

**BASIC FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTAL INFORMATION,  
SUPPLEMENTARY INFORMATION, AND SCHEDULE OF FINDINGS  
CITY OF HAWARDEN, IOWA  
FOR THE  
FISCAL YEAR ENDED JUNE 30, 2017**

**Prepared by  
Office of the City Clerk  
Gary Tucker, City Administrator/City Clerk  
and Pam Wakeman, Director of Finance**

**CITY OF HAWARDEN  
 BASIC FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTAL INFORMATION, AND  
 SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED JUNE 30, 2017  
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**HAWARDEN, IOWA**  
**BASIC FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTAL INFORMATION, AND**  
**SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
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**CITY OF HAWARDEN, IOWA**  
**Directory of City Officials**  
**June 30, 2017**

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**Elected City Officers**

Ricard R. Porter – Mayor (2019)

**Council Members:**

Payne Allen (2017)  
Monte Harvey (2017)  
Timothy Kurth (2017)  
John Feldhacker (2019)  
Travis Olson (2019)

**Hospital Trustees:**

Matt Hummel (2019)  
Kathy Jacobs (2019)  
Dennis Hulshof (2017)  
Stan Hoekstra (2017)  
Jim Feldhacker (2019)

**Appointed City Officers**

Gary Tucker – City Administrator/City Clerk/Telecommunications Director  
Pam Wakeman – Director of Finance  
Jim Pickner – City Attorney  
Tom Kane – Director of Public Works  
Mike DeBruin – Chief of Police  
Lori Juhlin – Librarian

**Appointed Boards and Commissions**

**Library Board of Trustees:**

Larry Gregg - President  
Kay Scroggs - Vice President  
Terri Kallsen  
David Pusey  
Denny Peters

**Planning and Zoning Commission**

Carol Frerichs - Chairman  
Mike Wiggins - Vice Chairman  
Lloyd Strong, Jr.  
Jerry Jensen  
Terry Shea

**Board of Zoning Adjustment:**

Jack Andela - Chairman  
Julie Miller – Vice Chairman  
John Eilts  
Bob Brewington  
Vacancy

**Park Board:**

Duane Schiefen  
Jerrod Lynott  
Elaine Kane  
John Blankenship



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## INDEPENDENT AUDITORS' REPORT

The Mayor and Members of the  
City Council  
City of Hawarden, Iowa

### 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 HAWARDEN, IOWA (the City), as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as 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 accounting principles generally accepted in the United States of America; 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.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Hawarden Regional Healthcare, (a discretely presented component unit), which statements reflect total assets and deferred outflows of \$23,068,360 and total program revenues of \$10,385,337 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for Hawarden Regional Healthcare, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 entity'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 entity'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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, based on our audit, and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the discretely presented component unit of the City of Hawarden, Iowa as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Post Employment Healthcare Benefits Schedule of Funding Progress, Schedule of the City's Proportionate Share of the Net Pension Liability, the Schedule of City's Contributions, Schedule of Changes in Net Pension Liability and Related Ratios – PRS, and Schedule of Contributions - PRS on pages 4-13 and 62-71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

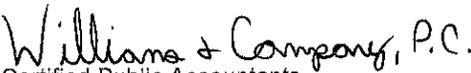
### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hawarden's basic financial statements. The combining nonmajor funds and fiduciary fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor funds and fiduciary fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor funds and fiduciary funds financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated March 26, 2018, on our consideration of the City of Hawarden'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 Hawarden's internal control over financial reporting and compliance.

  
Certified Public Accountants

Le Mars, Iowa  
March 26, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

As management of the City of Hawarden, we offer readers of the City of Hawarden's financial statements this narrative overview and analysis of the financial activities of the City of Hawarden for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information contained within the City's financial statements that follow this report, as well as the separately issued financial statements of the Hawarden Community Hospital, a discretely presented component unit of the City.

### Financial Highlights

- The assets and deferred outflows of the City of Hawarden exceeded liabilities and deferred inflows at June 30, 2017 by \$17,838,775. Of this amount, \$5,616,777 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased \$618,046 during the year. Of this amount, the assets of our Governmental Activities increased \$563,093 and the assets of our Business-Type Activities increased \$54,953.
- The City's long-term debt reflected a significant decrease of \$569,724 as a result of debt repayment and no additional debt obligations in 2017. Outstanding General Obligation debt totals \$1,577,772. Outstanding Revenue Bond Debt totals \$5,420,248.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Hawarden's basic financial statements which consist of a series of financial statements comprised of three components: 1) The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. 2) Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government. 3) An additional part of the basic financial statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements. Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year, the City's proportionate share of the net pension liability, related contributions, and the police retirement system related ratios, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

## REPORTING THE CITY AS WHOLE

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

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

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

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

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

## REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

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

- **Governmental Funds** – Most of the City's basic services are included in Governmental Funds, which focus on how money moves into and out of these funds and the balances left at year-end are available for spending. These funds

are reported using a modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship between Governmental Activities (reported in the Statement of Net Position and the Statement of Activities) and the Governmental Funds in a reconciliation following each Governmental Fund financial statement.

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

## **THE CITY AS TRUSTEE**

### **Reporting the City's Fiduciary Responsibilities**

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

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

## **THE CITY AS A WHOLE**

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

For the year ended June 30, 2017, net position changed as follows:

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$5,021,539	\$4,768,040	\$4,543,173	\$5,173,817	\$9,564,712	\$9,941,857
Capital Assets	9,396,056	9,731,317	8,107,161	7,842,822	17,503,217	17,574,139
Total Assets	14,417,595	14,499,357	12,650,334	13,016,639	27,067,929	27,515,996
Deferred Outflows of Resources	148,058	153,647	153,581	126,151	301,639	279,798
Total Deferred Outflows of Resources	148,058	153,647	153,581	126,151	301,639	279,798
Long-term Liabilities Outstanding	2,122,682	2,494,060	5,890,674	5,879,501	8,013,356	8,373,561
Other Liabilities	126,988	150,415	323,264	719,403	450,252	869,818
Total Liabilities	2,249,670	2,644,475	6,213,938	6,598,904	8,463,608	9,243,379
Deferred Inflows of Resources	1,051,846	1,307,485	15,339	24,201	1,067,185	1,331,686
Total Deferred Inflows of Resources	1,051,846	1,307,485	15,339	24,201	1,067,185	1,331,686
Net Position:						
Net Investment in Capital Assets,	7,818,284	7,829,103	2,686,913	2,639,979	10,505,197	10,469,082
Restricted	1,220,786	971,036	496,015	503,076	1,716,801	1,474,112
Unrestricted	2,225,067	1,900,905	3,391,710	3,376,630	5,616,777	5,277,535
Total Net Position	\$11,264,137	\$10,701,044	\$6,574,638	\$6,519,685	\$17,838,775	\$17,220,729

The government's net position increased by \$618,046 during the fiscal year. Reasons for the increase of the government's net position are increased property tax revenues, improved operational efficiencies with decreases in operating expenses. This summary reflects an increase of total net position by 5.26% for the Governmental Activities and an increase of 0.84% in the Business-Type Activities.

Total Revenue and Expenses and changes in Net Position reported in fiscal year 2017 as compared to fiscal year 2016 are shown in the chart below.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	\$ 571,950	\$ 448,083	\$ 5,386,716	\$ 5,138,025	\$ 5,958,666	\$ 5,586,108
Operating Grants & Contributions	454,216	349,369	-	-	454,216	349,369
Capital Grants & Contributions	76,632	56,220	-	-	76,632	56,220
General Revenues:						
Property Taxes	1,076,611	1,065,971	-	-	1,076,611	1,065,971
Other Taxes	358,841	321,722	-	-	358,841	321,722
Other	88,933	107,004	106,813	32,237	195,746	139,241
Total Revenues	\$ 2,627,183	\$ 2,348,369	\$ 5,493,529	\$ 5,170,262	\$ 8,120,712	\$ 7,518,631

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Expenses:						
General Government	\$ 297,326	\$ 113,452	\$ -	\$ -	\$ 297,326	\$ 113,452
Public Safety	671,403	732,352	-	-	671,403	732,352
Public Works	470,120	530,424	-	-	470,120	530,424
Health & Welfare	360,136	323,017	-	-	360,136	323,017
Culture & Recreation	450,587	526,236	-	-	450,587	526,236
Community and Economic Development	59,472	97,640	-	-	59,472	97,640
Debt Service	54,546	65,612	-	-	54,546	65,612
Water Utility	-	-	359,541	309,927	359,541	309,927
Waste Water Utility	-	-	302,357	328,179	302,357	328,179
Electric Utility	-	-	2,250,184	1,940,180	2,250,184	1,940,180
Gas Utility	-	-	747,787	686,549	747,787	686,549
Solid Waste Utility	-	-	143,723	166,931	143,723	166,931
Telephone Utility	-	-	570,863	574,204	570,863	574,204
Cable/Internet Utility	-	-	764,621	763,309	764,621	763,309
Total Expenses	2,363,590	2,388,733	5,139,076	4,769,279	7,502,666	7,158,012
Increase (Decrease) in Net Position, Before Transfers	263,593	(40,364)	354,453	400,983	618,046	360,619
Transfers	299,500	344,000	(299,500)	(344,000)	-	-
Increase (Decrease) in Net Position	563,093	303,636	54,953	56,983	618,046	360,619
Net Position, July 1	10,701,044	10,397,408	6,519,685	6,462,702	17,220,729	16,860,110
Net Position, June 30	\$ 11,264,137	\$ 10,701,044	\$ 6,574,638	\$ 6,519,685	\$ 17,838,775	\$ 17,220,729

Program revenues totaled \$6,489,514 for fiscal year 2017 compared to \$5,991,697 for fiscal year 2016. Governmental Activities provided \$1,102,798 and Business-Type Activities provided \$5,386,716. Revenue collected for Charges for Services during fiscal year 2017 was \$5,958,666 accounting for 91.8% of the total program revenues.

General Revenues for fiscal year 2017 totaled \$1,631,198. Governmental Activities provided \$1,524,385 and Business-Type Activities provided \$106,813. Property Tax Revenues for fiscal year 2017 totaled \$1,076,611 accounting for 66.0% of General Revenues.

Expenses for fiscal year 2017 totaled \$7,502,666. Expenses for General Governmental Activities totaled \$2,363,590, accounting for 31.5% of total expenses. Business-Type Activity expenses totaled \$5,139,076, for 68.5% of the total.

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

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

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

### **Governmental Activities**

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Public Safety, the City spent \$671,403 and received \$320,229 in revenue, thus leaving a cost to the taxpayer of \$351,174 to be funded by various methods. The format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

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

The total cost of governmental activities this year was \$2,363,590. Of these costs, \$571,950 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contributions were \$530,848, leaving a Net Expense of \$1,260,792 for Governmental Activities. These expenses were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail.

Total resources available during the year to finance governmental operations were \$13,627,727, consisting of Net Position at July 1, 2016 of \$10,701,044, Program Revenues of \$1,102,798 and General Revenues and transfers of \$1,823,885. Total Governmental Activities during the year expended \$2,363,590; thus, Net Position increased by \$563,093, to \$11,264,137.

## **Business-Type Activities**

Business-Type Activities increased the City's net position by \$54,953.

The cost of all Proprietary Activities this year was \$5,139,076. As shown in the Statement of Activities, the amount paid by users of the systems was \$5,386,716, resulting in total Net Revenue for Business-Type Activities of \$247,640.

Total resources available during the year to finance Proprietary Fund activities were \$11,713,714 consisting of Net Position at July 1, 2016 of \$6,519,685, Program Revenues of \$5,386,716 and General Revenues and transfers of (\$192,687). Total Proprietary Fund Activities during the year expended \$5,139,076; thus Net Position increased by \$54,953 to \$6,574,638.

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

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of the government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of \$2,508,357. The combined Governmental Funds balance increased \$377,675 from the prior year.

The General Fund is the primary operating fund of the City. During the year, revenues were greater than expenditures in the General fund by \$45,760. This is a decrease from fiscal year 2016 when the General fund increased by \$53,756. The smaller increase in fiscal year 2017 is due to an increase in various road repair expenditures. The TIF Fund saw a \$149,973 increase in its fund balance, due mainly to decreases in project debt. The Debt Service Fund saw decrease of \$29,532 in its fund balance due to decrease of transfers in.

## Budgetary Highlights

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

	Amended Budget	Actual Expenditures	Variance
Public Safety	\$685,666	\$692,093	\$ (6,427)
Public Works	316,175	320,160	(3,985)
Culture and Recreation	457,782	462,500	(4,718)
Community and Economic Development	33,600	63,876	(30,276)
General Government	394,104	160,918	233,186
Health and Social Services	350,000	358,841	(8,841)
Debt Service	375,894	380,577	(4,683)
Capital Projects	10,000	2,226	7,774
Business Type Activities	5,580,304	14,993,758	(9,413,454)
<b>Total Expenditures</b>	<b>\$8,203,525</b>	<b>\$17,434,949</b>	<b>\$(9,231,424)</b>

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

- The total original revenue budget of \$8,318,408 was decreased to \$7,158,322 (a decrease of \$1,160,086). A substantial portion of this decrease can be attributed to intergovernmental (hospital) decrease and conservative budget estimates.
- Property Tax budgeted revenues were less than actual revenues by \$360,318 due primarily to changes in assessed valuations.
- Intergovernmental revenue exceeded budgeted figures by \$626,520 which is primarily attributed to the substantial revenue increases in the hospital operation.
- Charges totaled \$15,492,708 which was \$10,707,765 more than the budgeted amount due primarily to hospital Medicare reimbursement variables.
- Contribution revenue exceeded budget figures by \$497,371.
- The total original expenditure budget of \$8,510,072 was decreased to \$8,203,525 (a decrease of \$306,547).
- The above amendments to budgets were related to appropriations for capital improvements, capital outlay and hospital revenues and expenses that are sensitive to Medicare reimbursements. Capital project expenditures included the electric underground project as well as other small projects. Expenditures fell above the revised budget projections by \$9,231,424. This is primarily due to increased expenditures by the Hospital as well as an oversight by the City in regards to including the expenses for the Hospital on the Fiscal 2017 budget.

