866
-	-	464,366	512,414
-	-	-	13,850
-	-	95,891	750,906
-	-	-	79,856
-	-	74,949	817,429
3,058,406	-	-	3,058,406
-	2,439,920	-	2,439,920
3,058,406	2,439,920	966,185	9,559,647
(1,494,066)	(2,394,477)	108,212	(2,522,378)
690,923	2,232,225	-	2,923,148
1,302,515	30,000	-	1,453,765
-	-	(61,750)	(1,416,265)
41,841	113,424	-	158,515
2,035,279	2,375,649	(61,750)	3,119,163
541,213	(18,828)	46,462	596,785
10,595	1,565,329	140,716	3,299,829
551,808	1,546,501	187,178	3,896,614
551,808	-	-	551,808
-	-	-	769,724
-	-	187,178	1,028,581
-	1,546,501	-	1,546,501
551,808	1,546,501	187,178	3,896,614

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, 2009

	<u>Enterprise</u> <u>Sewer</u> <u>Revenue</u>
Operating receipts:	
Charges for service	\$ 556,509
Operating disbursements:	
Business type activities	<u>608,792</u>
Deficiency of operating receipts under operating disbursements	(52,283)
Non-operating receipts:	
Interest on investments	<u>3,905</u>
Deficiency of receipts under disbursements	<u>(48,378)</u>
Transfers:	
Component unit transfers in	14,200
Operating transfer in	7,500
Operating transfer out	<u>(45,000)</u>
Total net transfers	<u>(23,300)</u>
Net change in cash balances	(71,678)
Cash balances beginning of year	<u>447,107</u>
Cash balances end of year	<u>\$ 375,429</u>
Cash Basis Fund Balances	
Reserved for vehicle/equipment purchases	\$ 133,978
Unreserved	<u>241,451</u>
Total cash basis fund balances	<u>\$ 375,429</u>

See notes to financial statements.

City of Hiawatha

Notes to Financial Statements

June 30, 2009

(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 unit. The component unit discussed below is included in the City's reporting entity because of the significance of its 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.

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 Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. 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 Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

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

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

The Statement of Activities and Net Assets 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 and proprietary 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.

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

The Special Revenue, Equipment Reserve Fund is used to purchase City vehicles and equipment.

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 Sewer Revenue Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Hiawatha 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.

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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the health and social services and debt service functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2009 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 \$3,883,500 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

(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
2010	\$ 1,870,000	403,978	215,000	203,600	2,085,000	607,578
2011	1,575,000	338,741	225,000	195,000	1,800,000	533,741
2012	1,525,000	290,627	235,000	186,000	1,760,000	476,627
2013	1,465,000	241,566	245,000	176,600	1,710,000	418,166
2014	1,330,000	192,219	250,000	166,800	1,580,000	359,019
2015 - 2019	3,660,000	373,458	1,410,000	675,800	5,070,000	1,049,258
2020 - 2024	235,000	9,517	1,715,000	370,200	1,950,000	379,717
2025 - 2026	-	-	795,000	48,000	795,000	48,000
Total	\$11,660,000	1,850,106	5,090,000	2,022,000	16,750,000	3,872,106

In April 2009, the City issued \$690,000 of refunding capital loan notes and \$2,250,000 of capital loan notes. The City used the proceeds of the refunding capital loan notes to retire the remaining outstanding balance of the 2003 general obligation capital loan notes of \$680,000 and the remaining \$10,000 for note issuance costs.

The City refunded the notes to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$11,809.

(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 4.10% of their annual covered salary and the City is required to contribute 6.35% 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, 2009, 2008 and 2007 were \$146,169, \$131,894 and \$113,642, respectively, equal to the required contributions for each year.

(5) 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, 2009, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 70,000
Sick leave	<u>24,000</u>
Total	<u>\$ 94,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2009.

(6) Construction Contracts

The City entered into various construction contracts during the year. Unpaid contract commitments as of June 30, 2009 totaled \$212,070, which will be paid as work on the projects progresses.

