BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
CITY OF HAWARDEN, IOWA
FOR THE
YEAR ENDED JUNE 30, 2013

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

CITY OF HAWARDEN
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013
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CITY OF HAWARDEN, IOWA
Directory of City Officials
June 30, 2013

Elected City Officers

Ricard Porter – Mayor (2015)

Council Members:
Patty Anderson (2013)
Monte Harvey (2013)
George Jacobs (2013)
Larry Bauer (2015)
Travis Olson (2015)

Hospital Trustees:
Matt Hummel (2015)
Kathy Jacobs (2015)
Glea Hamik (2015)
Dennis Hulshof (2013)
Stan Hoekstra (2013)

Appointed City Officers

Gary Tucker – City Administrator/City Clerk/Telecommunications Director
Sharole Rens – Director of Finance/Deputy City Clerk
Jim Pickner – City Attorney
Tom Kane – Director of Public Works
Mike DeBruin – Chief of Police
Valerie Haverhals – Librarian
Matthew Anderson, EMS Director

Appointed Boards and Commissions

Library Board of Trustees:
Mark Weyer - Chairman
Teri Kallsen - Vice Chairman
Lois Jean Dawson
Kay Scroggs
Tony Lauters

Planning and Zoning Commission
Carol Frerichs - Chairman
Mike Wiggins - Vice Chairman
Lloyd Strong, Jr.
Jerry Jensen
Lloyd Youngkin
Terry Branham

Board of Zoning Adjustment:
William Salker – Chairman
Julie Miller
Jack Andela
Arvin Kitchenmaster
John Eilts

Park Board:
Duane Schiefen
Jerrod Lynott
Elaine Kane
John Blankenship

WILLIAMS & COMPANY P.C.
Certified Public Accountants

21 1st Avenue NW
P.O. Box 1010
Le Mars, Iowa 51031
Phone (712) 546-7801
www.williamscpas.com

INDEPENDENT AUDITOR'S 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, 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, 2013, 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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Hawarden Regional Healthcare, (a discretely presented component unit), which statements reflect total assets of $6,629,258 and total program revenues of $7,531,813 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Hawarden Regional Healthcare, is based solely on the report of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

In 2013, the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information and OPEB Schedule of Funding Progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, 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's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor 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 U.S. generally accepted auditing standards. In our opinion, the combining nonmajor fund 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 January 6, 2014, 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.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
January 6, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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, 2013. 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 Hawarden Regional Healthcare, a discretely presented component unit of the City.

Financial Highlights

- The assets of the City of Hawarden exceeded liabilities and deferred inflows of resources at June 30, 2013 by $16,579,494. Of this amount, $7,208,635 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

- The City's net position increased $382,000 during the year. Of this amount, the assets of our Governmental Activities increased $173,246 and the assets of our Business-Type Activities increased $208,754.

- The City's long-term debt reflected a significant decrease of $607,308 as a result of debt repayment and no additional debt obligations in 2013. Outstanding General Obligation debt totals $1,382,696. Outstanding Revenue Bond Debt totals $3,706,519.

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.

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 and liabilities. All of the current year's revenue and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by the private-sector companies. These two statements report the City's financial health, or financial position. Over time, increases or decreases in the City's net position is 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 net 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 net 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, 2013, net position changed as follows:

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	$ 4,377,634	$4,050,961	$5,681,657	$6,992,883	$10,059,291	$11,043,844
Capital Assets	8,290,019	8,582,395	4,986,549	3,874,153	13,276,568	12,456,548
Total Assets	12,667,653	12,633,356	10,668,206	10,867,036	23,335,859	23,500,392
Long-term Liabilities	1,422,086	1,611,151	3,741,891	4,157,360	5,163,977	5,768,511
Other Liabilities	168,825	1,160,063	382,209	374,324	551,034	1,534,387
Total Liabilities	1,590,911	2,771,214	4,124,100	4,531,684	5,715,011	7,302,898
Deferred Inflows of Resources	1,041,354	-	-	-	1,041,354	-
Total Deferred Inflows of Resources	1,041,354	-	-	-	1,041,354	-
Net Position:						
Net Investment in Capital Assets	6,907,323	7,010,169	1,280,030	1,845,312	8,187,353	8,855,481
Restricted	665,430	727,287	518,076	517,660	1,183,506	1,244,947
Unrestricted	2,462,635	2,124,686	4,746,000	3,972,380	7,208,635	6,097,066
Total Net Position	$10,035,388	$9,862,142	$6,544,106	$6,335,352	$16,579,494	$16,197,494

The government's net position increased by $382,000 during the current fiscal year. Reasons for the increase of the government's net position are improved operational efficiencies with decreases in payroll and operating expenses. This summary reflects an increase of total net position by 1.8% for the Governmental Activities and an increase of 3.3% in the Business-Type Activities.

Total Revenue and Expenses and changes in Net Position reported in FY2013 as compared to FY 2012 are shown in the chart below.

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for Services	$ 386,833	$ 300,299	$ 5,185,928	$ 5,044,465	$ 5,572,761	$ 5,344,764
Operating Grants & Contributions	287,348	279,987	-	-	287,348	279,987
Capital Grants & Contributions	223,635	100,987	7,908	-	231,543	100,987
General Revenues:						
Property Taxes	1,043,028	1,044,597	-	-	1,043,028	1,044,597
Other Taxes	306,189	279,819	-	-	306,189	279,819
Other	27,493	215,010	68,241	87,585	95,734	302,595
Total Revenues	$ 2,274,526	$ 2,220,699	$ 5,262,077	$ 5,132,050	$ 7,536,603	$ 7,352,749

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Expenses:						
General Government	$ 122,747	$ 126,715	$ -	$ -	$ 122,747	$ 126,715
Public Safety	654,016	625,904	-	-	654,016	625,904
Public Works	626,806	526,292	-	-	626,806	526,292
Health & Welfare	307,484	281,114	-	-	307,484	281,114
Culture & Recreation	464,160	444,120	-	-	464,160	444,120
Community and Economic Development	272,956	214,944	-	-	272,956	214,944
Capital Projects	-	2,435	-	-	-	2,435
Debt Service	64,111	62,418	-	-	64,111	62,418
Water Utility	-	-	344,851	375,178	344,851	375,178
Waste Water Utility	-	-	308,609	341,240	308,609	341,240
Electric Utility	-	-	1,937,007	1,855,330	1,937,007	1,855,330
Gas Utility	-	-	792,183	803,534	792,183	803,534
Solid Waste Utility	-	-	152,096	136,351	152,096	136,351
Telephone Utility	-	-	622,757	624,289	622,757	624,289
Cable/Internet Utility	-	-	484,820	455,361	484,820	455,361
Total Expenses	2,512,280	2,283,942	4,642,323	4,591,283	7,154,603	6,875,225
Increase (Decrease) in Net Position Before Transfers	(237,754)	(63,243)	619,754	540,767	382,000	477,524
Transfers	411,000	459,000	(411,000)	(459,000)	-	-
Increase in Net Position	173,246	395,757	208,754	81,767	382,000	477,524
Net Position July 1	9,862,142	9,466,385	6,335,352	6,253,585	16,197,494	15,719,970
Net Position June 30	$10,035,388	$9,862,142	$6,544,106	$6,335,352	$16,579,494	$16,197,494

Program revenues totaled $6,091,652 for fiscal year 2013 compared to $5,725,738 for fiscal year 2012. Governmental Activities provided $897,816 and Business-Type Activities provided $5,193,836. Revenue collected for Charges for Services during fiscal year 2013 was $5,572,761 accounting for 91.6% of the total program revenues.

General Revenues for fiscal year 2013 totaled $1,444,951. Governmental Activities provided $1,376,710 and Business-Type Activities provided $68,241. Property Tax Revenues for fiscal year 2013 totaled $1,043,028 accounting for 72.2% of General Revenues.

Expenses for fiscal year 2013 totaled $7,154,603. Expenses for General Governmental Activities totaled $2,512,280, accounting for 35.1% of total expenses. Business-Type Activity expenses totaled $4,642,323, for 64.9% of the total.

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

Program Level	**Activity**
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

Program Level	Activity
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 $654,016 and received $268,074 in revenue, thus leaving a cost to the taxpayer of $385,942 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 $2,512,880. Of these costs, $386,833 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 $510,983, leaving a Net Expense of $1,614,464 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 $12,547,668, consisting of Net Position at July 1, 2012 of $9,862,142, Program Revenues of $897,816 and General Revenues and transfers of $1,787,710. Total Governmental Activities during the year expended $2,512,280; thus, Net Position was increased by $173,246 to $10,035,388.

Business-Type Activities

Business-Type Activities increased the City's net position by $208,754.

The cost of all Proprietary Activities this year was $4,642,323. As shown in the Statement of Activities, the amount paid by users of the systems was $5,185,928. Capital grants and contributions were $7,908 in the water utility resulting in total Net Revenue for Business-Type Activities of $551,513.

Total resources available during the year to finance Proprietary Fund activities were $11,186,429, consisting of Net Position at July 1, 2012 of $6,335,352, Program Revenues of $5,185,928, capital grants and contributions of $7,908 and General Revenues and transfers of ($342,759). Total Proprietary Fund Activities during the year expended $4,642,323; thus Net Position was increased by $208,754 to $6,544,106.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of the government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of $2,067,999. The combined Governmental Funds balance increased $153,214 from the prior year.