## **Capital Assets**

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2017, was \$10,505,197 (net of accumulated depreciation and outstanding financings) compared to \$10,469,082 as of June 30, 2016. The increase can be accounted for from the purchase of new equipment. See Note 4 to the financial statements for more information on the City's capital assets.

## **DEBT ADMINISTRATION**

At year-end, the City had \$6,998,020 of debt outstanding which is a \$569,724 decrease from last year. This decrease is a result of making scheduled debt payments on capital improvement projects which included an ongoing conversion of our overhead to underground electric project, street improvements and telephone/cable/internet system upgrades. Debt administration is on track for all City debt to be repaid within twenty years. This aggressive repayment schedule, combined with the use of TIF revenue for debt repayment, has allowed the City to maintain a good credit rating which reflects well on our community.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt Outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$4,379,862. With outstanding General Obligation Debt applicable to this limit of \$1,562,676, we are utilizing 35.6% of this limit. More detailed information on debt administration is provided in Note 5 of the financial statements.

## **ECONOMIC FACTORS**

The City of Hawarden continues to maintain a progressive approach to growth and community development. During fiscal year 2017 work proceeded on utility infrastructure and capital projects as scheduled.

Economically, the City works hard to attract new businesses and industry, while maintaining the quality of life residents have come to expect and enjoy. The following are a few examples of these efforts: Superior Farms has expanded their pet treat operations in Hawarden and continue to add employees. The Spec Building was sold in January of 2016 and major upgrades were made to the building which is now a home base for Anderson Trucking. We continue to work with the Hawarden Chamber of Commerce in marketing and filling the empty buildings on Main Street. All of the alleys in the downtown area were resurfaced in 2017. The City is in the process of engineering a major Waste Water Plant upgrade to be completed in 2019. Projects for fiscal year 2020 are to include a street resurfacing project on Avenue L.

In business and industry recruitment, the City of Hawarden's Community Development Committee continues to work on business recruitment and retention. Furthermore, they will focus on marketing Hawarden through various means both internally (the community) and externally (surrounding communities and/or potential businesses). The City of Hawarden continues to expand its comprehensive marketing campaign by various means with which to promote Hawarden in a professional light as well as brand the community's name to decision-makers around the world.

Hawarden as a community continues to provide excellent medical care through two clinics and the Hawarden Community Hospital. In fiscal year 2017 Hawarden Regional Healthcare completed construction on a major expansion/renovation and has received an \$8.8M loan commitment from USDA/RD to finance the project. We are also fortunate to have an excellent nursing home and two assisted living centers in our community. The Family First Dental Clinic offers excellent dental care for the community.

Beautification projects continue to be a priority for the community. The City of Hawarden has been committed to a Walking Trail Project that will eventually surround the entire city. This will enhance the health and wellness of our citizens who do a great deal of walking, and also provide a much safer place for citizens to walk and get exercise. The City of Hawarden continues their beautification efforts through enforcement of its Property Maintenance Code.

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

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

CITY OF HAWARDEN, IOWA  
STATEMENT OF NET POSITION  
JUNE 30, 2017

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Hawarden
	Activities	Activities		Regional Healthcare
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,717,396	\$ 3,251,869	\$ 5,969,265	\$ 3,593,872
Investments	72,681	145,181	217,862	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	23,789	149,319	173,108	1,314,040
Taxes	28,426	-	28,426	-
Subsequent Year Taxes	1,037,058	-	1,037,058	-
Accrued Interest	409	1,536	1,945	-
Other	-	-	-	180,245
Estimated Unbilled Usage	-	240,838	240,838	-
Special Assessments	267,692	6,947	274,639	-
Pledges Receivable	-	-	-	579,108
Notes Receivable	190,610	-	190,610	-
Internal Balances	424,457	(424,457)	-	-
Due from Other Governmental Agencies	67,226	-	67,226	220,315
Inventories	-	500,909	500,909	141,149
Prepaid Assets	56,972	63,136	120,108	61,704
Investment in Joint Venture	-	36,437	36,437	-
Restricted Assets:				
Cash and Cash Equivalents - Board Restricted	-	-	-	2,358,525
Cash and Cash Equivalents - Donor Restricted	129,817	-	129,817	9,281
Cash and Cash Equivalents - Bond Reserve	-	510,940	510,940	-
Investments- Donor Restricted	5,006	-	5,006	-
Customer Deposits	-	60,518	60,518	-
Land	363,031	56,094	419,125	172,313
Construction in Progress	-	-	-	2,214,222
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 4)	9,033,025	8,051,067	17,084,092	10,874,367
Other assets	-	-	-	7,518
<b>Total Assets</b>	<b>14,417,595</b>	<b>12,650,334</b>	<b>27,067,929</b>	<b>21,726,659</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Related Deferred Outflows	148,058	153,581	301,639	934,410
Intangible asset, net	-	-	-	407,291
<b>Total Deferred Outflows of Resources</b>	<b>148,058</b>	<b>153,581</b>	<b>301,639</b>	<b>1,341,701</b>
<b>LIABILITIES</b>				
Accounts Payable	97,024	220,324	317,348	657,788
Accrued Wages	24,593	11,131	35,724	298,784
Accrued Expenses	95	6,189	6,284	288,099
Due to Other Governments	-	6,792	6,792	-
Accrued Interest Payable	5,276	-	5,276	-
Estimated 3rd Party Payor Settlements	-	-	-	675,000
Payables from Restricted Assets:				
Customer Deposits	-	63,903	63,903	-
Accrued Revenue Bond Interest	-	14,925	14,925	-
Long-Term Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	255,000	255,000	-
General Obligation Bonds	327,132	-	327,132	-
Notes Payable	-	-	-	280,721
Compensated Absences	6,965	7,593	14,558	-
Due in more than one year:				
Revenue Bonds Payable	-	5,165,248	5,165,248	-
General Obligation Bonds	1,250,640	-	1,250,640	-
Notes Payable	-	-	-	10,005,477
Compensated Absences	27,859	39,004	66,863	-
Net Pension Liability	495,324	423,829	919,153	2,729,740
Estimated Other Post Employment Benefit Obligations	14,762	-	14,762	-
<b>Total Liabilities</b>	<b>2,249,670</b>	<b>6,213,938</b>	<b>8,463,608</b>	<b>14,935,609</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue- subsequent year taxes	1,037,058	-	1,037,058	-
Pension Related Deferred Inflows	14,768	15,339	30,127	32,578
Deferred Grant Revenue	-	-	-	85,223
<b>Total Deferred Inflows of Resources</b>	<b>1,051,846</b>	<b>15,339</b>	<b>1,067,185</b>	<b>117,801</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	7,818,284	2,686,913	10,505,197	2,974,704
Restricted for:				
Specific Revenues	985,717	-	985,717	-
Revenue Bonds	-	496,015	496,015	-
Endowments:				
Expendable	100,124	-	100,124	2,140,777
Nonexpendable	134,945	-	134,945	-
Unrestricted	2,225,067	3,391,710	5,616,777	2,899,469
<b>Total Net Position</b>	<b>\$ 11,264,137</b>	<b>\$ 6,574,638</b>	<b>\$ 17,838,775</b>	<b>\$ 8,014,950</b>

**CITY OF HAWARDEN, IOWA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
Public Safety	\$ 671,403	\$ 292,061	\$ 20,308	\$ 7,860
Public Works	470,120	155,530	325,361	49,425
Health and Social Services	360,136	-	-	-
Culture and Recreation	450,587	67,631	108,547	19,347
Community and Economic Development	59,472	-	-	-
General Government	297,326	56,728	-	-
Interest Expense	54,546	-	-	-
Total governmental activities	<u>2,363,590</u>	<u>571,950</u>	<u>454,216</u>	<u>76,632</u>
<b>Business-Type Activities:</b>				
Water Utility	359,541	383,264	-	-
WasteWater Treatment Utility	302,357	296,060	-	-
Electric Utility	2,250,184	2,390,172	-	-
Gas Utility	747,787	804,027	-	-
Solid Waste Utility	143,723	180,973	-	-
Telephone Utility	570,863	416,946	-	-
Cable/Internet Utility	764,621	915,274	-	-
Total Business-Type Activities:	<u>5,139,076</u>	<u>5,386,716</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 7,502,666</u>	<u>\$ 5,958,666</u>	<u>\$ 454,216</u>	<u>\$ 76,632</u>
<b>Component Unit:</b>				
Hawarden Regional Healthcare	<u>\$ 9,681,124</u>	<u>\$ 9,650,577</u>	<u>\$ 374,840</u>	<u>\$ 359,920</u>

General Revenues:  
Property taxes  
Local Option Sales Tax  
Interest  
Commercial/ Industrial Tax Replacement  
Sale of Uncapitalized Assets  
Miscellaneous  
Interfund Transfers  
Total general revenues and transfers  
Change in net position  
Net Position - beginning  
Net Position - ending

Net (Expense) Revenue and Changes in Net Position			Component Unit Hawarden Regional Healthcare
Governmental Activities	Business-Type Activities	Total	
\$ (351,174)		\$ (351,174)	
60,196		60,196	
(360,136)		(360,136)	
(255,062)		(255,062)	
(59,472)		(59,472)	
(240,598)		(240,598)	
(54,546)		(54,546)	
<u>(1,260,792)</u>		<u>(1,260,792)</u>	
-	\$ 23,723	23,723	
-	(6,297)	(6,297)	
-	139,988	139,988	
-	56,240	56,240	
-	37,250	37,250	
-	(153,917)	(153,917)	
-	150,653	150,653	
-	<u>247,640</u>	<u>247,640</u>	
<u>(1,260,792)</u>	<u>247,640</u>	<u>(1,013,152)</u>	
			\$ 704,213
1,076,611	-	1,076,611	-
358,841	-	358,841	-
26,293	12,940	39,233	15,095
28,156	-	28,156	-
3,580	-	3,580	-
30,904	93,873	124,777	-
299,500	(299,500)	-	-
<u>1,823,885</u>	<u>(192,687)</u>	<u>1,631,198</u>	<u>15,095</u>
563,093	54,953	618,046	719,308
10,701,044	6,519,685	17,220,729	7,295,642
<u>\$ 11,264,137</u>	<u>\$ 6,574,638</u>	<u>\$ 17,838,775</u>	<u>\$ 8,014,950</u>

**CITY OF HAWARDEN, IOWA**  
**BALANCE SHEET**  
**Governmental Funds**  
**JUNE 30, 2017**

	General	TIF
<b>Assets</b>		
Cash and Cash Equivalents	\$ 195,907	\$ 627,352
Investments	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	23,789	-
Taxes	8,612	14,158
Subsequent Year Taxes	485,583	307,315
Accrued Interest	-	-
Special Assessments	-	-
Notes Receivable	-	-
Due from Other Funds	514,940	-
Due from Other Governmental Agencies	5,904	-
Prepaid Assets	56,972	-
Restricted Assets:		
Donor Restricted Investments	-	-
<b>Total Assets</b>	<b>1,291,707</b>	<b>948,825</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>		
Liabilities:		
Accounts Payable	39,319	-
Accrued Wages and Compensated Absences	24,593	-
Accrued Expenses	95	-
Due to Other Funds	-	-
Advance from Other Funds	-	286,893
<b>Total Liabilities</b>	<b>64,007</b>	<b>286,893</b>
Deferred Inflows of Resources		
Unavailable Revenue- subsequent year taxes	485,583	307,315
Unavailable Revenue- delinquent property taxes	3,193	10,083
Unavailable Revenue- special assessments	-	-
<b>Total Deferred Inflows of Resources</b>	<b>488,776</b>	<b>317,398</b>
Fund Balances (Deficits):		
Nonspendable:		
Prepaid expenditures	56,972	-
Library Endowment	-	-
Restricted for:		
Road Surface Repairs	-	-
Employee Benefits	-	-
Revolving Loan Fund	-	-
Library Endowment	-	-
Tax Increment Financing	-	344,534
Assigned for:		
Capital Improvement	-	-
Mapping	-	-
Capital Improvement and Facilities	-	-
Unassigned:		
Total Fund Balances	681,952	-
<b>Total Fund Balances</b>	<b>738,924</b>	<b>344,534</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,291,707</b>	<b>\$ 948,825</b>