(7) Rebate Agreements

The City has nine active tax increment financing agreements. The City agreed to assist in urban renewal projects by rebating incremental tax paid by the participating companies with respect to the improvements set forth in the urban renewal plan. The incremental 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 are first paid. The total amount that will be rebated in any fiscal year for the active tax increment financing agreements is not to exceed \$83,400. The actual amount rebated during the year ended June 30, 2009 was \$58,999.

(8) 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, 2009 totaled \$552,336.

(9) 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 \$1,466,116 is outstanding at June 30, 2009. 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.

(10) 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 \$4,500,000 is outstanding at June 30, 2009. 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.

(11) Risk Management

The City is a member in 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 577 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 200 percent 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. 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, 2009 were \$89,771.

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 claims and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2009, 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 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from the 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.

(12) 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 Iowa Code Chapter 28E 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.

(13) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Enterprise: Sewer Revenue	Special Revenue: Road Use Tax	\$ 7,500
Debt Service	Special Revenue: Urban Renewal Tax Increment	1,302,515
Capital Projects	Enterprise: Sewer Revenue	30,000
Special Revenue: Equipment Reserve	General	52,000
	Special Revenue: Road Use Tax	54,250
	Enterprise: Sewer Revenue	15,000
		<u>121,250</u>
Total		<u>\$ 1,461,265</u>
<u>Transfers from component unit:</u>		
Debt Service	Enterprise: Water Operating	\$ 41,841
Capital Projects	Water Operating	32,214
	Capital Improvements	81,210
Special Revenue: Equipment Reserve	Water Operating	3,250
Enterprise: Sewer Revenue	Water Operating	14,200
Total		<u>\$ 172,715</u>

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

(14) Commitments

In January 2009, the Council approved the purchase of two autopulse CPR devices with one to be paid for in fiscal year 2009 and the second to be paid for in fiscal year 2010 with a total cost not to exceed \$28,678. The City received both units in fiscal year 2009 and paid \$14,413. The remaining balance of \$14,265 will be paid in fiscal year 2010.

Required Supplementary 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

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds Actual	Proprietary Fund Actual	Component Unit Actual
Receipts:			
Property tax	\$ 4,119,235	-	-
Tax increment financing	1,423,388	-	-
Other city tax	100,012	-	-
Licenses and permits	168,355	-	-
Use of money and property	77,454	3,905	9,276
Intergovernmental	727,027	-	-
Charges for service	284,154	556,509	1,374,469
Special assessments	840	-	-
Miscellaneous	136,804	-	107,047
Total receipts	7,037,269	560,414	1,490,792
Disbursements:			
Public safety	1,886,866	-	-
Public works	512,414	-	-
Health and social services	13,850	-	-
Culture and recreation	750,906	-	-
Community and economic development	79,856	-	-
General government	817,429	-	-
Debt service	3,058,406	-	-
Capital projects	2,439,920	-	-
Business type activities	-	608,792	1,484,364
Total disbursements	9,559,647	608,792	1,484,364
Excess (deficiency) of receipts over (under) disbursements	(2,522,378)	(48,378)	6,428
Other financing sources (uses), net	3,119,163	(23,300)	(172,715)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	596,785	(71,678)	(166,287)
Balances beginning of year	3,299,829	447,107	569,351
Balances end of year	\$ 3,896,614	375,429	403,064

See accompanying independent auditor's report.

Less Funds not Required to be Budgeted	Total	Budgeted Amounts		Final to Total Variance
		Original	Final	
-	4,119,235	3,630,509	3,674,254	444,981
-	1,423,388	1,395,279	1,395,279	28,109
-	100,012	103,743	75,000	25,012
-	168,355	145,350	147,100	21,255
-	90,635	158,400	108,700	(18,065)
-	727,027	681,860	711,070	15,957
616,338	1,598,794	1,593,300	1,684,105	(85,311)
-	840	-	-	840
-	243,851	137,055	97,520	146,331
616,338	8,472,137	7,845,496	7,893,028	579,109
-	1,886,866	1,966,425	1,990,609	103,743
-	512,414	558,969	551,969	39,555
-	13,850	-	12,500	(1,350)
-	750,906	768,450	770,800	19,894
-	79,856	103,700	103,700	23,844
-	817,429	833,670	893,275	75,846
-	3,058,406	2,385,095	2,385,434	(672,972)
-	2,439,920	3,289,500	3,399,150	959,230
555,874	1,537,282	1,825,612	1,628,612	91,330
555,874	11,096,929	11,731,421	11,736,049	639,120
60,464	(2,624,792)	(3,885,925)	(3,843,021)	1,218,229
-	2,923,148	2,445,000	2,540,891	382,257
60,464	298,356	(1,440,925)	(1,302,130)	1,600,486
14,582	4,301,705	3,455,581	3,455,581	846,124
75,046	4,600,061	2,014,656	2,153,451	2,446,610