The General Fund is the primary operating fund of the City. During the year, revenues were less than expenditures in the General fund by ($171,233). This is a decline from FY2012 when the General fund increased by $243,597. The TIF Fund saw a $270,556 increase in its fund balance, due mainly to decreases in project debt. The Capital Projects Fund also reflected an increased fund balance of $134,455.

Budgetary Highlights

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

	Amended Budget	Actual Expenditures	Variance
Public Safety	$ 643,355	$ 627,456	$ 15,899
Public Works	478,569	419,268	59,301
Culture and Recreation	397,161	388,367	8,794
Community and Economic Development	120,741	99,587	21,154
General Government	101,187	86,739	14,448
Health and Social Services	305,000	306,189	(1,189)
Debt Service	242,119	255,275	(13,156)
Capital Projects	827,500	261,945	565,555
Business Type Activities	14,693,883	11,742,547	2,951,336
Total Expenditures	$17,809,515	$14,187,373	$3,622,142

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

- The total original revenue budget of $15,193,978 was increased to $15,321,028 (an increase of $127,050). A substantial portion of this increase can be attributed to intergovernmental (hospital) increases.
- Property Tax budgeted revenues exceeded actual revenues by $346,624 due primarily to changes in assessed valuations.
- Intergovernmental revenue exceeded budget figures by $493,908 which is primarily attributed to the substantial revenue increases in the hospital operation.
- Charges totaled $12,840,314 which was $465,116 less than the budgeted amount due to lower utility revenues, utility administration charges and hospital Medicare reimbursement variables.
- Contribution revenue exceeded budget figures by $56,350.
- The total original expenditure budget of $16,806,499 was increased to $17,809,515 (an increase of $1,003,016).
- The above amendments to budgets were related to appropriations for capital improvements and capital outlay. Capital project expenditures included the electric underground project and Central Avenue paving project as well as other small projects. Expenditures fell below the revised budget projections by $3,622,142. This is primarily due to careful attention to expenditures.

Capital Assets

The City's net 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 net investment in capital assets as of June 30, 2013, was $8,187,353 (net of accumulated depreciation and outstanding financings) compared to $8,855,481 as of June 30, 2012. The decrease can be accounted for by several large infrastructure expenditures and debt increases that will be funded with profits from our utilities. See Note 4 to the financial statements for more information on the City's capital assets.

DEBT ADMINISTRATION

At year-end, the City had $5,089,215 of debt outstanding which is a $607,308 decrease from last year. This decrease is a result of scheduled debt repayments with no additional new debt added in 2013. 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 $2,578,619. With outstanding General Obligation Debt applicable to this limit of $1,382,696, we are utilizing 53.6% 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 FY2013 work proceeded on utility infrastructure and capital projects continued as scheduled.

Economically, the City works hard to attract new businesses and industry, while maintaining the quality of life residents have come to expect and enjoy. The following are a few examples of these efforts: Fiesta Foods was purchased and after undergoing an extensive remodeling is now operating as Sunshine Foods. The Spec Building continues to be marketed with a professional R/E agency. There have been several new retail businesses open in FY2013. The City completed a resurfacing project on Central Avenue from 10th to 16th in FY 2013 and is planning to resurface 16th Street in FY2014-15.

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 with a new website and logo which promotes 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 Hawarden Regional Healthcare. The Hospital is planning a major expansion/renovation project within the next 12-18 months 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. Work on the walking trail will continue in Fiscal Year 2014 with completion of a section near the high school and also along 16th Street. 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. A new digital sign has been constructed at the corner of 10th and Central Avenue as another form of marketing events in our community. The City of Hawarden continues their beautification efforts through enforcement of its Property Maintenance Code.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF HAWARDEN, IOWA
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Hawarden Regional Healthcare
ASSETS				
Cash and Cash Equivalents	$ 2,620,722	$ 3,142,238	$ 5,762,960	$ 1,473,091
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	42,252	166,190	208,442	1,736,064
Taxes	25,287	-	25,287	-
Subsequent Year Taxes	1,041,354	-	1,041,354	-
Accrued Interest	32	5,497	5,529	-
Other	-	-	-	91,067
Estimated Unbilled Usage	-	213,510	213,510	-
Special Assessments	64,659	11,064	75,723	-
Notes Receivable	472,971	-	472,971	-
Internal Balances	(213,223)	213,223	-	-
Due From Related Party	-	-	-	396,470
Due from Other Governmental Agencies	135,499	-	135,499	-
Inventories	-	496,712	496,712	102,244
Prepaid Assets	53,220	55,105	108,325	95,170
Investment in Joint Venture	-	791,789	791,789	-
Restricted Assets:				
Cash and Cash Equivalents - Board Restricted	-	-	-	526,497
Cash and Cash Equivalents - Donor Restricted	134,861	-	134,861	101,026
Cash and Cash Equivalents - Bond Reserve	-	526,837	526,837	-
Customer Deposits	-	59,492	59,492	-
Land	363,031	56,094	419,125	172,313
Construction in Progress	28,836	2,270,231	2,299,067	258,009
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 4)	7,898,152	2,660,224	10,558,376	837,002
Intangible and other assets	-	-	-	840,305
Total Assets	12,667,653	10,668,206	23,335,859	6,629,258
LIABILITIES				
Accounts Payable	122,371	239,197	361,568	134,082
Accrued Wages	36,865	22,431	59,296	201,778
Accrued Expenses	125	34,346	34,471	102,892
Due to Other Governments	-	16,622	16,622	-
Accrued Postclosure Costs	-	1,360	1,360	-
Accrued Interest Payable	9,464	-	9,464	-
Payables from Restricted Assets:				
Customer Deposits	-	59,492	59,492	-
Accrued Revenue Bond Interest	-	8,761	8,761	-
Long-Term Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	430,000	430,000	-
General Obligation Bonds	194,069	-	194,069	-
Notes Payable	-	-	-	75,000
Compensated Absences	6,174	6,776	12,950	-
Due in more than one year:				
Revenue Bonds Payable	-	3,276,519	3,276,519	-
General Obligation Bonds	1,188,627	-	1,188,627	-
Notes Payable	-	-	-	700,000
Compensated Absences	24,690	28,596	53,286	-
Estimated Other Post Employement Benefit Obligations	8,526	-	8,526	-
Total Liabilities	1,590,911	4,124,100	5,715,011	1,213,752
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue- subsequent year taxes	1,041,354	-	1,041,354	-
Total Deferred Inflows of Resources	1,041,354	-	1,041,354	-
NET POSITION				
Net Investment in Capital Assets	6,907,323	1,280,030	8,187,353	492,324
Restricted for:				
Specific Revenues	490,102	-	490,102	-
Revenue Bonds	-	518,076	518,076	-
Endowments:				
Expendable	40,383	-	40,383	89,680
Nonexpendable	134,945	-	134,945	96,123
Unrestricted	2,462,635	4,746,000	7,208,635	4,737,379
Total Net Position	$ 10,035,388	$ 6,544,106	$ 16,579,494	$ 5,415,506

CITY OF HAWARDEN, IOWA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	$ 654,016	$ 267,159	$ 915	$ -
Public Works	626,806	35,187	246,858	109,063
Health and Social Services	307,484	-	-	-
Culture and Recreation	464,160	58,574	39,575	10,996
Community and Economic Development	272,956	-	-	103,576
General Government	122,747	25,913	-	-
Interest Expense	64,111	-	-	-
Total governmental activities	2,512,280	386,833	287,348	223,635
Business-Type Activities:				
Water Utility	344,851	266,116	-	7,908
WasteWater Treatment Utility	308,609	247,388	-	-
Electric Utility	1,937,007	2,385,703	-	-
Gas Utility	792,183	956,190	-	-
Solid Waste Utility	152,096	156,439	-	-
Telephone Utility	622,757	627,066	-	-
Cable/Internet Utility	484,820	547,026	-	-
Total Business-Type Activities:	4,642,323	5,185,928	-	7,908
Total Primary Government	$ 7,154,603	$ 5,572,761	$ 287,348	$ 231,543
Component Unit:				
Hawarden Regional Healthcare	$ 6,942,370	$ 7,199,370	$ 309,689	$ 22,754

General Revenues:
- Property taxes
- Local Option Sales Tax
- Interest
- Gain on Sales of 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			
Governmental Activities	Business-Type Activities	Total	Component Unit Hawarden Comm. Hospital
$ (385,942)		$ (385,942)	
(235,698)		(235,698)	
(307,484)		(307,484)	
(355,015)		(355,015)	
(169,380)		(169,380)	
(96,834)		(96,834)	
(64,111)		(64,111)	
(1,614,464)		(1,614,464)	
-	$ (70,827)	(70,827)	
-	(61,221)	(61,221)	
-	448,696	448,696	
-	164,007	164,007	
-	4,343	4,343	
-	4,309	4,309	
-	62,206	62,206	
-	551,513	551,513	
(1,614,464)	551,513	(1,062,951)	
			$ 589,443
1,043,028	-	1,043,028	-
306,189	-	306,189	-
9,475	33,626	43,101	12,690
8,400	-	8,400	-
9,618	34,615	44,233	-
411,000	(411,000)	-	-
1,787,710	(342,759)	1,444,951	12,690
173,246	208,754	382,000	602,133
9,862,142	6,335,352	16,197,494	4,813,373
$ 10,035,388	$ 6,544,106	$ 16,579,494	$ 5,415,506