Debt Service	Non-major Governmental Funds	Total Governmental Funds
\$ -	\$ 1,112,682	\$ 1,935,941
-	72,681	72,681
-	-	23,789
2,312	3,344	28,426
91,730	152,430	1,037,058
-	409	409
-	267,692	267,692
-	126,598	126,598
-	-	514,940
-	61,322	67,226
-	-	56,972
-	134,823	134,823
<u>94,042</u>	<u>1,931,981</u>	<u>4,266,555</u>
-	56,672	95,991
-	-	24,593
-	-	95
29,538	701	30,239
-	-	286,893
<u>29,538</u>	<u>57,373</u>	<u>437,811</u>
91,730	152,430	1,037,058
1,119	1,242	15,637
-	267,692	267,692
<u>92,849</u>	<u>421,364</u>	<u>1,320,387</u>
-	-	56,972
-	134,945	134,945
-	149,751	149,751
-	14,966	14,966
-	465,141	465,141
-	100,124	100,124
-	-	344,534
-	116,896	116,896
-	1,760	1,760
-	470,362	470,362
(28,345)	(701)	652,906
<u>(28,345)</u>	<u>1,453,244</u>	<u>2,508,357</u>
<u>\$ 94,042</u>	<u>\$ 1,931,981</u>	<u>\$ 4,266,555</u>

**CITY OF HAWARDEN, IOWA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2017**

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

Total Fund Balance - Governmental Funds (page 18)			\$ 2,508,357
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds.			8,592,149
Internal service funds are used by management to acquire the capital equipment which is provided to user departments and are included in the statement of net position.			1,874,990
Deferred property tax revenues and special assessments that provide current financial resources for governmental activities.			283,329
Accrued expenses from the balance sheet that require current financial resources for governmental activities.			(5,276)
Accrued compensated absences not reported on the modified accrual basis.			(34,824)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			(1,577,772)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:			
	Deferred Outflows of Resources	148,058	
	Deferred Inflows of Resources	<u>(14,788)</u>	133,270
Other Post Employment Benefit Liabilities, and Net Pension Liabilities are not due and payable in the current period and therefore are not reported in the funds.			<u>(510,086)</u>
Total Net Position - Governmental Activities (page 14)			<u>\$ 11,264,137</u>

**CITY OF HAWARDEN, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

	General	TIF
Revenue:		
Taxes	\$ 385,646	\$ 495,971
Special Assessments	-	-
Licenses and Permits	23,552	-
Intergovernmental Revenue	80,934	1,773
Charges for Services	295,910	-
Fines and Forfeits	11,449	-
Contributions	59,649	-
Refunds/Reimbursements	29,444	-
Rental Income	33,176	-
Interest	11,572	-
Miscellaneous	7,938	-
Total Revenue	<u>939,270</u>	<u>497,744</u>
Expenditures:		
Public Safety	679,063	-
Public Works	281,102	-
Health and Social Services	-	-
Culture and Recreation	452,548	-
Community and Economic Development	32,906	30,970
General Government	160,918	-
Capital Projects	-	-
Debt Service	-	4,932
Total Expenditures	<u>1,606,537</u>	<u>35,902</u>
Excess (deficiency) of revenues over expenditures	<u>(667,267)</u>	<u>461,842</u>
Other financing sources (uses):		
Proceeds from Sale of Uncapitalized Assets	3,580	-
Transfers In	718,635	-
Transfers Out	(9,188)	(311,869)
Total other financing sources (uses)	<u>713,027</u>	<u>(311,869)</u>
Net Change in Fund Balance	45,760	149,973
Fund balances - beginning of year	<u>693,164</u>	<u>194,561</u>
Fund balances - end of year	<u>\$ 738,924</u>	<u>\$ 344,534</u>

	Debt Service	Non-major Governmental Funds	Total Governmental Funds
\$	93,685	\$ 149,473	\$ 1,124,775
	-	49,425	49,425
	-	-	23,552
	3,059	690,607	776,373
	-	-	295,910
	-	-	11,449
	-	77,802	137,451
	-	-	29,444
	-	-	33,176
	-	14,721	26,293
	-	-	7,938
	96,744	982,028	2,515,786
	-	13,030	692,093
	-	39,058	320,160
	-	358,841	358,841
	-	9,952	462,500
	-	-	63,876
	-	-	160,918
	-	2,226	2,226
	375,645	-	380,577
	375,645	423,107	2,441,191
	(278,901)	558,921	74,595
	-	-	3,580
	249,369	68,688	1,036,692
	-	(416,135)	(737,192)
	249,369	(347,447)	303,080
	(29,532)	211,474	377,675
	1,187	1,241,770	2,130,682
\$	(28,345)	\$ 1,453,244	\$ 2,508,357

**CITY OF HAWARDEN, IOWA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2017**

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

Net change in fund balances - total governmental funds (page 21) \$ 377,675

Governmental funds report capital outlay, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital outlay in the current year as follows:

Expenditures for capital assets	\$ 31,337	
Depreciation expense	<u>(324,451)</u>	(293,114)

Revenues reported in the funds that are not available to provide current financial resources (47,713)

Accrued interest expense that does not require current financial resources 1,589

Internal service funds are used by management to fund and maintain the City's insurance policies provided to user departments and for the maintenance, repair, and replacement of the City's automotive equipment and are included in the statement of net position. The net revenue of the internal service funds is reported with governmental activities. (9,442)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(1,965)	
Other post employment benefits	(1,516)	
Pension expense	<u>213,137</u>	209,656

The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net position. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was: 323,595

The effect of bond issuance premiums are shown in the governmental funds when new debt is issued, whereas, these amounts are deferred and accreted in the Statement of Activities 847

Change in net position of governmental activities (page 16) \$ 563,093

CITY OF HAWARDEN, IOWA  
 COMBINING STATEMENT OF NET POSITION  
 Proprietary Funds  
 June 30, 2017

	Business Type Activities			
	Water Utility	Waste Water Treatment Utility	Electric Utility	Gas Utility
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ -	\$ 79,804	\$ 2,392,832	\$ 515,727
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	35,587	24,986	8,396	19,254
Accrued Interest	-	1,536	-	-
Estimated Unbilled Usage	34,222	21,087	156,932	17,740
Special Assessments	6,947	-	-	-
Notes Receivable	-	-	-	-
Due from Other Funds	-	-	7,324	133,250
Investment in Joint Venture	-	-	2,681	-
Advances to Other Funds	-	68,678	3,215	-
Inventories	28,039	-	273,525	56,627
Prepaid Assets	7,157	6,024	29,432	5,881
Non-Current Assets:				
Restricted Assets:				
Cash and Cash Equivalents - Bond Reserve	-	-	510,940	-
Customer Deposits	-	-	-	51,780
Land	33,873	130	-	6
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	555,605	431,925	5,982,112	105,968
<b>Total Assets</b>	<b>701,430</b>	<b>634,170</b>	<b>9,367,369</b>	<b>906,233</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Related Deferred Outflows	13,699	10,942	77,087	11,474
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	1,921	14,885	127,658	22,161
Accrued Wages	1,147	735	5,485	1,436
Accrued Expenses	1,269	35	1,667	2,483
Due to Other Funds	210,644	-	144,899	-
Due to Other Governments	-	-	-	-
Payables from Restricted Assets:				
Customer Deposits	-	-	-	51,780
Accrued Revenue Bond Interest	-	-	14,925	-
Noncurrent Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	-	255,000	-
Compensated Absences	718	265	3,702	696
Due in more than one year:				
Revenue Bonds Payable	-	-	5,165,248	-
Net Pension Liability	37,805	30,196	212,733	31,664
Compensated Absences	3,723	1,573	18,809	3,366
<b>Total Liabilities</b>	<b>257,227</b>	<b>47,689</b>	<b>5,950,126</b>	<b>113,586</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Related Deferred Inflows	1,368	1,093	7,699	1,146
<b>NET POSITION</b>				
Net Investment in Capital Assets	589,478	432,055	561,864	105,974
Restricted for:				
Revenue Bonds	-	-	496,015	-
Unrestricted	(132,944)	164,275	2,428,752	697,001
<b>Total Net Position</b>	<b>\$ 456,534</b>	<b>\$ 596,330</b>	<b>\$ 3,486,631</b>	<b>\$ 802,975</b>

Business Type Activities				Governmental
Telephone Utility	Cable/Internet Utility	Nonmajor Solid Waste Utility	Total	Activities Internal Service
\$ -	\$ 309,848	\$ 98,839	\$ 3,397,050	\$ 781,455
7,694	39,259	14,143	149,319	-
-	-	-	1,536	-
-	-	10,857	240,838	-
-	-	-	6,947	-
-	-	-	-	64,012
-	-	-	140,574	11,649
-	-	33,776	36,437	-
-	-	-	71,893	215,000
67,070	75,648	-	500,909	-
7,966	5,757	919	63,136	-
-	-	-	510,940	-
8,738	-	-	60,518	-
-	-	22,085	56,094	-
622,514	352,943	-	8,051,067	803,907
713,982	783,455	180,619	13,287,258	1,876,023
28,791	11,588	-	153,581	-
9,297	43,757	645	220,324	1,033
1,745	583	-	11,131	-
509	215	11	6,189	-
281,381	-	-	636,924	-
6,792	-	-	6,792	-
8,738	3,385	-	63,903	-
-	-	-	14,925	-
-	-	-	255,000	-
1,544	668	-	7,593	-
-	-	-	5,165,248	-
79,452	31,979	-	423,829	-
8,049	3,484	-	39,004	-
397,507	84,071	656	6,850,862	1,033
2,876	1,157	-	15,339	-
622,514	352,943	22,085	2,686,913	803,907
-	-	-	496,015	-
(280,124)	356,872	157,878	3,391,710	1,071,083
\$ 342,390	\$ 709,815	\$ 179,963	\$ 6,574,638	\$ 1,874,990

CITY OF HAWARDEN, IOWA  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 Proprietary Funds  
 For the Year Ended June 30, 2017

	Business Type Activities			
	Water Utility	Waste Water Treatment Utility	Electric Utility	Gas Utility
<b>Operating Revenues:</b>				
Charges for Services	\$ 383,264	\$ 296,060	\$ 2,390,172	\$ 804,027
<b>Total Operating Revenue</b>	<u>383,264</u>	<u>296,060</u>	<u>2,390,172</u>	<u>804,027</u>
<b>Operating Expenses:</b>				
Resale Purchases	-	-	1,151,643	411,945
Employee Services	97,012	81,989	348,755	106,838
Contract Services	91,657	107,695	197,813	153,383
Supplies	40,416	24,569	87,404	34,638
Repairs and Improvements	45,401	27,910	15,088	27,642
Utilities	13,016	38,450	-	-
Miscellaneous	433	116	15,212	11,137
Depreciation	71,606	21,628	278,105	2,204
<b>Total Operating Expenses</b>	<u>359,541</u>	<u>302,357</u>	<u>2,094,020</u>	<u>747,787</u>
<b>Operating Income (Loss)</b>	<u>23,723</u>	<u>(6,297)</u>	<u>296,152</u>	<u>56,240</u>
<b>Non-Operating Income (Expense):</b>				
Interest Income	258	3,459	8,499	724
Other Non-operating Revenues (Expenses)	(64)	490	78,025	903
Interest Expense	-	-	(156,164)	-
<b>Total Non-Operating Income (Expenses)</b>	<u>194</u>	<u>3,949</u>	<u>(69,640)</u>	<u>1,627</u>
<b>Income (Loss) Before Transfers</b>	<u>23,917</u>	<u>(2,348)</u>	<u>226,512</u>	<u>57,867</u>
Transfers In	-	-	4,991	-
Transfers Out	(17,241)	(12,250)	(192,500)	(82,500)
<b>Change in Net Position</b>	<u>6,676</u>	<u>(14,598)</u>	<u>39,003</u>	<u>(24,633)</u>
<b>Net Position - Beginning</b>	<u>449,858</u>	<u>610,928</u>	<u>3,447,628</u>	<u>827,608</u>
<b>Net Position - Ending</b>	<u>\$ 456,534</u>	<u>\$ 596,330</u>	<u>\$ 3,486,631</u>	<u>\$ 802,975</u>

Business Type Activities				Governmental
Telephone Utility	Cable/Internet Utility	Nonmajor	Total	Internal Service
		Solid Waste Utility		
\$ 416,946	\$ 915,274	\$ 180,973	\$ 5,386,716	\$ 159,505
416,946	915,274	180,973	5,386,716	159,505
53,904	422,389	127,767	2,167,648	-
124,409	44,096	-	803,099	-
285,891	239,159	15,956	1,091,554	1,033
32,452	22,022	-	241,501	-
29,483	12,420	-	157,944	7,554
11,900	-	-	63,366	-
7,393	2,294	-	36,585	-
25,431	22,241	-	421,215	164,971
570,863	764,621	143,723	4,982,912	173,558
(153,917)	150,653	37,250	403,804	(14,053)
-	-	-	12,940	4,611
14,112	(266)	673	93,873	-
-	-	-	(156,164)	-
14,112	(266)	673	(49,351)	4,611
(139,805)	150,387	37,923	354,453	(9,442)
-	-	-	4,991	-
-	-	-	(304,491)	-
(139,805)	150,387	37,923	54,953	(9,442)
482,195	559,428	142,040	6,519,685	1,884,432
\$ 342,390	\$ 709,815	\$ 179,963	\$ 6,574,638	\$ 1,874,990

CITY OF HAWARDEN, IOWA  
COMBINING STATEMENT OF CASH FLOWS  
Proprietary Funds  
For the Year Ended June 30, 2017