City of Hiawatha

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

The budgetary comparison is presented as Required Supplementary Information 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. However, the sewer and storm water fees collected by the Hiawatha Waterworks 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, 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 and the Enterprise Fund. 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 \$4,628. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the health and social services and debt service functions.

Other Supplementary Information

City of Hiawatha

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

As of and for the year ended June 30, 2009

	Road Use Tax	Employee Benefits	Special Police Forfeiture
Receipts:			
Property tax	\$ -	516,930	-
Other city tax	-	7,966	-
Use of money and property	-	153	-
Intergovernmental	539,055	-	-
Miscellaneous	-	-	8,371
Total receipts	<u>539,055</u>	<u>525,049</u>	<u>8,371</u>
Disbursements:			
Operating:			
Public safety	-	327,519	1,242
Public works	464,366	-	-
Culture and recreation	-	95,891	-
General government	-	74,949	-
Total disbursements	<u>464,366</u>	<u>498,359</u>	<u>1,242</u>
Excess (deficiency) of receipts over (under) disbursements	74,689	26,690	7,129
Operating transfers out	(61,750)	-	-
Net change in cash balances	12,939	26,690	7,129
Cash balances beginning of year	54,135	69,424	2,155
Cash balances end of year	<u>\$ 67,074</u>	<u>96,114</u>	<u>9,284</u>
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	<u>\$ 67,074</u>	<u>96,114</u>	<u>9,284</u>

See accompanying independent auditor's report.

Revenue		
Fire Department Trust	K-9 Donations	Total
-	-	516,930
-	-	7,966
62	-	215
-	-	539,055
1,860	-	10,231
1,922	-	1,074,397
2,064	154	330,979
-	-	464,366
-	-	95,891
-	-	74,949
2,064	154	966,185
(142)	(154)	108,212
-	-	(61,750)
(142)	(154)	46,462
8,275	6,727	140,716
8,133	6,573	187,178
8,133	6,573	187,178

City of Hiawatha
 Schedule of Indebtedness
 Year ended June 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Capital loan note series 2003	Apr 1, 2003	1.50-3.55%	\$ 1,980,000
Capital loan note series 2004	May 1, 2004	1.40-3.85	2,160,000
Capital loan note series 2005	Mar 1, 2005	2.50-3.70	2,930,000
Capital loan note series 2006	May 1, 2006	3.750-3.875	2,995,000
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
Total			
General obligation bonds:			
Series 1998A	Dec 1, 1998	4.00-4.20%	\$ 1,200,000
Series 2006B	Sep 1, 2006	4.00	5,500,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
840,000	-	840,000	-	27,048
945,000	-	145,000	800,000	32,233
1,845,000	-	240,000	1,605,000	63,520
2,490,000	-	270,000	2,220,000	94,159
2,600,000	-	220,000	2,380,000	93,928
2,100,000	-	385,000	1,715,000	71,665
-	2,250,000	-	2,250,000	-
-	690,000	-	690,000	-
<u>\$ 10,820,000</u>	<u>2,940,000</u>	<u>2,100,000</u>	<u>11,660,000</u>	<u>382,553</u>
140,000	-	140,000	-	5,880
5,300,000	-	210,000	5,090,000	212,000
<u>\$ 5,440,000</u>	<u>-</u>	<u>350,000</u>	<u>5,090,000</u>	<u>217,880</u>