CITY OF HAWARDEN, IOWA
BALANCE SHEET
Governmental Funds
JUNE 30, 2013

	General	TIF
Assets		
Cash and Cash Equivalents	$ 428,968	$ 539,184
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	42,252	-
Taxes	9,185	11,217
Subsequent Year Taxes	353,325	463,957
Accrued Interest	-	32
Special Assessments	-	-
Notes Receivable	-	3,500
Due from Other Funds	20,484	-
Due from Other Governmental Agencies	9,305	-
Prepaid Assets	53,220	-
Restricted Assets:		
Donor Restricted Investments	-	-
Total Assets	916,739	1,017,890
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities:		
Accounts Payable	29,256	60
Accrued Wages and Compensated Absences	36,865	-
Accrued Expenses	125	-
Due to Other Funds	-	-
Advance from Other Funds	-	249,872
Total Liabilities	66,246	249,932
Deferred Inflows of Resources		
Unavailable Revenue- subsequent year taxes	353,325	463,957
Unavailable Revenue- delinquent property taxes	2,510	6,828
Unavailable Revenue- special assessments	-	-
Total Deferred Inflows of Resources	355,835	470,785
Fund Balances (Deficits):		
Nonspendable:		
Prepaid expenditures	53,220	-
Library Endowment	-	-
Restricted for:		
Debt Service	-	-
Road Surface Repairs	-	-
Employee Benefits	-	-
Revolving Loan Fund	-	-
Library Endowment	-	-
Tax Increment Financing	-	297,173
Assigned for:		
Capital Improvement	-	-
Mapping	-	-
Capital Improvement and Facilities	-	-
Unassigned:	441,438	-
Total Fund Balances	494,658	297,173
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 916,739	$ 1,017,890

Capital Project Street Project	Non-major Governmental Funds	Total Governmental Funds
$ 149,128	$ 615,305	$ 1,732,585
-	-	42,252
-	4,885	25,287
-	224,072	1,041,354
-	-	32
-	64,659	64,659
-	360,284	363,784
-	-	20,484
-	126,194	135,499
-	-	53,220
-	134,861	134,861
149,128	1,530,260	3,614,017
-	93,055	122,371
-	-	36,865
-	-	125
-	20,484	20,484
-	-	249,872
-	113,539	429,717
-	224,072	1,041,354
-	950	10,288
-	64,659	64,659
-	289,681	1,116,301
-	-	53,220
-	134,945	134,945
-	7,357	7,357
-	29,382	29,382
-	7,959	7,959
-	452,761	452,761
-	40,383	40,383
-	-	297,173
-	60,187	60,187
-	13,423	13,423
149,128	388,663	537,791
-	(8,020)	433,418
149,128	1,127,040	2,067,999
$ 149,128	$ 1,530,260	$ 3,614,017

CITY OF HAWARDEN, IOWA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2013

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

Total Fund Balance - Governmental Funds (page 18)	$ 2,067,999
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,597,459
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.	1,726,533
Deferred property tax revenues that provide current financial resources for governmental activities.	74,947
Accrued expenses from the balance sheet that require current financial resources for governmental activities.	(9,464)
Accrued compensated absences not reported on the modified accrual basis.	(30,864)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(1,382,696)
Other Post Employment Benefit Liabilities are not due and payable in the current period and therefore are not reported in the funds.	(8,526)
Total Net Position - Governmental Activities (page 14)	$10,035,388

CITY OF HAWARDEN, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2013

	General	TIF
Revenue:		
Taxes	$ 357,163	$ 460,423
Special Assessments	-	-
Licenses and Permits	25,913	-
Intergovernmental Revenue	46,076	-
Charges for Services	284,039	-
Fines and Forfeits	10,932	-
Contributions	17,009	-
Refunds/Reimbursements	9,308	-
Rental Income	14,376	-
Interest	2,346	1,939
Miscellaneous	6,436	-
Total Revenue	773,598	462,362
Expenditures:		
Public Safety	615,866	-
Public Works	347,268	-
Health and Social Services	-	-
Culture and Recreation	377,748	-
Community and Economic Development	41,120	58,467
General Government	86,739	-
Capital Projects	-	907
Debt Service	-	13,156
Total Expenditures	1,468,741	72,530
Excess (deficiency) of revenues over expenditures	(695,143)	389,832
Other financing sources (uses):		
Proceeds from Sale of Assets	9,400	-
Miscellaneous Expense	-	(96)
Transfers In	712,760	-
Transfers Out	(198,250)	(119,180)
Total other financing sources (uses)	523,910	(119,276)
Net Change in Fund Balance	(171,233)	270,556
Fund balances - beginning of year	665,891	26,617
Fund balances - end of year	$ 494,658	$ 297,173

Capital Projects Street Projects	Non-major Governmental Funds	Total Governmental Funds
$ -	$ 225,442	$ 1,043,028
-	42,132	42,132
-	-	25,913
-	652,018	698,094
-	-	284,039
-	-	10,932
-	16,587	33,596
-	-	9,308
-	-	14,376
81	5,108	9,474
-	408	6,844
81	941,695	2,177,736
-	11,590	627,456
-	72,000	419,268
-	306,189	306,189
-	10,619	388,367
-	-	99,587
-	-	86,739
58,626	202,412	261,945
-	242,119	255,275
58,626	844,929	2,444,826
(58,545)	96,766	(267,090)
-	-	9,400
-	-	(96)
193,000	145,930	1,051,690
-	(323,260)	(640,690)
193,000	(177,330)	420,304
134,455	(80,564)	153,214
14,673	1,207,604	1,914,785
$ 149,128	$ 1,127,040	$ 2,067,999

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, 2013

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

Net change in fund balances - total governmental funds (page 21)		$ 153,214
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	$ 27,271	
Depreciation expense	(275,891)	(248,620)
Governmental funds report the proceeds from the sale of fixed assets as revenue whereas the statement of activities reports the gain or (loss) on the sale of fixed assets. This is the effect on the change in net position on the statement of activities.		(10,533)
Revenues reported in the funds that are not available to provide current financial resources		66,931
Accrued interest expense that does not require current financial resources		1,634
Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in the long-term compensated absences for the year was:		1,137
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.		21,555
Other Post Employment Benefits that do not require current financial resources.		(1,602)
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:		189,530
Change in net position of governmental activities (page 16)		$ 173,246

CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF NET POSITION
Proprietary Funds
June 30, 2013

	Business Type Activities			
	Water Utility	Waste Water Treatment Utility	Electric Utility	Gas Utility
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 51,500	$ 94,734	$ 1,725,735	$ 283,702
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	19,735	19,159	42,105	41,032
Accrued Interest	-	2,975	2,522	-
Estimated Unbilled Usage	19,903	16,860	147,976	18,929
Special Assessments	11,064	-	-	-
Notes Receivable	-	-	-	-
Due from Other Funds	-	-	7,324	133,250
Investment in Joint Venture	-	-	758,013	-
Advances to Other Funds	-	124,929	99,943	-
Inventories	25,040	-	246,322	63,575
Prepaid Assets	6,838	5,681	23,080	6,681
Non-Current Assets:				
Restricted Assets:				
Cash and Cash Equivalents - Bond Reserve	-	-	526,837	-
Customer Deposits	-	-	-	54,802
Land	33,873	130	-	6
Construction in Progress	31,706	-	2,238,525	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	558,795	529,400	1,089,576	118,961
Total Assets	758,454	793,868	6,907,958	720,938
LIABILITIES				
Current Liabilities:				
Accounts Payable	1,438	3,675	152,036	19,258
Accrued Wages	2,240	1,472	11,267	1,764
Accrued Expenses	685	25	30,086	518
Due to Other Funds	7,324	-	144,899	-
Due to Other Governments	-	-	-	-
Accrued Postclosure Costs	-	-	-	-
Payables from Restricted Assets:				
Customer Deposits	-	-	-	54,802
Accrued Revenue Bond Interest	-	-	8,761	-
Noncurrent Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	-	430,000	-
Compensated Absences	762	218	3,093	975
Due in more than one year:				
Revenue Bonds Payable	-	-	3,276,519	-
Compensated Absences	3,314	1,581	12,818	1,798
Total Liabilities	15,763	6,971	4,069,479	79,115
NET POSITION				
Net Investment in Capital Assets	624,374	529,530	(378,418)	118,967
Restricted for:				
Revenue Bonds	-	-	518,076	-
Unrestricted	118,317	257,367	2,698,821	522,856
Total Net Position	$ 742,691	$ 786,897	$ 2,838,479	$ 641,823