	Business Type Activities			
	Water Utility	Waste Water Treatment Utility	Electric Utility	Gas Utility
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 378,904	\$ 294,289	\$ 2,402,029	\$ 795,574
Cash Received from Interfund Services Provided	-	-	-	-
Cash Paid to Suppliers for Goods and Services	(195,134)	(207,849)	(1,517,720)	(632,197)
Cash Paid to Employees for Services	(87,074)	(72,753)	(235,392)	(97,850)
Other Nonoperating Income/(Expense)	(64)	490	78,025	903
Net Cash Provided (Used) by Operating Activities	96,632	14,177	726,942	66,430
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition and Construction of Capital Assets	(49,374)	-	(776,572)	(45,594)
Special Assessment Receipts	1,288	-	-	-
Principal Paid on Notes and Bonds	-	-	(250,000)	-
Interest Paid on Notes and Bonds	-	-	(156,482)	-
Net Cash (Used) by Capital and Related Financing Activities	(48,086)	-	(1,183,054)	(45,594)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>				
Operating Transfers to Other Funds	(17,241)	(12,250)	(192,500)	(82,500)
Operating Transfers From Other Funds	-	-	4,991	-
Advances to Other Funds	-	15,132	24,016	-
Due From (To) Other Funds	(31,563)	-	-	-
Net Cash Provided (Used) for Non-Capital Financing Activities	(48,804)	2,882	(163,493)	(82,500)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest and Dividends on Investments	258	3,847	9,042	724
Net Increase (Decrease) in Cash and Cash Equivalents	-	20,906	(610,563)	(60,940)
Cash and Cash Equivalents at Beginning of Year	-	58,898	3,514,335	628,447
Cash and Cash Equivalents at End of Year	\$ -	\$ 79,804	\$ 2,903,772	\$ 567,507

Business Type Activities				Governmental
Telephone	Cable/Internet	Nonmajor		Activities
Utility	Utility	Solid Waste	Total	Internal
		Utility		Service
\$ 429,755	\$ 920,786	\$ 180,422	\$ 5,401,759	\$ -
-	-	-	-	159,505
(391,760)	(692,214)	(153,852)	(3,790,726)	-
(82,152)	(35,504)	-	(610,725)	(7,554)
14,112	(266)	673	93,873	-
(30,045)	192,802	27,243	1,094,181	151,951
(79,730)	(60,453)	-	(1,011,723)	(122,824)
-	-	-	1,288	-
-	-	-	(250,000)	-
-	-	-	(156,482)	-
(79,730)	(60,453)	-	(1,416,917)	(122,824)
-	-	-	(304,491)	-
-	-	-	4,991	-
-	-	-	39,148	75,000
111,062	-	-	79,499	11,792
111,062	-	-	(180,853)	86,792
-	-	-	13,871	4,611
1,287	132,349	27,243	(489,718)	120,530
7,451	177,499	71,596	4,458,226	660,925
\$ 8,738	\$ 309,848	\$ 98,839	\$ 3,968,508	\$ 781,455

(Continued)

CITY OF HAWARDEN, IOWA  
 COMBINING STATEMENT OF CASH FLOWS (Continued)  
 Proprietary Funds  
 For the Year Ended June 30, 2017

	Business Type Activities			
	Water Utility	Waste Water Treatment Utility	Electric Utility	Gas Utility
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 23,723	\$ (6,297)	\$ 296,152	\$ 56,240
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	71,606	21,628	278,105	2,204
Amortization	-	-	4,719	-
Miscellaneous Non-Operating Income/(Expense)	(64)	490	78,025	903
(Increase) Decrease in Assets:				
Accounts Receivable	(4,170)	(1,696)	(7,474)	(2,703)
Estimated Unbilled Usage	(191)	(75)	19,331	(3,058)
Inventories	(4,644)	-	2,285	(7,040)
Prepaid Expenses	(457)	(131)	(6,493)	(323)
Increase (Decrease) in Liabilities				
Accounts Payable	(346)	(8,755)	(45,343)	12,754
Accrued Wages	(2,143)	(1,896)	(14,175)	(1,560)
Accrued Compensated Absences	99	27	2,494	173
Accrued Expenses	1,237	(223)	(5,728)	1,157
Net Pension Liability	17,446	15,007	138,398	14,851
Deferred Outflows of Resources	(1,887)	(1,624)	(14,989)	(1,606)
Deferred Inflows of Resources	(3,577)	(2,278)	1,635	(2,870)
Customer Deposits	-	-	-	(2,692)
Total Adjustments	72,909	20,474	430,790	10,190
Net Cash Provided (Used) by Operating Activities	\$ 96,632	\$ 14,177	\$ 726,942	\$ 66,430

Reconciliation of Cash and Cash Equivalents  
to the Balance Sheet:

Cash and Cash Equivalents	\$ -	\$ 79,804	\$ 2,392,832	\$ 515,727
Customer Deposits	-	-	-	51,780
Restricted Cash and Cash Equivalents	-	-	510,940	-
	\$ -	\$ 79,804	\$ 2,903,772	\$ 567,507

Business Type Activities				Governmental
Telephone	Cable/Internet	Nonmajor		Activities
Utility	Utility	Solid Waste	Total	Internal
		Utility		Service
\$ (153,917)	\$ 150,653	\$ 37,250	\$ 403,804	\$ (14,053)
25,431	22,241	-	421,215	164,971
-	-	-	4,719	-
14,112	(266)	673	93,873	-
11,522	5,577	(543)	513	-
-	-	(8)	15,999	-
23,298	(1,696)	-	12,203	-
(690)	(564)	2	(8,656)	-
6,473	8,367	(10,111)	(36,961)	1,033
(5,532)	(2,483)	-	(27,789)	-
223	99	-	3,115	-
182	(37)	(20)	(3,432)	-
52,293	15,345	-	253,340	-
(5,664)	(1,660)	-	(27,430)	-
937	(2,709)	-	(8,862)	-
1,287	(65)	-	(1,470)	-
123,872	42,149	(10,007)	690,377	166,004
\$ (30,045)	\$ 192,802	\$ 27,243	\$ 1,094,181	\$ 151,951

\$ -	\$ 309,848	\$ 98,839	\$ 3,397,050	\$ 781,455
8,736	-	-	60,518	-
-	-	-	510,940	-
\$ 8,736	\$ 309,848	\$ 98,839	\$ 3,968,508	\$ 781,455

**CITY OF HAWARDEN, IOWA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**Fiduciary Funds**  
**June 30, 2017**

	Pension Trust Fund		Agency Funds	Total
	Police Retirement Fund			
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 4,270	\$	16,818	\$ 21,088
<b>Total Assets</b>	<b>4,270</b>		<b>16,818</b>	<b>21,088</b>
<b>LIABILITIES</b>				
Due to Other Governments	-		16,818	16,818
<b>Total Liabilities</b>	<b>-</b>		<b>16,818</b>	<b>16,818</b>
<b>NET POSITION</b>				
Held in Trust for Pension Benefits	4,270		-	4,270
<b>Total Net Position</b>	<b>\$ 4,270</b>	<b>\$</b>	<b>-</b>	<b>\$ 4,270</b>

**CITY OF HAWARDEN, IOWA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2017**

	<u>Pension Trust Fund Police Retirement Fund</u>
<b>ADDITIONS</b>	
Contributions: Employer	\$ <u>13,030</u>
Total Additions	<u>13,030</u>
<b>DEDUCTIONS</b>	
Pension Benefits	<u>12,239</u>
Total Deductions	<u>12,239</u>
Net Increase	791
Net Position-- Beginning of Period	<u>3,479</u>
Net Position -- End of Period	<u>\$ 4,270</u>

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2017**

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

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

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

**A. Reporting Entity**

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

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

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

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

**B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2017**

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

intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Position presents the City's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories.

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

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

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

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

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

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

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

The City reported the following major governmental funds.

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

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

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2017**

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

The Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

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

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

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

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

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

The Cable/Internet Fund accounts for the operation of a municipally owned cable/internet system which provides cable/internet service to residents of the City.

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

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

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

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2017**

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

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

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

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

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

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

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

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

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

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity**

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

Pooled Cash, Investments and Cash Equivalents – The cash balances of most City funds are pooled and invested in money market checking accounts. Interest earned on those investments is recorded in the General Fund unless otherwise provided by law. Other

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2017**

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

investments held by specific funds consist of non-negotiable certificates of deposit which are stated at cost or U.S. government securities stated at fair value determined by quoted market prices or in the Iowa Public Agency Investment trust stated at fair value determined by current share prices.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2017 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is presented as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects tax asking contained in the budget certified to the County Board of Supervisors March 2016.

Customer Accounts and Unbilled Usage – Accounts receivable are recorded at the time the service is billed, net of an allowance for doubtful accounts of \$14,601 at June 30, 2017. Unbilled usage, recorded in the Enterprise Funds for service consumed between periodic scheduled billing dates, is estimated and is recognized as revenue in the period in which the service is provided.

Also, the Hawarden Regional Healthcare's accounts receivable consists of patient receivables net of allowances for estimated third-party contractual adjustments and uncollectibles of \$263,778 at June 30, 2017.

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

Due From and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2017, the balance of interfund amounts payable or receivable have been recorded in the fund financial statements.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2017**

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

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

Inventories – Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the Enterprise Funds consist of material and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

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

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

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

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

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

Interest cost for capital asset construction within enterprise funds are capitalized. Interest costs incurred during fiscal year 2017 were \$187,313 of which \$31,149 is capitalized.

Deferred Outflow/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period. The City's component unit, Hawarden Regional Healthcare, has intangible assets that also qualify for reporting in this category.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2017**

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statements of Net Position consist of succeeding year property tax that will not be recognized as revenue until the year for which they are levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments. The governmental funds also report unavailable revenues from delinquent property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded for this time and any related benefits when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2017. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to / deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2017**

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

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

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

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

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

Unassigned – All amounts not included in other spendable classifications.

Budgets and Budgetary Accounting – The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures for the year ended June 30, 2017 exceeded amounts budgeted in the Public Safety, Public Works, Healthcare & Social Services, Culture & Recreation, Community & Economic Development, Debt Service, and Business-Type Activities functions.

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

The City's deposits in banks at June 30, 2017 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The city had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**Note 3 - ENDOWMENT**

The Marie Gregg / Vipond trust's endowment fund consists of donor designated assets and permanently restricted net position which provide that the principal be invested in perpetuity and the income only be used. As required by generally accepted accounting principles, net position associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The City Council has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2017**

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**Note 3 - ENDOWMENT -- (Continued)**

result of this interpretation, the City classifies as permanently restricted net position the original value of gifts donated to the permanent endowment, and the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net position is classified as temporarily restricted net position until those amounts are appropriated for expenditure by the City in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the City considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the City, and (7) the City investment policies.

Spending Funds – Use of the investment income from the assets may be unrestricted and used as the City deems necessary for the purposes for which the original restricted give was received.

From time to time, the fair value of assets associated with donor-restricted funds may fall below the level that the donor requires the City to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net position. As of June 30, 2017, the City did not have a deficiency in donor-restricted funds.

Balance:	
Vipond Endowment	\$ 90,000
Gregg Endowment	39,945
Library Gift	5,000
Total Endowment	<u>\$ 134,945</u>

**Note 4 - JOINT VENTURES**

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

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 5 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 363,031	\$ -	\$ -	\$ 363,031
Total capital assets not being depreciated	363,031	-	-	363,031
Capital assets being depreciated:				
Buildings	4,895,012	-	-	4,895,012
Improvements other than buildings	1,356,608	16,846	-	1,373,454
Equipment and vehicles	3,416,628	143,165	121,575	3,438,218
Infrastructure, road network	7,817,603	-	-	7,817,603
Total capital assets being depreciated	17,485,851	160,011	121,575	17,524,287
Less: Accumulated Depreciation for:				
Buildings	2,736,913	104,626	-	2,841,539
Improvements other than buildings	729,264	37,154	-	766,418
Equipment and vehicles	2,483,065	178,151	115,725	2,545,491
Infrastructure, road network	2,168,323	169,491	-	2,337,814
Total Accumulated Depreciation	8,117,565	489,422	115,725	8,491,262
Total capital assets being depreciated, net	9,368,286	(329,411)	5,850	9,033,025
Governmental activities capital assets, net	\$ 9,731,317	\$ (329,411)	\$ 5,850	\$ 9,396,056
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 56,094	\$ -	\$ -	\$ 56,094
Construction in Progress	1,700,781	450,402	2,151,183	-
Total capital assets not being depreciated	1,756,875	450,402	2,151,183	56,094
Capital assets being depreciated:				
Buildings	142,376	-	-	142,376
Utility Plant	18,180,118	2,386,335	-	20,566,453
Total capital assets being depreciated	18,322,494	2,386,335	-	20,708,829
Less: Accumulated Depreciation for:				
Buildings	112,119	3,276	-	115,395
Utility Plant	12,124,428	417,939	-	12,542,367
Total Accumulated Depreciation	12,236,547	421,215	-	12,657,762
Total capital assets being depreciated, net	6,085,947	1,965,120	-	8,051,067
Business-Type activities capital assets, net	\$ 7,842,822	\$ 2,415,522	\$ 2,151,183	\$ 8,107,161

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 5 - CAPITAL ASSETS – (Continued)**

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

Governmental Activities:	
Culture & Recreation	\$ 79,997
General Government	154,754
Health & Social Services	1,295
Public Safety	69,125
Public Works	184,251
Total depreciation expense – governmental activities	<u>\$ 489,422</u>

The governmental depreciation expense amount shown above includes \$164,971 of depreciation expense from the City's internal service fund which is recorded as a governmental activity on the government-wide statements.