City of Hiawatha
 Bond and Note Maturities
 June 30, 2009

Year Ending June 30,	General Obligation Notes							
	Capital Loan Note Series 2004		Capital Loan Note Series 2005		Capital Loan Note Series 2006		Capital Loan Note Series 2007	
	Issued May 1, 2004		Issued Mar 1, 2005		Issued May 1, 2006		Issued Nov 1, 2007	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2010	3.10%	\$ 150,000	3.200%	\$ 245,000	3.750%	\$ 280,000	3.50%	\$ 225,000
2011	3.35	155,000	3.300	255,000	3.750	295,000	3.50	235,000
2012	3.55	160,000	3.500	265,000	3.750	305,000	3.55	245,000
2013	3.70	165,000	3.600	270,000	3.750	315,000	3.60	255,000
2014	3.85	170,000	3.650	280,000	3.750	330,000	3.625	260,000
2015	-	-	3.700	290,000	3.850	340,000	3.65	275,000
2016	-	-	-	-	3.875	355,000	3.70	285,000
2017	-	-	-	-	-	-	3.70	295,000
2018	-	-	-	-	-	-	3.75	305,000
2019	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-
		<u>\$ 800,000</u>		<u>\$1,605,000</u>		<u>\$2,220,000</u>		<u>\$2,380,000</u>
Total								

See accompanying independent auditor's report.

Capital Loan Note Series 2008 Issued Apr 1, 2008		Capital Loan Note Series 2009A Issued Apr 1, 2009		Capital Loan Note Series 2009B Issued Apr 1, 2009		Total
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2.55%	\$ 525,000	1.60%	\$ 275,000	1.60%	\$ 170,000	1,870,000
2.80	315,000	2.00	150,000	2.00	170,000	1,575,000
3.05	220,000	2.20	160,000	2.20	170,000	1,525,000
3.25	110,000	2.55	170,000	2.55	180,000	1,465,000
3.40	110,000	2.90	180,000		-	1,330,000
3.50	115,000	3.10	190,000		-	1,210,000
3.65	120,000	3.35	200,000		-	960,000
3.75	100,000	3.55	220,000		-	615,000
3.80	100,000	3.80	230,000		-	635,000
	-	4.00	240,000		-	240,000
	-	4.05	235,000		-	235,000
	<u>\$1,715,000</u>		<u>\$2,250,000</u>		<u>\$ 690,000</u>	<u>11,660,000</u>

Schedule 3

City of Hiawatha
Bond and Note Maturities
June 30, 2009

<u>General Obligation Bonds</u>		
	<u>Series 2006B</u>	
Year	<u>Issued Sep 1, 2006</u>	
Ending	Interest	
June 30,	Rates	Amount
2010	4.00%	\$ 215,000
2011	4.00	225,000
2012	4.00	235,000
2013	4.00	245,000
2014	4.00	250,000
2015	4.00	260,000
2016	4.00	270,000
2017	4.00	280,000
2018	4.00	295,000
2019	4.00	305,000
2020	4.00	315,000
2021	4.00	330,000
2022	4.00	345,000
2023	4.00	355,000
2024	4.00	370,000
2025	4.00	390,000
2026	4.00	<u>405,000</u>
Total		<u>\$5,090,000</u>

See accompanying independent auditor's report.

City of Hiawatha

City of Hiawatha

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

For the Last Seven Years

	2009	2008	2007
Receipts:			
Property tax	\$ 4,119,235	3,298,664	2,962,630
Tax increment financing	1,423,388	1,487,473	1,259,141
Other city tax	100,012	115,909	110,527
Licenses and permits	168,355	169,797	165,811
Use of money and property	77,454	245,308	480,339
Intergovernmental	727,027	674,455	846,729
Charges for service	284,154	203,131	155,341
Special assessments	840	1,001	978
Miscellaneous	136,804	177,807	125,004
Total	\$ 7,037,269	6,373,545	6,106,500
Disbursements:			
Operating:			
Public safety	\$ 1,886,866	1,735,730	1,559,729
Public works	512,414	611,525	556,117
Health and social services	13,850	-	-
Culture and recreation	750,906	670,286	613,194
Community and economic development	79,856	278,561	238,221
General government	817,429	772,037	810,410
Debt service	3,058,406	3,359,489	2,087,763
Capital projects	2,439,920	7,246,612	5,739,313
Total	\$ 9,559,647	14,674,240	11,604,747

See accompanying independent auditor's report.