See Accompanying Notes to Financial Statements

Business Type Activities				Governmental Activities
Telephone Utility	Cable/Internet Utility	Nonmajor Solid Waste Utility	Total	Internal Service
$ 440,523	$ 316,302	$ 229,742	$ 3,142,238	$ 888,137
28,452	3,299	12,408	166,190	-
-	-	-	5,497	-
-	-	9,842	213,510	-
-	-	-	11,064	-
-	-	-	-	109,187
-	-	-	140,574	11,649
-	-	33,776	791,789	-
-	-	-	224,872	25,000
104,773	57,002	-	496,712	-
7,155	4,891	779	55,105	-
-	-	-	526,837	-
4,690	-	-	59,492	-
-	-	22,085	56,094	-
-	-	-	2,270,231	-
156,919	206,573	-	2,660,224	692,560
742,512	588,067	308,632	10,820,429	1,726,533
25,737	27,566	9,487	239,197	-
3,985	1,703	-	22,431	-
328	2,700	4	34,346	-
-	-	-	152,223	-
16,622	-	-	16,622	-
-	-	1,360	1,360	-
4,690	-	-	59,492	-
-	-	-	8,761	-
-	-	-	430,000	-
1,213	515	-	6,776	-
-	-	-	3,276,519	-
6,830	2,255	-	28,596	-
59,405	34,739	10,851	4,276,323	-
156,919	206,573	22,085	1,280,030	692,560
-	-	-	518,076	-
526,188	346,755	275,696	4,746,000	1,033,973
$ 683,107	$ 553,328	$ 297,781	$ 6,544,106	$ 1,726,533

CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Proprietary Funds
For the Year Ended June 30, 2013

	Business Type Activities			
	Water Utility	Waste Water Treatment Utility	Electric Utility	Gas Utility
Operating Revenues:				
Charges for Services	$ 266,116	$ 247,388	$ 2,385,703	$ 956,190
Total Operating Revenue	266,116	247,388	2,385,703	956,190
Operating Expenses:				
Resale Purchases	-	-	1,215,424	495,377
Employee Services	82,800	62,378	196,793	60,851
Contract Services	93,656	111,844	167,714	157,815
Supplies	55,099	20,664	18,659	17,488
Repairs and Improvements	43,626	27,288	30,767	29,915
Utilities	14,636	38,108	-	-
Miscellaneous	886	117	35,613	8,104
Depreciation	54,148	48,210	135,445	22,633
Total Operating Expenses	344,851	308,609	1,800,415	792,183
Operating Income (Loss)	(78,735)	(61,221)	585,288	164,007
Non-Operating Income (Expense):				
Interest Income	732	7,767	19,747	657
(Loss) on Sale of Fixed Assets	(7,695)	-	-	-
Other Non-operating Revenues (Expenses)	8,246	954	28,821	3,256
Interest Expense	-	-	(136,592)	-
Special Assessment Revenue	7,908	-	-	-
Total Non-Operating Income (Expenses)	9,191	8,721	(88,024)	3,913
Income (Loss) Before Transfers	(69,544)	(52,500)	497,264	167,920
Transfers Out	(7,000)	(7,000)	(200,000)	(70,000)
Change in Net Position	(76,544)	(59,500)	297,264	97,920
Net Position - Beginning	819,235	846,397	2,541,215	543,903
Net Position - Ending	$ 742,691	$ 786,897	$ 2,838,479	$ 641,823

Business Type Activities				Governmental Activities
Telephone Utility	Cable/Internet Utility	Nonmajor Solid Waste Utility	Total	Internal Service
$ 627,066	$ 547,026	$ 156,439	$ 5,185,928	$ 170,977
627,066	547,026	156,439	5,185,928	170,977
224,586	282,821	135,743	2,353,951	-
73,707	57,931	-	534,460	-
242,158	91,723	16,353	881,263	-
32,479	23,816	-	168,205	-
9,912	10,734	-	152,242	15,126
15,106	-	-	67,850	-
15,963	3,852	-	64,535	-
8,846	13,943	-	283,225	142,728
622,757	484,820	152,096	4,505,731	157,854
4,309	62,206	4,343	680,197	13,123
2,147	1,377	1,199	33,626	7,432
-	-	-	(7,695)	-
2,006	(2,071)	1,098	42,310	1,000
-	-	-	(136,592)	-
-		-	7,908	-
4,153	(694)	2,297	(60,443)	8,432
8,462	61,512	6,640	619,754	21,555
(50,000)	(50,000)	(27,000)	(411,000)	-
(41,538)	11,512	(20,360)	208,754	21,555
724,645	541,816	318,141	6,335,352	1,704,978
$ 683,107	$ 553,328	$ 297,781	$ 6,544,106	$ 1,726,533

CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended June 30, 2013

	Business Type Activities			
	Water Utility	Waste Water Treatment Utility	Electric Utility	Gas Utility
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	$ 270,249	$ 246,988	$ 2,354,419	$ 928,310
Cash Received from Interfund Services Provided	-	-	-	-
Cash Paid to Suppliers for Goods and Services	(209,894)	(203,753)	(1,480,489)	(718,124)
Cash Paid to Employees for Services	(82,599)	(62,441)	(194,008)	(60,715)
Other Nonoperating Income	8,246	954	43,872	3,256
Net Cash Provided (Used) by Operating Activities	(13,998)	(18,252)	723,794	152,727
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and Construction of Capital Assets	(26,430)	(102,142)	(1,190,083)	-
Special Assessment Receipts	1,482	-	-	-
Principal Paid on Notes and Bonds	-	-	(425,000)	-
Bond Issue Costs	-	-	24,937	-
Interest Paid on Notes and Bonds	-	-	(136,893)	-
Net Cash (Used) by Capital and Related Financing Activities	(24,948)	(102,142)	(1,727,039)	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Operating Transfers to Other Funds	(7,000)	(7,000)	(200,000)	(70,000)
Advances to Other Funds	-	12,394	26,694	-
Due From (To) Other Funds	-	-	-	-
Net Cash Provided (Used) for Non-Capital Financing Activities	(7,000)	5,394	(173,306)	(70,000)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and Dividends on Investments	732	8,085	20,511	657
Net Cash Provided for Investing Activities	732	8,085	20,511	657
Net Increase (Decrease) in Cash and Cash Equivalents	(45,214)	(106,915)	(1,156,040)	83,384
Cash and Cash Equivalents at Beginning of Year	96,714	201,649	3,408,612	255,120
Cash and Cash Equivalents at End of Year	$ 51,500	$ 94,734	$ 2,252,572	$ 338,504

See Accompanying Notes to Financial Statements

Business Type Activities				Governmental Activities
Telephone Utility	Cable/Internet Utility	Nonmajor Solid Waste Utility	Total	Internal Service
$ 629,187	$ 547,062	$ 154,925	$ 5,131,140	$ -
-	-	-	-	170,977
(529,206)	(415,650)	(152,817)	(3,709,933)	(15,126)
(72,781)	(58,230)	-	(530,774)	-
2,006	(2,071)	1,098	57,361	1,000
29,206	71,111	3,206	947,794	156,851
-	(28,567)	-	(1,347,222)	(109,505)
-	-	-	1,482	-
-	-	-	(425,000)	-
-	-	-	24,937	-
-	-	-	(136,893)	-
-	(28,567)	-	(1,882,696)	(109,505)
(50,000)	(50,000)	(27,000)	(411,000)	-
-	-	-	39,088	-
-	-	-	-	10,460
(50,000)	(50,000)	(27,000)	(371,912)	10,460
2,147	1,377	1,199	34,708	7,432
2,147	1,377	1,199	34,708	7,432
(18,647)	(6,079)	(22,595)	(1,272,106)	65,238
463,860	322,381	252,337	5,000,673	822,899
$ 445,213	$ 316,302	$ 229,742	$ 3,728,567	$ 888,137

(Continued)

CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF CASH FLOWS (Continued)
Proprietary Funds
For the Year Ended June 30, 2013

	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)	$ (78,735)	$ (61,221)	$ 585,288	$ 164,007
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	54,148	48,210	135,445	22,633
Amortization	-	-	7,222	-
Miscellaneous Non-Operating Income	8,246	954	43,872	3,256
(Increase) Decrease in Assets:				
Accounts Receivable	4,610	1,376	(28,937)	(22,617)
Estimated Unbilled Usage	(477)	(1,776)	(2,347)	(6,309)
Inventories	2,599	-	(11,627)	(18,933)
Prepaid Expenses	421	(939)	(3,895)	(1,078)
Increase (Decrease) in Liabilities				
Accounts Payable	(4,554)	(4,753)	(29,268)	10,940
Accrued Wages	110	(172)	1,202	68
Accrued Compensated Absences	91	109	1,583	68
Due To Other Governments	-	-	-	-
Accrued Expenses	(457)	(40)	25,256	(354)
Customer Deposits	-	-	-	1,046
Total Adjustments	64,737	42,969	138,506	(11,280)
Net Cash Provided (Used) by Operating Activities	$ (13,998)	$ (18,252)	$ 723,794	$ 152,727

Reconciliation of Cash and Cash Equivalents to the Balance Sheet:

Cash and Cash Equivalents	$ 51,500	$ 94,734	$ 1,725,735	$ 283,702
Customer Deposits	-	-	-	54,802
Restricted Cash and Cash Equivalents	-	-	526,837	-
	$ 51,500	$ 94,734	$ 2,252,572	$ 338,504

Business Type Activities				Governmental Activities
Telephone Utility	Cable/Internet Utility	Nonmajor Solid Waste Utility	Total	Internal Service
$ 4,309	$ 62,206	$ 4,343	$ 680,197	$ 13,123
8,846	13,943	-	283,225	142,728
-	-	-	7,222	-
2,006	(2,071)	1,098	57,361	1,000
1,978	36	121	(43,433)	-
-	-	(1,635)	(12,544)	-
6,090	(5,820)	-	(27,691)	-
(939)	(486)	(122)	(7,038)	-
10,298	1,151	89	(16,097)	-
536	(367)	-	1,377	-
390	68	-	2,309	-
(4,462)	-	-	(4,462)	-
11	2,451	(688)	26,179	-
143	-	-	1,189	-
24,897	8,905	(1,137)	267,597	143,728
$ 29,206	$ 71,111	$ 3,206	$ 947,794	$ 156,851
$ 440,523	$ 316,302	$ 229,742	$ 3,142,238	$ 888,137
4,690	-	-	59,492	-
-	-	-	526,837	-
$ 445,213	$ 316,302	$ 229,742	$ 3,728,567	$ 888,137