Business-Type Activities:	
Cable/Internet	\$ 22,241
Electric	278,105
Gas	2,204
Telephone	25,431
Waste Water	21,628
Water	71,606
Total depreciation expense – business type activities	<u>\$ 421,215</u>

Discretely presented component unit	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 172,313	\$ -	\$ -	\$ 172,313
Construction-in-Progress	6,899,714	4,606,861	9,292,353	2,214,222
Total capital assets, not being depreciated	<u>7,072,027</u>	<u>4,606,861</u>	<u>9,292,353</u>	<u>2,386,535</u>
Capital assets being depreciated:				
Land Improvements	38,123	-	83,321	121,444
Hospital	1,357,487	-	9,075,025	10,432,512
Fixed Equipment	595,934	64,948	-	660,882
Major Moveable Equipment	2,025,177	818,581	-	2,843,758
Electronic health record-non-meaningful use	192,073	-	-	192,073
Electronic health record-meaningful use	501,840	-	-	501,840
Total capital assets being depreciated	<u>4,710,634</u>	<u>883,529</u>	<u>9,158,346</u>	<u>14,752,509</u>
Less: Accumulated Depreciation for:				
Land Improvements	24,324	5,428	-	29,752
Hospital	1,107,911	262,046	-	1,369,957
Fixed Equipment	478,284	21,402	-	499,686
Major Moveable Equipment	1,474,064	175,586	-	1,649,650
Electronic health record-non-meaningful use	53,310	13,954	-	67,264
Electronic health record-meaningful use	190,594	71,239	-	261,833
Total Accumulated Depreciation	<u>3,328,487</u>	<u>549,655</u>	<u>-</u>	<u>3,878,142</u>
Total capital assets being depreciated, net	<u>1,382,147</u>	<u>333,874</u>	<u>9,158,346</u>	<u>10,874,367</u>
Total capital assets, net	<u>\$ 8,454,174</u>	<u>\$ 4,940,735</u>	<u>\$ 134,007</u>	<u>\$ 13,260,902</u>

Total depreciation expense – discretely presented component unit \$ 549,655

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 5 - CAPITAL ASSETS – (Continued)**

Reconciliation of Net Investment in Capital Assets:

	Governmental Activities	Business-Type Activities	Component Unit
Land	\$ 363,031	\$ 56,094	\$ 172,313
Construction-in-Progress	-	-	2,214,222
Capital Assets (net of accumulated depreciation)	9,033,025	8,051,067	10,874,367
Less:			
General Obligation Bonds Payable	1,577,772	-	-
Revenue Bonds	-	5,420,248	-
Note Payables	-	-	10,286,198
	<u>\$ 7,818,284</u>	<u>\$ 2,686,913</u>	<u>\$ 2,974,704</u>

**Note 6 - CHANGES IN LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Due Within One Year
Governmental activities:					
Compensated Absences	\$ 32,858	\$ 8,538	\$ 6,572	\$ 34,824	\$ 6,965
General Obligation Bonds/Notes	1,708,911	-	235,546	1,473,365	254,310
General Obligation Refunding Note	177,360	-	88,049	89,311	72,822
General Obligation Bond Premiums	15,943	-	847	15,096	-
Net Pension Liability	545,742	-	50,418	495,324	-
Other Post Employment Benefit	13,246	1,516	-	14,762	-
	<u>\$ 2,494,060</u>	<u>\$ 10,054</u>	<u>\$ 381,432</u>	<u>\$ 2,122,682</u>	<u>\$ 334,097</u>
Business type activities:					
Revenue notes	\$ 5,680,000	\$ -	\$ 250,000	\$ 5,430,000	\$ 255,000
Revenue Notes Premiums	47,345	-	2,503	44,842	-
Revenue Notes Discounts	(61,815)	7,221	-	(54,594)	-
Compensated Absences	43,482	11,745	8,630	46,597	7,593
Net Pension Liability	170,489	253,340	-	423,829	-
	<u>\$ 5,879,501</u>	<u>\$ 272,306</u>	<u>\$ 261,133</u>	<u>\$ 5,890,674</u>	<u>\$ 262,593</u>

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Due Within One Year
Discretely Presented Component Unit:					
Note Payable (Asset Purchase Agreement)	\$ 500,000	\$ -	\$ 100,000	\$ 400,000	\$ 100,000
Capital Lease Obligation	134,198	-	67,239	66,959	62,993
Construction Note Payable	4,464,189	4,994,050	-	9,458,239	117,728
Northwest REC Loan	-	360,000	-	360,000	-
USDA Note Payable	-	1,000	-	1,000	-
Net Pension Liability	2,183,699	546,041	-	2,729,740	-
	<u>\$ 7,282,086</u>	<u>\$ 5,901,091</u>	<u>\$ 167,239</u>	<u>\$ 13,015,938</u>	<u>\$ 280,721</u>

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 6 - CHANGES IN LONG-TERM LIABILITIES – (Continued)**

General Obligation Bonds/Notes

Four issues of unmatured general obligation bonds/notes, totaling \$1,562,676 are outstanding at June 30, 2017. General obligation bonds/notes bear interest at rates ranging from 2.56-4.25% and mature in varying annual amounts, ranging from \$50,000 to \$135,000, with the final maturities due in the year ending June 1, 2025.

On July 9, 2014 the city issued \$1,210,000 of general obligation corporate purpose bonds series 2014A with an average interest rate of 2.56%, with annual maturities from June 2016 through 2025. The net proceeds were used to fund the 16<sup>th</sup> Street Project.

The general obligation bonds outstanding on the Statement of Net Position are shown net of bond premiums of \$15,096. The debt service fund is used to pay all general obligation debt.

Details of general obligation bonds/notes payable at June 30, 2017 are as follows:

Governmental Activities:	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2017
General obligation bonds/notes:						
General Corporate Purpose	August 20, 2009	4.25%	June 1, 2019	\$ 50,000	\$ 500,000	\$ 100,000
General Corporate Purpose	November 30, 2011	3.20%	June 1, 2022	84,627	750,000	388,366
General Corporate Purpose	July 9, 2014	2.56%	June 1, 2025	110,000-135,000	1,120,000	985,000
General Obligation Refunding Note	June 1, 2010	3.25%	June 1, 2018	74,000-89,500	650,000	89,310
						<u>\$ 1,562,676</u>

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

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 327,132	\$ 41,963	\$ 369,095
2019	240,170	33,020	273,190
2020	197,595	26,701	224,296
2021	200,098	21,798	221,896
2022	207,681	16,816	224,497
2023-2025	390,000	23,700	413,700
Total	<u>\$ 1,562,676</u>	<u>\$ 163,998</u>	<u>\$ 1,726,674</u>

Revenue Notes

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

The City issued \$4,615,000 of Electric Revenue Improvement and Refunding Bonds on November 30, 2011. Proceeds were used to refund Series 2004, Electric Revenue Refunding, which reduced future debt service payments. The transaction resulted in an economic gain of \$95,989 and a reduction of \$99,095 in future debt service payments. The remaining proceeds will be used to finance the Electric Utility Underground Project.

On May 5, 2015, the City issued \$2,890,000 of electric revenue improvements bonds, Series 2015 with annual maturities from June 2016 through 2034. The net proceeds were used to fund the electric utility underground project.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 6 - CHANGES IN LONG-TERM LIABILITIES – (Continued)**

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

<u>Enterprise</u>	<u>Type of Account</u>	<u>Required Balance June 30, 2017</u>	<u>Actual Balance June 30, 2017</u>
Electric	Electric Revenue Sinking Fund	\$ 20,883	\$ 28,098
Electric	Bond and Interest Reserve	272,000	382,717
Electric	Bond Improvement	100,000	100,125

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

Details of revenue notes payable at June 30, 2017 are as follows:

<u>Business Type Activities</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2017</u>
<b>Revenue Notes:</b>						
Electric Improvement and Refunding	Nov. 30, 2011	2.55-4.3%	June 1, 2031	\$ 155,000-430,000	\$ 4,615,000	\$ 2,720,000
Electric Improvements	May 5, 2015	1-4%	June 1, 2034	85,000-415,000	2,890,000	2,710,000
						<u>\$ 5,430,000</u>

The revenue notes outstanding on the Statement of Net Position is shown less bond discounts of \$54,594 and an addition of bond premiums of \$44,842 for a net subtraction of \$9,752.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 255,000	\$ 179,095	\$ 434,095
2019	260,000	174,263	434,263
2020	265,000	168,912	433,912
2021	270,000	162,573	432,573
2022	275,000	155,678	430,678
2023-2027	1,505,000	653,113	2,158,113
2028-2032	1,785,000	369,975	2,154,975
2033-2034	815,000	49,200	864,200
Total	<u>\$ 5,430,000</u>	<u>\$ 1,912,809</u>	<u>\$ 7,342,809</u>

Discretely presented component unit:

Note Payable (Asset Purchase Agreement)

On May 8, 2013, the Hospital entered into an asset purchase agreement with Therapeutic Health Services, Inc (THS), a provider of physical and occupational health services and home health services in Northwest Iowa. The agreement was for the purchase of all contracts and contract rights of THS, equipment, fixtures, office equipment owned and utilized by THS in connection with the aforementioned contracts, inventory and therapy supplies used in connection with the contracts, and service records, marketing material and agreements relating to the acquired contracts and medical practice. The purchase agreement was for \$850,000 with the first

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2017**

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**Note 6 - CHANGES IN LONG-TERM LIABILITIES – (Continued)**

payment of \$75,000 paid upon the closing of the agreement. Subsequent payments are due on January 10 of each year for varying amounts. The final payment in the amount of \$150,000 is due on January 10, 2019.

Lease Obligation Note

The Hospital has entered into a capital lease obligation at an imputed interest rate between .99%.and 4.75%. Monthly payments between \$975 and \$4,628 are to be made through December 2018, and are collateralized by leased equipment with a cost of \$297,405.

Construction Payable

On August 21, 2014, the Hospital issued Hospital Revenue Bond Anticipation Project Notes, Series 2014A and 2014B with a local financial institution to provide interim financing up to \$5,500,000 during the construction phase of the hospital capital project. On December 3, 2015, the hospital issued Hospital Revenue Bond Anticipation Notes, Series 2015A, 2015B, and 2015C with a local financial institution to provide additional financing up to \$6,153,254 during the construction project. The principal amount of the Series 2014A, 2014B, and 2015A notes will be paid off with a direct USDA loan when the project is completed. Interest only payments are to be paid on the outstanding principal balance during the construction phase at a rates ranging from 2.95% to 4.00%

Rural Economic Development Loan

On September 23, 2016, the Hospital entered into a Rural Economic Development Loan with North West Rural Electric Cooperative to provide financing of \$360,000 for the Hospital's capital project. Principal payments will be deferred for two years, without interest. Annual installments of \$90,000 will begin at the end of the third year following the date of the first advance of funds.

Scheduled principal repayments on long-term debt for each of the next five years are as follows:

2018	\$ 280,721
2019	9,495,477
2020	240,000
2021	90,000
2022	90,000
2023	90,000
	\$ 10,286,198

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 7 - INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Tax Increment Financing Revenue	\$ 62,500
	Non-Major Governmental	416,135
	Enterprise:	
	Electric	175,000
	Gas	65,000
		<u>718,635</u>
Debt Service	Tax Increment Financing	
		<u>249,369</u>
		249,369
Non-Major Funds	General	9,188
	Enterprise:	
	Water	12,250
	Electric	17,500
	Waste Water	12,250
	Gas	17,500
		<u>68,688</u>
Electric	Water	4,991
Total Transfers		<u>\$ 1,041,683</u>

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

**Note 8 – INTERNAL BALANCES**

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2017, balances of interfund amounts payable or receivable have been recorded as "due to other funds" and "due from other funds", respectively. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

The detail of short-term interfund receivables and payables at June 30, 2017 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental:		
General	Debt Service	\$ 29,538
	Non-Major Funds	701
	Enterprise:	
	Water	203,320
	Telephone	281,381
Enterprise:	Enterprise:	
Electric	Water	7,324
Gas	Electric	133,250
Internal Service	Electric	11,649
		<u>\$ 667,163</u>

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 8 – INTERNAL BALANCES – (Continued)**

The detail of long-term advances to and from other funds at June 30, 2017 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise:	Special Revenue:	
Electric	Tax Increment Financing	\$ 3,215
Wastewater	Tax Increment Financing	68,678
Internal Service	Tax Increment Financing	215,000
		<u>\$ 286,893</u>

**Note 9 - PENSION PLAN**

**Summary of Significant Accounting Policies & Pensions Totals**

The financial statements of the Iowa Public Employees' Retirement System (IPERS), and the Police Retirement System (PRS) are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits, refunds and annuities are recognized when due and payable in accordance with the terms of each plan.

**Method used to Value Investments**

*IPERS* – All investments are reported at fair value. The determination of fair value is generally based on published market prices and quotations from major investment brokers. Investments not having quoted market prices have been valued based on yields and maturities currently available on comparable securities of similar issue. Fair values for real estate investments are based on periodic assessments or appraisals of the underlying investments. Futures contracts are valued daily with the resulting adjustment recorded as realized gains/losses arising from the settlement of the variation margin. Private equities are valued based on March 31 net position values plus or minus purchases, sales and cash flows from April 1 through June 30 of the reporting year.