2006	2005	2004	2003
2,823,023	2,534,194	2,113,627	1,918,938
1,074,664	1,740,411	1,420,403	1,505,996
95,052	98,650	131,656	685,654
148,478	150,730	144,275	130,544
227,022	111,865	59,232	63,679
1,361,067	707,753	963,519	727,261
135,417	36,516	51,259	42,332
985	84,147	140	101,715
122,790	109,488	130,654	99,050
5,988,498	5,573,754	5,014,765	5,275,169
1,491,960	1,365,250	1,025,310	802,089
564,141	434,043	423,936	412,802
-	-	-	-
575,425	514,466	406,993	372,715
232,505	590,473	696,232	731,619
785,661	651,414	654,196	599,362
1,721,654	1,911,863	2,024,166	1,752,589
3,033,380	1,973,326	2,664,191	770,297
8,404,726	7,440,835	7,895,024	5,441,473

City of Hiawatha



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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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 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, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 30, 2009. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Hiawatha's ability to initiate, authorize, record, process or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Hiawatha's financial statements that is more than inconsequential will not be prevented or detected by the City of Hiawatha's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Hiawatha's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

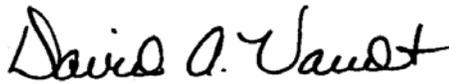
As part of obtaining reasonable assurance about whether the City of Hiawatha's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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 an immaterial instance of non-compliance or other matter 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, 2009 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 identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Hiawatha's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Hiawatha and other parties to whom the City of Hiawatha may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 30, 2009

City of Hiawatha
Schedule of Findings
Year ended June 30, 2009

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- (A) Cell Phones – The City issues cell phones to the Parks Department, the Building Department, the Fire Department, the Streets Superintendent, the City Administrator, the City Clerk and the Mayor. The Police Department uses personal cell phones and are reimbursed \$90 per quarter by the City. The City has not adopted written policies governing the use of cell phones. In addition, the City does not obtain a copy of the phone bill from the Police Department as supporting documentation for the quarterly disbursement. During the year ended June 30, 2009, \$45 in late fees and \$12 in internet charges were included on the cell phone invoices.

Recommendation – The City should establish written policies governing the use of cell telephones. In addition, cell phone bills should be scrutinized by City officials for proper usage.

Response – We will design a cell phone policy regarding City-issued cell phones and also address personal cell phones which require reimbursement to provide a copy of the phone bill for our records. Also, closer attention will be given to the due dates of invoices for payment.

Conclusion – Response accepted.

- (B) Procurement Cards – The City issues procurement cards for use by department employees. The City has a procurement card policy which outlines the use of procurement cards. The policy addresses a requirement for supporting receipts and invoices for procurement card purchases. During fiscal year 2009, 6 procurement card payments were tested. For one payment tested, 13 of 146 gas station charges totaling \$392 did not include supporting documentation in the form of a receipt or invoice. The City also used the procurement card to electronically pay property tax for City owned rental property. The property tax was paid late. Paying property tax electronically resulted in a \$13 service fee and, in this instance, an \$8 late fee.

Recommendation – The City should ensure the procurement card program procedures are followed. In addition, the City should pay its property tax timely to avoid additional fees.

Response – We will be looking at revising our procurement policy in regards to receipts being turned in with the copy of the invoice. Also, closer attention will be taken to the due dates of property tax and all payments due from the City.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Hiawatha
Schedule of Findings
Year ended June 30, 2009

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the health and social services and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – We will be more attentive in the upcoming year.

Conclusion – Response accepted.

- (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.
- (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 insure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the 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.

City of Hiawatha

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager
Daniel L. Grady, Senior Auditor
Kristin M. Ockenfels, 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