CITY OF HAWARDEN, IOWA
STATEMENT OF FIDUCIARY NET POSITION
Fiduciary Funds
June 30, 2013

	Pension Trust Fund		
	Police Retirement Fund	Agency Funds	Total
ASSETS			
Cash and Pooled Investments	$ 3,754	$ 20,970	$ 24,724
Total Assets	3,754	20,970	24,724
LIABILITIES			
Accounts Payable	430	-	430
Due to Other Governments	-	20,970	20,970
Total Liabilities	430	20,970	21,400
NET POSITION			
Held in Trust for Pension Benefits	3,324	-	3,324
Total Net Position	$ 3,324	$ -	$ 3,324

See Accompanying Notes to Financial Statements

CITY OF HAWARDEN, IOWA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Fiduciary Funds
For the Year Ended June 30, 2013

	Pension Trust Fund Police Retirement Fund
ADDITIONS	
Contributions:	
Employer	$ 11,590
Total Contributions	11,590
Investment Income:	
Interest, Dividends and Market Gain	12
Net Investment Income	12
Total Additions	11,602
DEDUCTIONS	
Pension Benefits	10,998
Miscellaneous Expenses	600
Total Deductions	11,598
Net Increase	4
Net Position-- Beginning of Period	3,320
Net Position -- End of Period	$ 3,324

See Accompanying Notes to Financial Statements

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.

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

B. Basis of Presentation

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

The Statement of Net Position presents the City's nonfiduciary assets and liabilities, 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.

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

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

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

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.

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.

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, Liabilities and Fund Equity

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

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

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

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, 2013 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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects tax asking contained in the budget certified to the County Board of Supervisors March, 2012.

Customer Accounts and Unbilled Usage – Accounts receivable are recorded at the time the service is billed, net of an allowance for doubtful accounts of $26,702 at June 30, 2013. 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 $684,393 at June 30, 2013.

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, 2013, the balance of interfund amounts payable or receivable have been recorded in the fund financial statements.

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 estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Roads have been capitalized using estimated historical cost beginning in 1980 as required by GASB 34. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds.

Asset Class	Amount
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:

Asset Class	Estimated Useful Lives (In Years)
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 2013 were $140,601 of which $4,009 was capitalized.

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

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. The City has no items that qualify for reporting in this category.

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. The government has only one type of item that qualifies for reporting in this category which is unavailable revenue. The governmental activities in the government-wide statements and the governmental funds report unavailable revenues from subsequent year property taxes. 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, 2013. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

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

> 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.

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

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, 2013 exceeded amounts budgeted in health and social services and debt service functions.

Note 2 - POOLED CASH, INVESTMENTS AND CASH EQUIVALENTS

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

Note 3 - JOINT VENTURES

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

Note 3 - JOINT VENTURES

Summary financial information of the joint venture for the year ended December 31, 2012 follows:

	Total	City Share
Assets	$ 8,435,383	$991,158
Liabilities	471,732	53,079
Equity	7,983,651	938,079
	8,435,383	991,158
Revenues	1,456,193	171,103
Expenses	1,333,583	156,696
Net Increase in Equity	$ 122,610	$ 14,407

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

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

Note 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

Primary Government	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 364,031	$ -	$ 1,000	$ 363,031
Construction in Progress-infrastructure	1,500	27,336	-	28,836
Total capital assets not being depreciated	365,531	27,336	1,000	391,867
Capital assets being depreciated:				
Buildings	4,908,012	-	13,000	4,895,012
Improvements other than buildings	1,367,056	-	10,448	1,356,608
Equipment and vehicles	3,072,954	113,174	230,182	2,955,946
Infrastructure, road network	5,650,575	-	-	5,650,575
Total capital assets being depreciated	14,998,597	113,174	253,630	14,858,141
Less: Accumulated Depreciation for:				
Buildings	2,319,973	105,627	3,467	2,422,133
Improvements other than buildings	591,656	37,014	10,448	618,222
Equipment and vehicles	2,246,312	162,085	226,448	2,181,949
Infrastructure, road network	1,623,792	113,893	-	1,737,685
Total Accumulated Depreciation	6,781,733	418,619	240,363	6,959,989
Total capital assets being depreciated, net	8,216,864	(305,445)	(13,267)	7,898,152
Governmental activities capital assets, net	$ 8,582,395	$ (278,109)	$ (14,267)	$ 8,290,019
Business-Type Activities:				
Capital assets not being depreciated:				
Land	$ 56,094	$ -	$ -	$ 56,094
Construction in Progress	1,094,479	1,199,118	23,366	2,270,231
Total capital assets not being depreciated	1,150,573	1,199,118	23,366	2,326,325
Capital assets being depreciated:				
Buildings	142,376	-	-	142,376
Utility Plant	13,665,253	171,469	8,356	13,828,366
Total capital assets being depreciated	13,807,629	171,469	8,356	13,970,742
Less: Accumulated Depreciation for:				
Buildings	99,015	3,276	-	102,291
Utility Plant	10,928,940	279,949	662	11,208,227
Total Accumulated Depreciation	11,027,955	283,225	662	11,310,518
Total capital assets being depreciated, net	2,779,674	(111,756)	(7,694)	2,660,224
Business-Type activities capital assets, net	$ 3,930,247	$ 1,087,362	$ (31,060)	$ 4,986,549

The City incurred interest expense of approximately $140,601 in the Electric Fund of which $4,009 was capitalized as part of the Electrical Upgrade-Phase I Project.

Note 4 -CAPITAL ASSETS – (Continued)

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

Governmental Activities:	
Culture & Recreation	$ 75,762
General Government	167,362
Health & Social Services	1,295
Public Safety	28,541
Public Works	145,659
Total depreciation expense – governmental activities	$ 418,619

The governmental depreciation expense amount shown above includes $142,728 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	$ 13,943
Electric	135,445
Gas	22,633
Telephone	8,846
Waste Water	48,210
Water	54,148
Total depreciation expense – business type activities	$ 283,225

Discretely presented component unit	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Land	$ 234,912	$ 31,257	$ (93,856)	$ 172,313
Construction-in-Progress	264,744	157,243	(163,978)	258,009
Total capital assets, not being depreciated	499,656	188,500	(257,834)	430,322
Capital assets being depreciated:				
Land Improvements	54,997	-	-	54,997
Hospital	1,556,820	-	-	1,556,820
Fixed Equipment	566,300	20,405	-	586,705
Major Moveable Equipment	2,063,017	23,888	25,965	2,112,870
Electronic health record-non-meaningful use	-	-	5,473	5,473
Electronic health record-meaningful use	-	-	132,540	132,540
Total capital assets being depreciated	4,241,134	44,293	163,978	4,449,405
Less: Accumulated Depreciation for:				
Land Improvements	34,023	1,793	-	35,816
Hospital	1,162,630	36,546	-	1,199,176
Fixed Equipment	424,275	13,896	-	438,171
Major Moveable Equipment	1,730,376	142,790	-	1,873,166
Electronic health record-non-meaningful use	-	18,040	-	18,040
Electronic health record-meaningful use	-	48,034	-	48,034
Total Accumulated Depreciation	3,351,304	261,099	-	3,612,403
Total capital assets being depreciated, net	889,830	(216,806)	163,978	837,002
Total capital assets, net	$ 1,389,486	$ (28,306)	$ (93,856)	$ 1,267,324

Total depreciation expense – discretely presented component unit	$ 261,099

Note 4 - 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	28,836	2,270,231	258,009
Capital Assets (net of accumulated depreciation)	7,898,152	2,660,224	837,002
Less:			
General Obligation Bonds Payable	1,382,696	-	-
Revenue Bonds	-	3,706,519	-
Note Payable (Asset Purchase Agreement)	-	-	775,000
	$ 6,907,323	$ 1,280,030	$ 492,324

Note 5 - CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2013 is a follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Due Within One Year
Governmental activities:					
Compensated Absences	$ 32,001	$ 5,263	$ 6,400	$ 30,864	$ 6,174
General Obligation Bonds/Notes	1,069,731	-	112,133	957,598	114,137
General Obligation Refunding Note	502,495	-	77,397	425,098	79,932
Other Post Employment Benefit	6,924	1,602	-	8,526	-
	$ 1,611,151	$ 6,865	$ 195,930	$ 1,422,086	$ 200,243

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Due Within One Year
Business type activities:					
Revenue notes	$ 4,124,297	$ -	$ 417,778	$ 3,706,519	$ 430,000
Compensated Absences	33,063	9,085	6,776	35,372	6,776
	$ 4,157,360	$ 9,085	$ 424,554	$ 3,741,891	$ 436,776

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Due Within One Year
Discretely Presented Component Unit:					
Note Payable (Asset Purchase Agreement)	$ -	$ 850,000	$ 75,000	$ 775,000	$ 75,000
	$ -	$ 850,000	$ 75,000	$ 775,000	$ 75,000

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

General Obligation Bonds/Notes

Three issues of unmatured general obligation bonds/notes, totaling $1,382,696 are outstanding at June 30, 2013. General obligation bonds/notes bear interest at rates ranging from 3.20-4.25% and mature in varying annual amounts, ranging from $50,000 to $90,000, with the final maturities due in the year ending June 1, 2022.