The system has no investment in any specific stock or bond issues of any commercial or industrial organization, other than the U.S. government and its instrumentalities, whose fair value exceeds 5% of the plan net position available for benefits.

The Police Retirement System has no plan investments and only a small cash balance, as the liability is funded on a pay-as-you-go basis.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 9 - PENSION PLAN - (Continued)**

**Pension Totals**

At June 30, 2017, the City recognized the following amounts related to pensions in financial statements prepared using the economic resources measurement focus and accrual basis of accounting (expressed in thousands):

	Defined Benefit			
	Cost-Sharing, Multiple Employer	Single Employer		
	IPERS – Primary Government	IPERS – Discretely Presented Component Units	PRS	Total
Net Pension Liability	\$ 832.4	\$ 2,729.7	\$ 86.7	\$ 3,648.8
Deferred Outflows of Resources Related to Pensions	301.6	934.4	-	1,236.0
Deferred Inflows of Resources Related to Pensions	30.1	32.6	-	62.7
Pension Expense for the Period Associated with Net Pension Liabilities	120.0	245.5	12.7	378.2

**Iowa Public Employees' Retirement System (IPERS)**

*Plan description* – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

The IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

**Pension Benefits**

A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55.

The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2017**

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**Note 9 - PENSION PLAN - (Continued)**

- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary).

Protection occupation members may retire at normal retirement age which is generally at age 55. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

**Disability and Death Benefits**

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

**Contributions**

Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30 year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protective occupation members contributed 6.56 percent of pay and the City contributed 9.84 percent for a total rate of 16.40 percent.

The City's total contributions to IPERS for the year ended June 30, 2017 were \$116,560 and for the component unit total contributions were \$245,450.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 9 - PENSION PLAN - (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2017, the City reported a liability of \$832,417 and the component unit reported \$2,729,740 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2016, the City's collective proportion was 0.013227 percent and 0.043375 percent for the component unit, which was an increase of 0.000477 percent from its proportion measured as of June 30, 2015. The component unit showed a decrease of 0.000825 percent from 2015.

For the year ended June 30, 2017, the City and component unit recognized pension expense of \$120,023 and \$245,450, respectively. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>City's Share</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 7,220	\$ 14,969
Changes of assumptions	12,464	68
Net difference between projected and actual earnings on pension plan investments	152,926	-
Changes in proportion and differences between City contributions and proportionate share of contributions	12,469	15,090
City contributions subsequent to the measurement date	116,560	-
Total	\$ 301,639	\$ 30,127

	<b>Component Unit</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 24,126	\$ 32,578
Changes of assumptions	41,646	-
Net difference between projected and actual earnings on pension plan investments	388,901	-
Changes in proportion and differences between Hospital's contributions and proportionate share of contributions	234,287	-
Hospital's contributions subsequent to the measurement date	245,450	-
Total	\$ 934,410	\$ 32,578

\$116,560 and \$245,450 reported as deferred outflows of resources related to pensions resulting from the City and component unit contributions, respectively subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 9 - PENSION PLAN - (Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30,</b>	<b>City</b>	<b>Component Unit</b>
2018	\$ 18,967	\$ 144,323
2019	18,967	144,323
2020	76,223	250,816
2021	42,265	119,966
2022	(1,470)	(3,046)
	<b>\$ 154,952</b>	<b>\$ 656,382</b>

There were no non-employer contributing entities of IPERS.

*Actuarial assumptions* – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Salary Increases (effective June 30, 2010)	4.00 – 17.00 percent average, including inflation. Rates vary by membership group.
Investment Rate of Return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan investment expense, and including inflation
Wage Growth (effective June 30, 1990)	4.00 percent per annum based on 3.00 percent inflation, and 1.00 percent real wage inflation

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Generational Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
US Equity	24%	5.85%
Non US Equity	16	6.32
Private Equity	11	10.31
Real Estate	8	3.87
Core Plus Fixed Income	28	1.90
Credit Opportunities	5	4.48
TIPS	5	1.36
Other Real Assets	2	6.42
Cash	1	(0.26)
Total	100%	

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 9 - PENSION PLAN - (Continued)**

*Discount rate* – The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.* The following presents the City's and component unit's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's and component unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.5 percent) than the current rate.

	<b>1% Decrease 6.5%</b>	<b>Discount Rate 7.5%</b>	<b>1% Increase 8.5%</b>
Proportionate Share of the Net Pension Liability (Asset)			
City	\$ 1,473,890	\$ 832,417	\$ 291,169
Component Unit	\$ 4,416,350	\$ 2,729,740	\$ 1,306,219

*Pension plan fiduciary net position* – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**Payables to the pension plan**

At June 30, 2017, the component unit reported payables to the defined benefit pension plan of \$63,336 for legally required employer contributions and \$42,200 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**Police Retirement System**

Police Pension - The City maintains a single-employer, defined benefit pension plan (police retirement system), which was organized under Chapter 410 of the Code of Iowa. Police personnel who were in the employment of the City prior to July 1, 1971, are eligible to participate in the plan. Any eligible participant may be entitled to benefits if such member has served 22 years or more and shall have reached the age of 50 years; or who shall, while a member of the department, become mentally or physically permanently disabled while performing his duties. The salary benefit is equal to one-half the amount of salary received by him monthly at the date he actually retires from the department. Benefits are increased subsequent to retirement by 50% of any increase in the pension benefits for the rank at which the member retired. In the event of the death of a retired participant, the benefit paid to a surviving spouse is reduced to 50% of the retiree's benefit. Presently, the City has only one individual who qualifies as a participant because of the employment of their spouse prior to July 1, 1971. The payroll for employees covered by the system was \$-0- and the City's total payroll for the police department was \$426,689.

The amount shown below as the Actuarial Accrued Liability is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. This measure is the

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2017**

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**Note 9 - PENSION PLAN - (Continued)**

actuarial present value of credited projected benefits and is intended to (1) help users assess the system's funding status on a going-concern basis, (2) assess progress being made in accumulating sufficient assets to pay benefits when due, and (3) allow for comparisons among public employee retirement plans. The net pension obligation was determined as part of an actuarial valuation of the plan as of July 1, 2017.

<u>Net Pension Obligation</u>	
Retirees and Beneficiaries Currently Receiving Benefits.....	\$ 91,006
Net Position Available for Benefits .....	4,270
	\$ 86,736

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

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

The unfunded actuarial present value of credited projected benefits is \$91,006.

The City's contribution for the year was \$13,030 as required by the pay-as-you-go method of funding. This \$13,030 was paid by the City as required. The amount was not actuarially determined.

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions* – The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement:

Discount Rate:	6.00%
Assumed Future Benefit Increase:	2.5%

Post retirement mortality rates were based on the RP-2000 Mortality Table projected to 2020 (female).

This is a closed system with all active members retired. Taxes are levied to sufficiently compensate the retired members involved in this system. No separate financial statements are prepared for the police retirement system.

**Note 10 - RISK FINANCING**

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the 2016-2017 fiscal year the City has elected to purchase commercial insurance to cover against the risk of loss. There have been no settlements that exceeded insurance coverage during the last three fiscal years.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2017**

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**Note 11 - NOTES RECEIVABLE**

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

<u>Fiscal Year</u>	<u>Principal</u>
2018	\$ 12,150
2019	12,520
2020	12,901
2021	13,293
2022	13,206
Total Note Receivable	<u>\$ 64,070</u>

Also during the fiscal year ended June 30, 2009, the City opened a revolving loan fund. The purpose of the fund is to promote economic development in Hawarden. During the fiscal year ended June 30, 2015, the City made a loan to Rosa Zamora for \$60,000 and had a balance of \$53,356 as of June 30, 2017. This loan is scheduled to be repaid over 15 years, with monthly payments at 2% interest. During the fiscal year ended June 30, 2016, the City made two additional loans through the revolving loan fund. One loan was made to Big Sioux Embroidery for \$50,000 and had a balance of \$40,151 as of June 30, 2017. This loan is schedule to be repaid over 7 years, with monthly payments at 3% interest. The other loan was made to Saldona for \$20,000 and had a balance of \$17,965 as of June 30, 2017. This loan is scheduled to be repaid in 5 years with monthly payments at 2% interest and a balloon payment in fiscal year 2021. Scheduled receipt of loan principal is shown as follows

<u>Fiscal Year</u>	<u>Principal</u>
2018	\$ 11,596
2019	11,899
2020	12,212
2021	25,564
2022	11,566
2023-2027	24,538
2028-2031	14,097
Total Note Receivable	<u>\$ 111,472</u>

During the fiscal year ended June 30, 2012, the City made two loans through the USDA Rural Business Enterprise Grant Program. One loan was made to In-Weave for \$30,000 and had a balance of \$6,968 as of June 30, 2017. The other loan was made to Hoogestrat for \$30,000 and had a balance of \$8,100 as of June 30, 2017. Each loan is scheduled to be repaid over 7 years, with monthly payments, at 3% interest.

<u>Fiscal Year</u>	<u>Principal</u>
2018	\$ 9,187
2019	5,881
Total Note Receivable	<u>\$ 15,068</u>

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2017**

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**Note 12 - RELATED PARTY TRANSACTIONS**

*Hawarden Community Clinic*

Effective January 1, 2005, Hawarden Regional Healthcare and Mercy Medical Services (MMS) entered into a joint venture whereby each partner has a 50% sponsorship interest in Hawarden Regional Healthcare Clinics, LLC, (HRHC). The Hawarden Regional Healthcare and MMS share equally in the net income (loss) of HRHC. The Hospital's share of Hawarden Clinic's (HC) 2017 and 2016 (from January 1 through June 30) operating loss was \$147,916 and \$76,557, respectively, and is included in joint venture loss, net in the accompanying statement of activities.

The Hospital hires the employees of HC and leases them back to HC. Amounts received by the Hospital for expenses paid in 2017 and 2016 was \$920,152 and \$655,414, respectively, and is included in the accompanying statement of activities. The Hospital also received management fees from HC totaling \$70,000 in both 2017 and 2016 and monthly rent totaling \$27,600 for the years ended June 30, 2017 and 2016. These amounts are included in other revenue.

HC owed the Hospital \$159,086 and \$211,644 at June 30, 2017 and 2016, respectively. These amounts are recorded in due from related party on the balance sheets.

*Ireton Community*

Effective June 1, 2008, the Hawarden Regional Healthcare and Mercy Medical Services (MMS) entered into a joint venture whereby each partner has a 50% sponsorship interest in Ireton Community Clinic, LLC. (IC). The Hospital and MMS share equally in the net income (loss) of IC. The Hospital's share of IC's 2017 and 2016 operating loss was \$36,980 and \$19,139, respectively, and is included in joint venture loss, net in the accompanying statement of activities.

The Hawarden Regional Healthcare hires the employees of IC and leases them back to IC. Amounts received by the Hawarden Regional Healthcare for expenses paid in 2017 and 2016 was \$64,775 and \$62,844, respectively, and is included in the accompanying statement of activities. The Hawarden Regional Healthcare also received management fees from IC totaling \$10,000 in 2017 and 2016. These fees are included in other revenue.

IC owed the Hospital \$61,229 at June 30, 2017 and the Hospital owed IC \$23,673 at June 30, 2016. These amounts are recorded in due from related party on the statement of financial position.

**Note 13 - LEASES WITH RELATED PARTIES**

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

**Note 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses, with the retirees paying the full premium. There are 23 active and -0- retired members in the plan. Participants must be age 55 or older at retirement.

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

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)**

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

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

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2017, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 1,516
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	1,516
Contributions made	-
Increase in net OPEB obligation	1,516
Net OPEB obligation beginning of year	13,246
Net OPEB obligation end of year	\$ 14,762

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2017.

For the year ended June 30, 2017, the City contributed \$-0- to the medical plan. Plan members eligible for benefits did not contribute any of the premium costs.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2017 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 1,602	0.0%	\$ 8,526
June 30, 2014	\$ 1,602	0.0%	\$ 10,128
June 30, 2015	\$ 1,602	0.0%	\$ 11,730
June 30, 2016	\$ 1,516	0.0%	\$ 13,246
June 30, 2017	\$ 1,516	0.0%	\$ 14,762

Funded Status and Funding Progress - As of June 30, 2016, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was \$12,811, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,811. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,274,344 and the ratio of the UAAL to covered payroll was 1.0%. As of June 30, 2017, there were no trust fund assets.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2017**

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**Note 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)**

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The

Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the June 30, 2016 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the City's funding policy. The projected annual medical trend rate is 5.0%.

Mortality rates are from the 2011 United States Life Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based on historical average retirement age for the covered group.

Projected annual claim costs of the medical plan are \$13,887 for retirees and \$20,830 for their spouses less than age 65 and there are no participating retirees who have attained age 65. The salary increase rate was assumed to be 2.0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Note 15 – DEFICIT FUND BALANCES**

The City has two funds with deficit fund balances at June 30, 2017. The City intends to finance these deficits from various resources including; property taxes, general funds, charges to various departments, and capital project debt financing.