Details of general obligation bonds/notes payable at June 30, 2013 are as follows:

Governmental Activities:	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2013
General obligation bonds/notes:						
General Corporate Purpose	August 20,2009	4.25%	June 1, 2019	$ 50,000	$ 500,000	$ 300,000
General Corporate Purpose	November 30, 2011	3.20%	June 1, 2022	84,627	750,000	657,598
General Obligation Refunding Note	June 1, 2010	3.25%	June 1, 2018	74,000-89,500	650,000	425,098
						$ 1,382,696

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

Year Ending June 30	Principal	Interest	Total
2014	$ 194,069	$ 45,924	$ 239,993
2015	198,757	39,112	237,869
2016	203,598	32,146	235,744
2017	208,595	25,024	233,619
2018	212,132	17,738	229,870
2019-2022	365,545	24,734	390,279
Total	$ 1,382,696	$ 184,678	$ 1,567,374

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.

Note 5 - 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:

Enterprise	Type of Account	Required Balance June 30, 2013	Actual Balance June 30, 2013
Electric	Electric Revenue Sinking Fund	$ 44,594	$ 44,594
Electric	Bond and Interest Reserve	345,425	382,243
Electric	Bond Improvement	100,000	100,000

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

Details of revenue notes payable at June 30, 2013 are as follows:

Business Type Activities	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2013
Revenue Notes:						
Electric Improvement and Refunding	Nov. 30, 2011	2.55-4.3%	June 1, 2031	$ 155,000-430,000	$ 4,615,000	$ 3,790,000

The revenue notes outstanding on the Statement of Net Position is shown less bond discounts of $83,481.

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

Year Ending June 30	Principal	Interest	Total
2014	$ 430,000	$ 105,130	$ 535,130
2015	330,000	100,400	430,400
2016	155,000	95,945	250,945
2017	155,000	93,465	248,465
2018	160,000	90,598	250,598
2019-2023	855,000	392,868	1,247,868
2024-2028	1,010,000	249,965	1,259,965
2029-2031	695,000	55,745	750,745
Total	$ 3,790,000	$ 1,184,116	$ 4,974,116

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 contacts 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, to be financed interest free with the seller, with the first payment of $75,000 paid upon the closing of the agreement.

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

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, 2020.

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

2014	$ 75,000
2015	100,000
2016	100,000
2017	100,000
2018	100,000
Thereafter	300,000
	$ 775,000

Note 6 - INTERFUND TRANSFERS

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

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Tax Increment Financing Revenue	$ 12,500
	Non-Major Governmental	323,260
	Enterprise:	
	Electric	190,000
	Gas	60,000
	Telephone	50,000
	Cable/Internet	50,000
	Non-Major Enterprise	27,000
		712,760
Capital Projects - Street		
	General	193,000
		193,000
Non-Major Funds	General	5,250
	Special Revenue:	
	Tax Increment Financing Revenue	106,680
	Enterprise:	
	Water	7,000
	Electric	10,000
	Gas	10,000
	Wastewater	7,000
		145,930
Total Transfers		$ 1,051,690

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

Note 7 – INTERNAL BALANCES

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2013, 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, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
Governmental:	Governmental:	
General	Nonmajor	$ 20,484
Enterprise:	Enterprise:	
Gas	Electric	133,250
Electric	Water	7,324
Internal Service:	Enterprise:	
Capital Equipment	Electric	11,649
		$ 172,707

The detail of long-term advances to and from other funds at June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
Enterprise:	Special Revenue:	
Electric	Tax Increment Financing	$ 99,943
Wastewater	Tax Increment Financing	124,929
Internal Service	Tax Increment Financing	25,000
		$ 249,872

Note 8 - PENSION AND RETIREMENT FUND COMMITMENTS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute plan to members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate.

Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were $99,343, $96,541 and $92,236, respectively, equal to the required contributions for each year.

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

In addition Hawarden Regional Healthcare contributed the following amounts for the year ended June 30, 2013, 2012 and 2011, respectively, $190,450, $185,618 and $139,603. These amounts also equal the required annual contributions.

Police Pension - The City maintains a single-employer, defined benefit pension plan (police retirement system), which was organized under Chapter 410 of the Code of Iowa. Police personnel who were in the employ of the City prior to July 1, 1971, are eligible to participate in the plan. Any eligible participant may be entitled to benefits if such member has served 22 years or more and shall have reached the age of 50 years; or who shall, while a member of the department, become mentally or physically permanently disabled while performing his duties. The salary benefit is equal to one-half the amount of salary received by him monthly at the date he actually retires from the department. Benefits are increased subsequent to retirement by 50% of any increase in the pension benefits for the rank at which the member retired. In the event of the death of a retired participant, the benefit paid to a surviving spouse is reduced to 50% of the retiree's benefit. Presently, the City has only one individual who qualifies as a participant because of the employment of their spouse prior to July 1, 1971. The payroll for employees covered by the system was $-0- and the City's total payroll for the police department was $237,595.

The amount shown below as the Actuarial Accrued Liability is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. This measure is the actuarial present value of credited projected benefits and is intended to (1) help users assess the system's funding status on a going-concern basis, (2) assess progress being made in accumulating sufficient assets to pay benefits when due, and (3) allow for comparisons among public employee retirement plans. The net pension obligation was determined as part of an actuarial valuation of the plan as of July 1, 2013.

Net Pension Obligation	
Retirees and Beneficiaries Currently Receiving Benefits	$ 94,441
Net Position Available for Benefits at Market	-

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.

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

The unfunded actuarial present value of credited projected benefits is $94,441.

The unfunded actuarial present value of credited projected benefits is not recorded as a liability of the City. The City's contribution for the year was $10,998 as required by the pay-as-you-go method of funding. This $10,998 was paid by the City as required. The amount was not actuarially determined.

Three-year trend information is as follows:

	June 30, 2013	June 30, 2012	June 30, 2011
Net position available for benefits as a percentage of the net pension obligation applicable to the City's employees	0.00%	0.00%	0.00%
Unfunded net pension obligation as a percentage of the City's annual covered pay-roll	N/A	N/A	N/A
City's contributions to the pension plan as a percentage of annual covered payroll	N/A	N/A	N/A

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

Note 9 - RISK FINANCING

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the 2012-2013 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.

Note 10 - POSTCLOSURE COSTS

The City's landfill site has been closed since 1986 but state and federal laws and regulations require the City perform certain maintenance and monitoring functions at the site for 30 years after closure. The long-term postclosure costs recorded in the Solid Waste Utility of $1,360 represents the estimated postclosure costs related to the landfill. These amounts are based on what it would cost to perform all postclosure care during the year ended June 30, 2013. Actual costs may be higher due to inflation, changes in technology, changes in regulations, or unexpected test results.

Note 11 - NOTES RECEIVABLE

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

Fiscal Year	Principal
2014	10,778
2015	11,106
2016	11,444
2017	11,792
2018	12,150
2019-2022	51,917
Total Note Receivable	$ 109,187

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

Fiscal Year	Principal
2014	2,000
2015	1,500
Total Note Receivable	$ 3,500

Also during the fiscal year end June 30, 2009 the City opened a revolving loan fund. The purpose of the fund is to promote economic development in Hawarden. Loans by the City from Hawarden's Revolving Loan fund at June 30, 2013 consisted of $311,436 to Hawarden Area Partnership for Progress. HAPP had until September 1, 2011 to sell their building. If at that time the building had not been sold the total $389,295 loan will begin to be repaid to the City over 10 years at 0% interest. HAPP made payments totaling $38,930 for the year ended June 30, 2013.

Fiscal Year	Principal
2014	$ 38,930
2015	38,930
2016	38,930
2017	38,930
2018	38,930
2019-2021	116,786
Total Note Receivable	$ 311,436

Note 11 - NOTES RECEIVABLE – (Continued)

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 $23,754 as of June 30, 2013. The other loan was made to Hoogestrat for $30,000 and had a balance of $25,094 as of June 30, 2013. Each loan is scheduled to be repaid over 7 years, with monthly payments, at 3% interest.

Fiscal Year	Principal
2014	$ 8,160
2015	8,408
2016	8,664
2017	8,927
2018	9,200
2019-2020	5,489
Total Note Receivable	$ 48,848

Note 12 - RELATED PARTY TRANSACTIONS

Hawarden Community Clinic

Effective January 1, 2005, Hawarden Regional Healthcare and Mercy Medical Services 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) 2013 and 2012 (from January 1 through June 30) operating loss was $31,136 and $12,068, respectively, and is included in joint venture loss, net in the accompanying statements of revenue, expenses and changes in net position.

The Hospital hires the employees of HC and leases them back to HC. Amounts received by the Hospital for expenses paid in 2013 and 2012 was $303,693 and $292,970, respectively, and is included in the accompanying statements of revenue, expenses and changes in net position. The Hospital also received management fees from HC totaling $50,000 in 2013 and 2012, and monthly rent totaling $27,600 for the years ended June 30, 2013 and 2012. These amounts are included in other revenue.

HC owed the Hospital $401,848 and $404,381 at June 30, 2013 and 2012, respectively. These amounts are recorded in due from related party on the balance sheets.

Ireton Community Clinic

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. (ICC). The Hospital and MMS share equally in the net income (loss) of ICC. The Hospital's share of ICC's 2013 and 2012 operating loss was $7,811 and $3,017, respectively, and is included in joint venture loss, net in the accompanying statements or revenue, expenses and changes in net position.

The Hawarden Regional Healthcare hires the employees of ICC and leases them back to ICC. Amounts received by the Hawarden Regional Healthcare for expenses paid in 2013 and 2012 was $49,861 and $47,509, respectively, and is included in the accompanying statements of revenue, expenses and changes in net position. The Hawarden Regional Healthcare also received management fees from ICC totaling $10,000 in 2013 and 2012. These fees are included in other revenue.

Note 12 - RELATED PARTY TRANSACTIONS – (Continued)

The Hospital owed ICC $5,378 and ICC owed the hospital $6,683 at June 30, 2013 and 2012, respectively. These amounts are recorded in due from related party on the balance sheet.

Note 13 - LEASES WITH RELATED PARTIES

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

Note 14 – 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.

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, 2013, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	$ 1,602
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	1,602
Contributions made	-
Increase in net OPEB obligation	1,602
Net OPEB obligation beginning of year	6,924
Net OPEB obligation end of year	$ 8,526

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, 2013.

For the year ended June 30, 2013, the City contributed $-0- to the medical plan. Plan members eligible for benefits did not contribute any of the premium costs.

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

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, 2013 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$ 2,308	0.0%	$ 2,308
June 30, 2011	$ 2,308	0.0%	$ 4,616
June 30, 2012	$ 2,308	0.0%	$ 6,924
June 30, 2013	$ 1,602	0.0%	$ 8,526

Funded Status and Funding Progress - As of June 30, 2013, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was $12,999, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $12,999. The covered payroll (annual payroll of active employees covered by the plan) was approximately $982,000 and the ratio of the UAAL to covered payroll was 1.3%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the City's funding policy. The projected annual medical trend rate is 7.0%. The ultimate medical trend rate is 5.0%. The medical trend rate is reduced 1.0% each year until reaching the 7.0% ultimate trend rate.

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

Projected annual claim costs of the medical plan are $14,599 for retirees and $21,899 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 – CONSTRUCTION COMMITMENTS

During the year ended June 30, 2013, and in previous years, the City had entered into several construction contracts totaling approximately $3,634,000 of which approximately $1,285,000 had been expended. The remaining balance will be paid as work progresses on the projects.

Note 16 – DEFICIT FUND EQUITY

The City has one fund with a deficit balance at June 30, 2013. The City intends to fund this through various resources including the general fund and grant funding.

The individual fund deficit was as follows:

Low-Mod Income Project	$8,020

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:

	Original Budget	5/22/13 Amendment	Amended Budget
Public Safety	$ 637,355	$ 6,000	$ 643,355
Public Works	378,569	100,000	478,569
Health and Social Services	300,000	5,000	305,000
Culture and Recreation	387,161	10,000	397,161
Community and Economic Development	118,725	2,016	120,741
General Government	101,187	-	101,187
Debt Service	242,119	-	242,119
Capital Projects	8,500	819,000	827,500
Business Type Activities	14,632,883	61,000	14,693,883
Transfer Out	969,859	243,000	1,212,859

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, 2013

	Governmental Fund Types	Proprietary Fund Types	Primary Government Total
Revenues:			
Property Taxes	$ 1,043,028	$ -	$ 1,043,028
Special Assessments	42,132	7,908	50,040
Licenses	25,913	-	25,913
Intergovernmental	698,094	-	698,094
Charges	284,039	5,356,905	5,640,944
Fines	10,932	-	10,932
Contributions	33,596	-	33,596
Refunds	9,308	-	9,308
Rental Income	14,376	-	14,376
Interest	9,474	41,058	50,532
Miscellaneous	6,844	43,310	50,154
Total Revenue	2,177,736	5,449,181	7,626,917
Expenditures:			
Public Safety	627,456	-	627,456
Public Works	419,268	-	419,268
Health and Social Services	306,189	-	306,189
Culture and Recreation	388,367	-	388,367
Community and Economic Development	99,587	-	99,587
General Government	86,739	-	86,739
Capital	261,945	-	261,945
Debt Service	255,275	-	255,275
Business Type Activities	-	4,800,177	4,800,177
Total Expenditures/Expenses	2,444,826	4,800,177	7,245,003
Excess (Deficiency) of Revenues Over Expenditures	(267,090)	649,004	381,914
Other Financing Sources (Uses):			
Transfers from Other Funds	1,051,690	-	1,051,690
Miscellaneous Expense	(96)	-	(96)
Proceeds (Loss) From Asset Sales	9,400	(7,695)	1,705
Transfers to Other Funds	(640,690)	(411,000)	(1,051,690)
Total Other Financing Sources (Uses)	420,304	(418,695)	1,609
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures/Expenses and Other (Uses)	153,214	230,309	383,523
Fund Balance/Retained Earnings at Beginning of Year	1,914,785	8,040,330	9,394,676
Fund Balance/Retained Earnings at End of Year	$ 2,067,999	$ 8,270,639	$ 9,778,199

CITY OF HAWARDEN, IOWA
Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2013

Hawarden Community Hospital	Reporting Entity Total	Original Budget	Amendment	Final Amended Budget	Variance Favorable (Unfavorable)
$ -	$ 1,043,028	$ 1,384,652	$ 5,000	$ 1,389,652	$ (346,624)
-	50,040	-	-	-	50,040
-	25,913	24,675	-	24,675	1,238
307,775	1,005,869	411,771	100,190	511,961	493,908
7,199,370	12,840,314	13,305,430	-	13,305,430	(465,116)
-	10,932	-	-	-	10,932
22,754	56,350	-	-	-	56,350
-	9,308	-	-	-	9,308
-	14,376	-	-	-	14,376
12,690	63,222	31,950	-	31,950	31,272
1,914	52,068	35,500	21,860	57,360	(5,292)
7,544,503	15,171,420	15,193,978	127,050	15,321,028	(149,608)
-	627,456	637,355	6,000	643,355	15,899
-	419,268	378,569	100,000	478,569	59,301
-	306,189	300,000	5,000	305,000	(1,189)
-	388,367	387,161	10,000	397,161	8,794
-	99,587	118,725	2,016	120,741	21,154
-	86,739	101,187	-	101,187	14,448
-	261,945	8,500	819,000	827,500	565,555
-	255,275	242,119	-	242,119	(13,156)
6,942,370	11,742,547	14,632,883	61,000	14,693,883	2,951,336
6,942,370	14,187,373	16,806,499	1,003,016	17,809,515	3,622,142
602,133	984,047	(1,612,521)	(875,966)	(2,488,487)	3,472,534
-	1,051,690	969,859	243,000	1,212,859	(161,169)
-	(96)	-	-	-	(96)
-	1,705	-	-	-	1,705
-	(1,051,690)	(969,859)	(243,000)	(1,212,859)	161,169
-	1,609	-	-	-	1,609
602,133	985,656	(1,612,521)	(875,966)	(2,488,487)	3,474,143
4,813,373	13,182,508	-	-	-	-
$ 5,415,506	$ 14,168,164	$ (1,612,521)	$ (875,966)	$ (2,488,487)	$ 3,474,143

CITY OF HAWARDEN, IOWA
POST EMPLOYMENT HEALTHCARE BENEFITS
SCHEDULE OF FUNDING PROGRESS
For the Year Ended June 30, 2013

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
6/30/2010	6/30/2010 *	$ -	$ 14,965	$ 14,965	0.00%	$ 1,115,467	1.342%
6/30/2011	6/30/2010	$ -	$ 14,965	$ 14,965	0.00%	$ 1,290,000	1.160%
6/30/2012	6/30/2010	$ -	$ 14,965	$ 14,965	0.00%	$ 1,143,000	1.309%
6/30/2013	6/30/2012	$ -	$ 12,999	$ 12,999	0.00%	$ 981,867	1.300%

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

See Note 14 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

CITY OF HAWARDEN, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
JUNE 30, 2013

	Special Revenue Funds					
	Road Use Tax	Employee Benefit Levy	Local Option Sales Tax	USDA Revolving Loan Fund	Revolving Loan Fund	Debt Service Fund
Assets						
Cash and Cash Equivalents	$ 8,532	$ 5,500	$ -	$ 14,328	$ 78,149	$ 5,881
Receivables (Net, where applicable, of allowance for uncollectibles)						
Taxes	-	3,409	-	-	-	1,476
Subsequent Year Taxes	-	130,969	-	-	-	93,103
Special Assessments	-	-	-	-	-	-
Notes Receivable	-	-	-	48,848	311,436	-
Due from Other Governmental Agencies	20,850	-	46,604	-	-	-
Restricted Assets:						
Donor Restricted Investments	-	-	-	-	-	-
Total Assets	29,382	139,878	46,604	63,176	389,585	100,460
Liabilities:						
Accounts Payable	-	-	46,604	-	-	-
Due to Other Funds	-	-	-	-	-	-
Total Liabilities	-	-	46,604	-	-	-
Deferred Inflows of Resources						
Unavailable Revenue- subsequent year taxes	-	130,969	-	-	-	93,103
Unavailable Revenue- delinquent property taxes	-	950	-	-	-	-
Unavailable Revenue- special assessments	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	131,919	-	-	-	93,103
Fund Balances (Deficits):						
Nonspendable:						
Library Endowment	-	-	-	-	-	-
Restricted for:						
Debt Service	-	-	-	-	-	7,357
Road Surface Repairs	29,382	-	-	-	-	-
Employee Benefits	-	7,959	-	-	-	-
Revolving Loan Fund	-	-	-	63,176	389,585	-
Library Endowment	-	-	-	-	-	-
Assigned for:						-
Capital Improvement	-	-	-	-	-	-
Mapping	-	-	-	-	-	-
Capital Improvement and Facilities	-	-	-	-	-	-
Unassigned:	-	-	-	-	-	-
Total Fund Balances	29,382	7,959	-	63,176	389,585	7,357
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	$ 29,382	$ 139,878	$ 46,604	$ 63,176	$ 389,585	$ 100,460