The individual fund deficits are as follows:

Debt Service	\$ 28,345
Low-Med Income Project	\$ 701

**Note 16 – CONSTRUCTION COMMITMENTS**

During the year ended June 30, 2017, and in previous years, the City had entered into a construction contract totaling approximately \$946,479 for electric system distribution improvements of which approximately \$946,479 had been expended. There is no balance remaining at year end.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2017**

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**Note 17 – OTHER COMMITMENTS**

During the year ended June 30, 2017, the City entered into a pledge agreement with the Sioux County Conservation Foundation to provide \$150,000 in three equal payments with the first payment due July 1, 2017 and the remaining payments made annually.

**Note 18 - URBAN RENEWAL DEVELOPMENT AGREEMENTS**

The City entered into various development agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer in exchange for infrastructure improvements, rehabilitation and development of commercial projects by the developer. The total to be paid by the City under the agreements is not to exceed \$45,000.

During the year ended June 30, 2017, the City rebated \$30,970 of incremental property tax to developers. The total cumulative principal amount rebated on the agreements is \$45,000. The outstanding balance on the agreements at June 30, 2017 was \$0.

The agreements are not general obligations of the City and, due to their nature, are not recorded as a liability in the City's financial statements. However, the agreements are subject to the constitutional debt limitation of the City.

Certain agreements include an annual appropriation clause and accordingly, only the amount payable in the succeeding year on the agreements is subject to the constitutional debt limitation. The entire outstanding principal balance of agreements not including an annual appropriation clause is subject to the constitutional debt limitation.

**Note 19 – TAX ABATEMENTS**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2017, the City abated \$13,030 of property tax under the urban renewal and economic development projects.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2017**

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**Note 20 – NEW ACCOUNTING PRONOUNCEMENT**

The City of Hawarden adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statements users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about the City's tax abatements and tax abatements of other entities which impact the City.

**Note 21 – PROSPECTIVE ACCOUNTING CHANGE**

The Governmental Accounting Standards Board has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's other postemployment benefits.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF HAWARDEN, IOWA**  
**Required Supplementary Information – Budgetary Reporting**  
**For the Year Ended June 30, 2017**

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

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

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

	<b>Original Budget</b>	<b>5/24/17 Amendment</b>	<b>Amended Budget</b>
Public Safety	\$ 687,589	\$ (1,923)	\$ 685,666
Public Works	348,175	(32,000)	316,175
Health and Social Services	350,000	-	350,000
Culture and Recreation	416,682	41,100	457,782
Community and Economic Development	67,203	(33,603)	33,600
General Government	97,200	296,904	394,104
Debt Service	375,894	-	375,894
Capital Projects	-	10,000	10,000
Business Type Activities	6,167,329	(587,025)	5,580,304
Transfer Out	1,349,169	(197,714)	1,151,455

**CITY OF HAWARDEN, IOWA**  
**Required Supplementary Information – Budgetary Reporting**  
**For the Year Ended June 30, 2015**

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

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

**CITY OF HAWARDEN, IOWA**  
**Required Supplementary Information - Budgetary Reporting**  
**For the Year Ended June 30, 2017**

	Governmental Fund Types	Proprietary Fund Types	Primary Government Total
<b>Revenue:</b>			
Property Taxes	\$ 1,124,775	\$ -	\$ 1,124,775
Special Assessments	49,425	-	49,425
Licenses	23,552	-	23,552
Intergovernmental	776,373	-	776,373
Charges	295,910	5,546,221	5,842,131
Fines	11,449	-	11,449
Contributions	137,451	-	137,451
Refunds	29,444	-	29,444
Rental Income	33,176	-	33,176
Interest	26,293	17,551	43,844
Miscellaneous	7,938	93,873	101,811
<b>Total Revenue</b>	<b>2,515,786</b>	<b>5,657,645</b>	<b>8,173,431</b>
<b>Expenditures:</b>			
Public Safety	692,093	-	692,093
Public Works	320,160	-	320,160
Health and Social Services	358,841	-	358,841
Culture and Recreation	462,500	-	462,500
Community and Economic Development	63,876	-	63,876
General Government	160,918	-	160,918
Capital Projects	2,226	-	2,226
Debt Service	380,577	-	380,577
Business Type Activities	-	5,312,634	5,312,634
<b>Total Expenditures/Expenses</b>	<b>2,441,191</b>	<b>5,312,634</b>	<b>7,753,825</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>74,595</b>	<b>345,011</b>	<b>419,606</b>
<b>Other financing sources (uses):</b>			
Transfers from Other Funds	1,036,692	4,991	1,041,683
Proceeds from Debt Financing	-	-	-
Proceeds (Loss) from Asset Sales	3,580	-	3,580
Transfers to Other Funds	(737,192)	(304,491)	(1,041,683)
<b>Total other financing sources (uses)</b>	<b>303,080</b>	<b>(299,500)</b>	<b>3,580</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures/Expenses and Other (Uses)</b>	<b>377,675</b>	<b>45,511</b>	<b>423,186</b>
<b>Fund Balance/Retained Earnings at Beginning of Year</b>	<b>2,130,682</b>	<b>8,404,117</b>	<b>10,534,799</b>
<b>Fund Balance/Retained Earnings at End of Year</b>	<b>\$ 2,508,357</b>	<b>\$ 8,449,628</b>	<b>\$ 10,957,985</b>

Hawarden Community Hospital	Reporting Entity Total	Original Budget	Final Amended Budget	Variance
\$ -	\$ 1,124,775	\$ 1,485,093	\$ 1,485,093	\$ (360,318)
-	49,425	36,173	53,696	(4,271)
-	23,552	23,350	42,350	(18,798)
374,840	1,151,213	403,769	524,693	626,520
9,650,577	15,492,708	6,290,023	4,784,943	10,707,765
-	11,449	-	-	11,449
359,920	497,371	-	-	497,371
-	29,444	-	-	29,444
-	33,176	-	-	33,176
15,095	58,939	34,200	38,450	20,489
	101,811	45,800	229,097	(127,286)
10,400,432	18,573,863	8,318,408	7,158,322	11,415,541
-	692,093	687,589	685,666	(6,427)
-	320,160	348,175	316,175	(3,985)
-	358,841	350,000	350,000	(8,841)
-	462,500	416,682	457,782	(4,718)
-	63,876	67,203	33,600	(30,276)
-	160,918	97,200	394,104	233,186
-	2,226	-	10,000	7,774
-	380,577	375,894	375,894	(4,683)
9,681,124	14,993,758	6,167,329	5,580,304	(9,413,454)
9,681,124	17,434,949	8,510,072	8,203,525	(9,231,424)
719,308	1,138,914	(191,664)	(1,045,203)	2,184,117
-	1,041,683	1,349,169	1,151,455	(109,772)
-	-	282,040	354,740	(354,740)
-	3,580	-	-	3,580
-	(1,041,683)	(1,349,169)	(1,151,455)	109,772
-	3,580	282,040	354,740	(351,160)
719,308	1,142,494	\$ 90,376	\$ (690,463)	\$ 1,832,957
7,295,642	17,830,441			
\$ 8,014,950	\$ 18,972,935			

CITY OF HAWARDEN, IOWA  
 POST EMPLOYMENT HEALTHCARE BENEFITS  
 SCHEDULE OF FUNDING PROGRESS  
 For the Year Ended June 30, 2017

Audit Period	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
6/30/2011	6/30/2010	\$ -	\$ 14,965	\$ 14,965	0.00%	\$ 1,290,000	1.160%
6/30/2012	6/30/2010	\$ -	\$ 14,965	\$ 14,965	0.00%	\$ 1,143,000	1.309%
6/30/2013	6/30/2013	\$ -	\$ 12,999	\$ 12,999	0.00%	\$ 981,867	1.300%
6/30/2014	6/30/2013	\$ -	\$ 12,999	\$ 12,999	0.00%	\$ 1,251,056	1.040%
6/30/2015	6/30/2013	\$ -	\$ 12,999	\$ 12,999	0.00%	\$ 1,166,000	1.115%
6/30/2016	6/30/2016	\$ -	\$ 12,811	\$ 12,811	0.00%	\$ 1,056,038	1.200%
6/30/2017	6/30/2016	\$ -	\$ 12,811	\$ 12,811	0.00%	\$ 1,274,344	1.005%

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

See Note 13 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

CITY OF HAWARDEN, IOWA  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM LAST FISCAL YEAR\*  
(IN THOUSANDS)  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017

	2017		2016		2015	
	City	Component Unit	City	Component Unit	City	Component Unit
Entity's proportion of the net pension liability	0.013227%	0.043375%	0.0127505%	0.044200%	0.0123239%	0.041020%
Entity's proportionate share of the net pension liability	\$ 832	\$ 2,730	\$ 630	\$ 2,184	\$ 491	\$ 1,660
Entity's covered-employee payroll	\$ 1,187	\$ 3,359	\$ 1,159	\$ 3,012	\$ 1,120	\$ 2,744
Entity's proportionate share of the net pension liability as a percentage of its covered employee payroll	70.09%	81.26%	53.08%	72.50%	43.84%	60.50%
Plan fiduciary net position as a percentage of the total pension liability	81.82%	81.82%	85.19%	85.19%	87.61%	87.61%

\*The amounts presented for each fiscal year were determined as of June 30.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Entity will present information for those years for which information is available.

**CITY OF HAWARDEN, IOWA  
SCHEDULE OF THE CITY'S CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN YEARS (IN THOUSANDS)  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017**

<b>City</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Statutorily required contribution	\$ 117	\$ 108	\$ 106	\$ 103	\$ 99
Contributions in relation to the statutorily required contribution	(117)	(108)	(106)	(103)	(99)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Entity's covered employee payroll	\$ 1,274	\$ 1,187	\$ 1,159	\$ 1,120	\$ 1,102
Contributions as a percentage of covered-employee payroll	9.18%	9.13%	9.15%	9.20%	8.98%
<b>City</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Statutorily required contribution	\$ 97	\$ 92	\$ 86	\$ 79	\$ 71
Contributions in relation to the statutorily required contribution	\$ (97)	(92)	(86)	(79)	(71)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Entity's covered employee payroll	\$ 1,138	\$ 1,194	\$ 1,209	\$ 1,162	\$ 1,094
Contributions as a percentage of covered-employee payroll	8.52%	7.71%	7.11%	6.80%	6.49%
<b>Component Unit</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Statutorily required contribution	\$ 245	\$ 300	\$ 269	\$ 245	\$ 190
Contributions in relation to the statutorily required contribution	(245)	(300)	(269)	(245)	(190)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Hospital's covered employee payroll	\$ 2,744	\$ 3,359	\$ 3,012	\$ 2,744	\$ 2,197
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.93%	8.67%
<b>Component Unit</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Statutorily required contribution	\$ 186	\$ 140	\$ 123	\$ 121	\$ 99
Contributions in relation to the statutorily required contribution	(186)	(140)	(123)	(121)	(99)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Hospital's covered employee payroll	\$ 2,300	\$ 2,009	\$ 1,850	\$ 1,906	\$ 1,636
Contributions as a percentage of covered-employee payroll	8.07%	6.95%	6.65%	6.35%	6.05%

**CITY OF HAWARDEN, IOWA**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Police Retirement System (PRS)**  
**Last Four Fiscal Years as of June 30 \***

	2017	2016	2015	2014
Total pension liability				
Differences between expected & actual experience	\$ 13,474	\$ 12,949	\$ 8,430	\$ 8,382
Benefit payments, including refunds of employee contributions	(12,239)	(11,658)	(11,538)	(11,235)
Net change in total pension liability	1,235	1,291	(3,108)	(2,853)
Total pension liability – beginning	89,771	88,480	91,588	94,441
Total pension liability – ending (a)	<u>\$ 91,006</u>	<u>\$ 89,771</u>	<u>\$ 88,480</u>	<u>\$ 91,588</u>
Plan fiduciary net position				
Contributions – employer	13,030	12,205	11,768	11,783
Contributions - employee	-	-	-	-
Net investment income	-	8	9	13
Benefit payments, including refunds of employee contributions	(12,239)	(11,658)	(11,538)	(11,235)
Administrative expense	-	(600)	-	(600)
Net change in fiduciary net position	791	(45)	239	(39)
Plan fiduciary net position - beginning	3,479	3,524	3,285	3,324
Plan fiduciary net position – ending (b)	<u>\$ 4,270</u>	<u>\$ 3,479</u>	<u>\$ 3,524</u>	<u>\$ 3,285</u>
Net pension liability – ending (a) – (b)	<u>\$ 86,736</u>	<u>\$ 86,292</u>	<u>\$ 84,956</u>	<u>\$ 88,303</u>
Plan fiduciary net position as percentage of the total pension liability	4.692%	3.878%	3.98%	3.58%
Covered-employee payroll	-	-	-	-

\*GASB Statement No. 68 reports ten years of information to be presented in this schedule; however, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditors' report.

**CITY OF HAWARDEN, IOWA**  
**Required Supplementary Information**  
**Schedule of Contributions**  
**Police Retirement System (PRS)**  
**Last Ten Fiscal Years as of June 30**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Required pay-as-you-go	\$ 12,239	\$ 11,658	\$ 11,538	\$ 11,235	\$ 10,998
Actual employer contribution	(12,239)	(11,658)	(11,538)	(11,235)	(10,998)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Required pay-as-you-go	\$ 10,863	\$ 10,699	\$ 10,379	\$ 10,155	\$ 11,635
Actual employer contribution	(10,863)	(10,699)	(10,379)	(10,155)	(11,635)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -

See Notes to Required Supplementary Information – Schedules of Contributions.