Capital Projects							Permanent Fund	
Capital Improve-ment	Walking Trail Project	Street Special Assessments	Public Works Building Replacement	Capital Facilities Fund	Mapping	Low-Mod Income Project	Marie Gregg/ Vipond Trust	Total Governmental Nonmajor Funds
$ 18,008	$ 18,524	$ 42,179	$ 272,476	$ 97,663	$ 13,423	$ -	$ 40,642	$ 615,305
-	-	-	-	-	-	-	-	4,885
-	-	-	-	-	-	-	-	224,072
-	-	64,659	-	-	-	-	-	64,659
-	-	-	-	-	-	-	-	360,284
-	-	-	-	-	-	58,740	-	126,194
-	-	-	-	-	-	-	134,861	134,861
18,008	18,524	106,838	272,476	97,663	13,423	58,740	175,503	1,530,260
-	-	-	-	-	-	46,276	175	93,055
-	-	-	-	-	-	20,484	-	20,484
-	-	-	-	-	-	66,760	175	113,539
-	-	-	-	-	-	-	-	224,072
-	-	-	-	-	-	-	-	950
-	-	64,659	-	-	-	-	-	64,659
-	-	64,659	-	-	-	-	-	289,681
-	-	-	-	-	-	-	134,945	134,945
-	-	-	-	-	-	-	-	7,357
-	-	-	-	-	-	-	-	29,382
-	-	-	-	-	-	-	-	7,959
-	-	-	-	-	-	-	-	452,761
-	-	-	-	-	-	-	40,383	40,383
18,008	-	42,179	-	-	-	-	-	60,187
-	-	-	-	-	13,423	-	-	13,423
-	18,524	-	272,476	97,663	-	-	-	388,663
-	-	-	-	-	-	(8,020)	-	(8,020)
18,008	18,524	42,179	272,476	97,663	13,423	(8,020)	175,328	1,127,040
$ 18,008	$ 18,524	$ 106,838	$ 272,476	$ 97,663	$ 13,423	$ 58,740	$ 175,503	$ 1,530,260

CITY OF HAWARDEN, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
JUNE 30, 2012

	Special Revenue Funds					
	Road Use Tax	Employee Benefit Levy	Local Option Sales Tax	USDA Revolving Loan Fund	Revolving Loan Fund	Debt Service Fund
Revenue:						
Taxes	$ -	$ 132,239	$ -	$ -	$ -	$ 93,203
Special Assessments	-	-	-			-
Intergovernmental Revenue	246,858	-	306,189	-	-	-
Contributions	-	-	-	-	-	-
Interest	-	-	-	1,609	106	255
Miscellaneous	-	-	-	-	-	-
Total Revenue	246,858	132,239	306,189	1,609	106	93,458
Expenditures:						
Public Safety	-	11,590	-	-	-	-
Public Works	72,000	-	-	-	-	-
Health and Social Services	-	-	306,189	-	-	-
Culture and Recreation	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-
Debt Service	-	-	-	-	-	242,119
Total Expenditures	72,000	11,590	306,189	-	-	242,119
Excess (deficiency) of revenues over expenditures	174,858	120,649	-	1,609	106	(148,661)
Other financing sources (uses):						
Transfers In	-	-	-	-	-	106,680
Transfers Out	(203,000)	(120,260)	-	-	-	-
Total other financing sources (uses)	(203,000)	(120,260)	-	-	-	106,680
Net Change in Fund Balance	(28,142)	389	-	1,609	106	(41,981)
Fund balances - beginning of year	57,524	7,570	-	61,567	389,479	49,338
Fund balances (Deficits) - end of year	$ 29,382	$ 7,959	$ -	$ 63,176	$ 389,585	$ 7,357

Capital Projects							Permanent Fund	
Capital Improve-ment	Walking Trail Project	Street Special Assessments	Public Works Building Replacement	Capital Facilities Fund	Mapping	Low-Mod Income Project	Marie Gregg/ Vipond Trust	Total Governmental Nonmajor Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 225,442
-	-	42,132	-	-	-	-	-	42,132
-	-	-	-	-	-	98,971	-	652,018
-	-	-	-	-	-	4,605	11,982	16,587
70	145	47	1,169	456	54	139	1,058	5,108
-	408	-	-	-	-	-	-	408
70	553	42,179	1,169	456	54	103,715	13,040	941,695
-	-	-	-	-	-	-	-	11,590
-	-	-	-	-	-	-	-	72,000
-	-	-	-	-	-	-	-	306,189
-	-	-	-	-	-	-	10,619	10,619
-	27,343	-	-	2,679	-	172,390	-	202,412
-	-	-	-	-	-	-	-	242,119
-	27,343	-	-	2,679	-	172,390	10,619	844,929
70	(26,790)	42,179	1,169	(2,223)	54	(68,675)	2,421	96,766
-	-	-	34,000	5,250	-	-	-	145,930
-	-	-	-	-	-	-	-	(323,260)
-	-	-	34,000	5,250	-	-	-	(177,330)
70	(26,790)	42,179	35,169	3,027	54	(68,675)	2,421	(80,564)
17,938	45,314	-	237,307	94,636	13,369	60,655	172,907	1,207,604
$ 18,008	$ 18,524	$ 42,179	$ 272,476	$ 97,663	$ 13,423	$ (8,020)	$ 175,328	$ 1,127,040

CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF NET POSITION
Fiduciary Funds
JUNE 30, 2013

	Agency Funds			
	Payroll Clearing	Flex Spending	Community Projects	**Total**
ASSETS				
Cash and Cash Equivalents	$ 5,398	$ 3,276	$ 12,296	$ 20,970
Total Assets	5,398	3,276	12,296	20,970
LIABILITIES				
Due to Other Governments	5,398	3,276	12,296	20,970
Total Liabilities	$ 5,398	$ 3,276	$ 12,296	$ 20,970

CITY OF HAWARDEN, IOWA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
PAYROLL CLEARING				
Assets				
Cash and Cash Equivalents	$ 2,547	$ 1,710,415	$ 1,707,564	$ 5,398
Total Assets	2,547	1,710,415	1,707,564	5,398
Liabilities				
Due to Other Governments	2,547	1,710,415	1,707,564	5,398
Total Liabilities	2,547	1,710,415	1,707,564	5,398
FLEX SPENDING				
Assets				
Cash and Cash Equivalents	3,665	13,081	13,470	3,276
Total Assets	3,665	13,081	13,470	3,276
Liabilities				
Due to Other Governments	3,665	13,081	13,470	3,276
Total Liabilities	3,665	13,081	13,470	3,276
COMMUNITY PROJECTS FUND				
Assets				
Cash and Cash Equivalents	11,732	3,459	2,895	12,296
Total Assets	11,732	3,459	2,895	12,296
Liabilities				
Due to Other Governments	11,732	3,459	2,895	12,296
Total Liabilities	11,732	3,459	2,895	12,296
ALL AGENCY FUNDS TOTAL				
Assets				
Cash and Cash Equivalents	17,944	1,726,955	1,723,929	20,970
Total Assets	17,944	1,726,955	1,723,929	20,970
Liabilities				
Due to Other Governments	17,944	1,726,955	1,723,929	20,970
Total Liabilities	$ 17,944	$ 1,726,955	$ 1,723,929	$ 20,970

Part I: Summary of the Independent Auditor's 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:

II-A-13 Financial Reporting

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

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

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

Conclusion – Response accepted.

Part III: Other Findings Related to Required Statutory Reporting

III-A-13 Certified Budget – Disbursements during the year ended June 30, 2013 exceed amounts budgeted in the health and social services and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

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

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

Conclusion – Response accepted.

III-B-13 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.

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

III-C-13 Travel Expenses – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

III-D-13 Business Transactions – No business transactions between the City and City officials and/or employees were noted.

III-E-13 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-13 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

III-G-13 Revenue Bonds – No violations of revenue bond resolutions were noted.

III-H-13 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-13 Telecommunication Services – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.

WILLIAMS & COMPANY P.C.
Certified Public Accountants

21 1st Avenue NW
P.O. Box 1010
Le Mars, IA 51031
Phone (712) 546-7801
Fax (712) 546-6543
www.williamscpas.com

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

To the 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, each major fund, and the aggregate remaining fund information of the City of Hawarden, Iowa, as of and for the year ended June 30, 2013, 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 -------- January 6, 2014. 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings as item II-A-13 to be a material weakness.

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*.

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

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
January 6, 2014