**CITY OF HAWARDEN, IOWA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –  
PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2017**

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**IPERS**

**Changes of Benefit Terms:**

Legislation enacted in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

**Changes of Assumptions**

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

Police Retirement System (PRS)

Valuation date: July 1, 2017.

PRS is funded on the pay-as-you-go basis and makes the plan determined benefit payments as they are due. PRS is a closed system with one remaining beneficiary of a retired former employee.

**OTHER SUPPLEMENTARY INFORMATION**

CITY OF HAWARDEN, IOWA  
 COMBINING BALANCE SHEET  
 Governmental Nonmajor Funds  
 JUNE 30, 2017

	Special Revenue Funds				
	Road Use Tax	Employee Benefit Levy	Local	USDA	
			Option Sales Tax	Revolving Loan Fund	Revolving Loan Fund
<b>Assets</b>					
Cash and Cash Equivalents	\$ 116,765	\$ 12,864	\$ 28,336	\$ 52,971	\$ 285,572
Investments	-	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)					
Taxes	-	3,344	-	-	-
Subsequent Year Taxes	-	152,430	-	-	-
Accrued Interest	-	-	-	-	-
Special Assessments	-	-	-	-	-
Notes Receivable	-	-	-	14,691	111,907
Due from Other Governmental Agencies	32,986	-	28,336	-	-
Restricted Assets:					
Donor Restricted Investments	-	-	-	-	-
<b>Total Assets</b>	<b>149,751</b>	<b>168,638</b>	<b>56,672</b>	<b>67,662</b>	<b>397,479</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts Payable	-	-	56,672	-	-
Due to Other Funds	-	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>56,672</b>	<b>-</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenue- subsequent year taxes	-	152,430	-	-	-
Unavailable Revenue- delinquent property taxes	-	1,242	-	-	-
Unavailable Revenue- special assessments	-	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>153,672</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances (Deficits):</b>					
Nonspendable:					
Library Endowment	-	-	-	-	-
Restricted for:					
Road Surface Repairs	149,751	-	-	-	-
Employee Benefits	-	14,966	-	-	-
Revolving Loan Fund	-	-	-	67,662	397,479
Library Endowment	-	-	-	-	-
Assigned for:					
Capital Improvement	-	-	-	-	-
Mapping	-	-	-	-	-
Capital Improvement and Facilities	-	-	-	-	-
Unassigned:					
<b>Total Fund Balances</b>	<b>149,751</b>	<b>14,966</b>	<b>-</b>	<b>67,662</b>	<b>397,479</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)</b>	<b>\$ 149,751</b>	<b>\$ 168,638</b>	<b>\$ 56,672</b>	<b>\$ 67,662</b>	<b>\$ 397,479</b>

Capital Projects						Permanent Fund	Total
Walking Trail Project	Street Special Assessments	Public Works Building Replacement	Capital Facilities Fund	Mapping	Low-Mod Income Project	Marie Gregg/Vipond Trust	Governmental Nonmajor Funds
\$ 14,167	\$ 116,896	\$ 382,343	\$ 73,852	\$ 1,760	\$ -	\$ 27,156	\$ 1,112,682
-	-	-	-	-	-	72,681	72,681
-	-	-	-	-	-	-	3,344
-	-	-	-	-	-	-	152,430
-	-	-	-	-	-	409	409
-	267,692	-	-	-	-	-	267,692
-	-	-	-	-	-	-	126,598
-	-	-	-	-	-	-	61,322
-	-	-	-	-	-	134,823	134,823
14,167	384,588	382,343	73,852	1,760	-	235,069	1,931,981
-	-	-	-	-	-	-	56,672
-	-	-	-	-	701	-	701
-	-	-	-	-	701	-	57,373
-	-	-	-	-	-	-	152,430
-	-	-	-	-	-	-	1,242
-	267,692	-	-	-	-	-	267,692
-	267,692	-	-	-	-	-	421,364
-	-	-	-	-	-	134,945	134,945
-	-	-	-	-	-	-	149,751
-	-	-	-	-	-	-	14,966
-	-	-	-	-	-	-	465,141
-	-	-	-	-	-	100,124	100,124
-	116,896	-	-	-	-	-	116,896
-	-	-	-	1,760	-	-	1,760
14,167	-	382,343	73,852	-	-	-	470,362
-	-	-	-	-	(701)	-	(701)
14,167	116,896	382,343	73,852	1,760	(701)	235,069	1,453,244
\$ 14,167	\$ 384,588	\$ 382,343	\$ 73,852	\$ 1,760	\$ -	\$ 235,069	\$ 1,931,981

CITY OF HAWARDEN, IOWA  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 Governmental Nonmajor Funds  
 JUNE 30, 2017

	Special Revenue Funds				
	Road Use Tax	Employee Benefit Levy	Local Option Sales Tax	USDA Revolving Loan Fund	Revolving Loan Fund
Revenue:					
Taxes	\$ -	\$ 149,473	\$ -	\$ -	\$ -
Special Assessments	-	-	-	-	-
Intergovernmental Revenue	325,361	6,405	358,841	-	-
Contributions	-	-	-	-	-
Interest	-	-	-	858	4,372
Total Revenue	<u>325,361</u>	<u>155,878</u>	<u>358,841</u>	<u>858</u>	<u>4,372</u>
Expenditures:					
Public Safety	-	13,030	-	-	-
Public Works	32,000	-	-	-	-
Health and Social Services	-	-	358,841	-	-
Culture and Recreation	-	-	-	-	-
Capital Projects	-	-	-	-	-
Total Expenditures	<u>32,000</u>	<u>13,030</u>	<u>358,841</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>293,361</u>	<u>142,848</u>	<u>-</u>	<u>858</u>	<u>4,372</u>
Other financing sources (uses):					
Transfers In	-	-	-	-	-
Transfers Out	(273,520)	(142,615)	-	-	-
Total other financing sources (uses)	<u>(273,520)</u>	<u>(142,615)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	19,841	233	-	858	4,372
Fund balances - beginning of year	<u>129,910</u>	<u>14,733</u>	<u>-</u>	<u>66,804</u>	<u>393,107</u>
Fund balances (Deficits) - end of year	<u>\$ 149,751</u>	<u>\$ 14,966</u>	<u>\$ -</u>	<u>\$ 67,662</u>	<u>\$ 397,479</u>

Capital Projects						Permanent Fund	Total
Walking Trail Project	Street Special Assessments	Public Works Building Replacement	Capital Facilities Fund	Mapping	Low-Mod Income Project	Marie Gregg/Vipond Trust	Governmental Nonmajor Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 149,473
-	49,425	-	-	-	-	-	49,426
-	-	-	-	-	-	-	690,607
-	-	-	-	-	-	77,802	77,802
-	7,537	1,249	250	-	-	455	14,721
-	56,962	1,249	250	-	-	78,257	982,028
-	-	-	-	-	-	-	13,030
-	-	-	-	1,200	5,858	-	39,058
-	-	-	-	-	-	-	358,841
-	-	-	-	-	-	9,952	9,952
-	-	-	2,226	-	-	-	2,226
-	-	-	2,226	1,200	5,858	9,952	423,107
-	56,962	1,249	(1,976)	(1,200)	(5,858)	68,305	558,921
-	-	59,500	9,188	-	-	-	68,688
-	-	-	-	-	-	-	(416,135)
-	-	59,500	9,188	-	-	-	(347,447)
-	56,962	60,749	7,212	(1,200)	(5,858)	68,305	211,474
14,167	59,934	321,594	66,640	2,960	5,167	166,764	1,241,770
\$ 14,167	\$ 116,896	\$ 382,343	\$ 73,852	\$ 1,760	\$ (701)	\$ 235,069	\$ 1,453,244

CITY OF HAWARDEN, IOWA  
 COMBINING STATEMENT OF NET POSITION  
 Fiduciary Funds  
 JUNE 30, 2017

	Agency Funds			Total
	Payroll Clearing	Flex Spending	Community Projects	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ 8,316	\$ 8,502	\$ 16,818
<b>Total Assets</b>	-	8,316	8,502	16,818
<b>LIABILITIES</b>				
Due to Other Governments	-	8,316	8,502	16,818
<b>Total Liabilities</b>	\$ -	\$ 8,316	\$ 8,502	\$ 16,818

**CITY OF HAWARDEN, IOWA**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2017**

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
<b><u>PAYROLL CLEARING</u></b>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 86,241	\$ 998,182	\$ 1,084,423	\$ -
Total Assets	<u>86,241</u>	<u>998,182</u>	<u>1,084,423</u>	<u>-</u>
<u>Liabilities</u>				
Due to Other Governments	86,241	998,182	1,084,423	-
Total Liabilities	<u>86,241</u>	<u>998,182</u>	<u>1,084,423</u>	<u>-</u>
<b><u>FLEX SPENDING</u></b>				
<u>Assets</u>				
Cash and Cash Equivalents	7,354	24,752	23,790	8,316
Total Assets	<u>7,354</u>	<u>24,752</u>	<u>23,790</u>	<u>8,316</u>
<u>Liabilities</u>				
Due to Other Governments	7,354	24,752	23,790	8,316
Total Liabilities	<u>7,354</u>	<u>24,752</u>	<u>23,790</u>	<u>8,316</u>
<b><u>COMMUNITY PROJECTS FUND</u></b>				
<u>Assets</u>				
Cash and Cash Equivalents	10,325	132	1,955	8,502
Total Assets	<u>10,325</u>	<u>132</u>	<u>1,955</u>	<u>8,502</u>
<u>Liabilities</u>				
Due to Other Governments	10,325	132	1,955	8,502
Total Liabilities	<u>10,325</u>	<u>132</u>	<u>1,955</u>	<u>8,502</u>
<b><u>ALL AGENCY FUNDS TOTAL</u></b>				
<u>Assets</u>				
Cash and Cash Equivalents	103,920	1,023,066	1,110,168	16,818
Total Assets	<u>103,920</u>	<u>1,023,066</u>	<u>1,110,168</u>	<u>16,818</u>
<u>Liabilities</u>				
Due to Other Governments	103,920	1,023,066	1,110,168	16,818
Total Liabilities	<u>\$ 103,920</u>	<u>\$ 1,023,066</u>	<u>\$ 1,110,168</u>	<u>\$ 16,818</u>



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

To the City Council  
City of Hawarden, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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 Hawarden, Iowa, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Hawarden, Iowa's basic financial statements and have issued our report thereon dated March 26, 2018. Our report includes a reference to other auditors who audited the financial statements of Hawarden Regional Healthcare, as described in our report on the City of Hawarden's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Hawarden, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are 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 Hawarden, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Hawarden, Iowa'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 that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings, that we consider to be a material weakness, described as item 2017-001.

**Compliance and Other Matters**

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

**City of Hawarden, Iowa's Response to Findings**

The City of Hawarden, Iowa's response to the findings identified in our audit is described in the accompanying schedule of findings. The City of Hawarden, Iowa'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Williams & Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
March 26, 2018

**CITY OF HAWARDEN**  
**Schedule of Findings**  
**For the Year Ended June 30, 2017**

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**Part I: Summary of the Independent Auditors' Results**

- (a) An unmodified opinion was issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

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

**INTERNAL CONTROL MATERIAL WEAKNESS:**

**2017-001     Financial Reporting – Material Adjusting Journal Entries**

Condition and Criteria – The auditors were required to propose and have management post adjusting entries to the fund financial statements in order for the financial statements to conform with U.S. generally accepted accounting principles. Management is responsible for the preparation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP).

Effect – The financial statements provided by management are not presented entirely in accordance with U.S. generally accepted accounting principles.

Cause – With a limited number of personnel and current staff workload, the time constraints and staff expertise do not allow for all required year end U.S. GAAP adjusting journal entries to be posted.

Recommendation – We recommend that the City train additional staff on U.S. GAAP and government accounting standards to help reduce the amount of adjusting journal entries and increase their knowledge of the required reporting standards.

Views of Responsible Officials – City management feels that hiring additional personnel to implement the additional U.S. GAAP adjusting journal entries would not be cost effective. However, management has and will continue to monitor this process on a regular basis.

**CITY OF HAWARDEN**  
**Schedule of Findings**  
**For the Year Ended June 30, 2017**

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

**III-A-17 Certified Budget**

Condition and Criteria – City expenditures during the year ended June 30, 2017, exceeded amounts budgeted in the Public Safety, Public Works, Healthcare & Social Services, Culture & Recreation, Community & Economic Development, Debt Service, and Business-Type Activities functions.

Effect – The City is not in compliance with Chapter 384.18 of the Code of Iowa.

Cause – The City approved a budget amendment on May 24, 2017. With limited personnel and time constraints, the city inadvertently omitted some items from the preparation of their budget amendment. This resulted in the Public Safety, Public Works, Healthcare & Social Services, Culture & Recreation, Community & Economic Development, Debt Service, and Business-Type Activities Functions to be overspent. The City also inadvertently omitted the hospital expenses from their budget.

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.

Views of Responsible Officials – The budget will be amended in the future, if applicable.

- III-B-17 Questionable Expenses** – We noted no expenditures that we believe may constitute unlawful expenditures from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-17 Travel Expenses** – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-17 Business Transactions** – No business transactions between the City and City officials and/or employees were noted.
- III-E-17 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.
- III-F-17 Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.
- III-G-17 Revenue Bonds** – No violations of revenue bond resolutions were noted.
- III-H-17 Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- III-I-17 Telecommunication Services** – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.