BASIC FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTAL INFORMATION, SUPPLEMENTARY INFORMATION, AND SCHEDULE OF FINDINGS
CITY OF HAWARDEN, IOWA
FOR THE
FISCAL YEAR ENDED JUNE 30, 2015

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, REQUIRED SUPPLEMENTAL INFORMATION, AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015
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HAWARDEN, IOWA
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CITY OF HAWARDEN, IOWA
Directory of City Officials
June 30, 2015

Elected City Officers

Ricard Porter – Mayor (2015)

Council Members:
Payne Allen (2017)
Monte Harvey (2017)
Timothy Kurth (2017)
Larry Bauder (2015)
Travis Olson (2015)

Hospital Trustees:
Matt Hummel (2015)
Kathy Jacobs (2015)
Glea Hamik (2015)
Dennis Hulshof (2017)
Stan Hoekstra (2017)

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

Appointed Boards and Commissions

Library Board of Trustees:
Terri Kallsen - President
Kay Scroggs - Vice President
Lois Jean Dawson
David Pusey
Denny Peters

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

Board of Zoning Adjustment:
Jack Andela - Chairman
Julie Miller – Vice Chairman
John Eilts
Vacancy
Vacancy

Park Board:
Duane Schiefen
Jerrod Lynott
Elaine Kane
John Blankenship

WILLIAMS & COMPANY P.C.
Certified Public Accountants

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P.O. Box 1010
Le Mars, Iowa 51031
Phone (712) 546-7801
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the CITY OF HAWARDEN, IOWA (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 and deferred outflows of $11,142,021 and total program revenues of $10,496,423 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for Hawarden Regional Healthcare, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, based on our audit, and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the discretely presented component unit of the City of Hawarden, Iowa as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 8 to the financial statements, the City of Hawarden, Iowa adopted new accounting guidance related to the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27.* Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hawarden's basic financial statements. The combining nonmajor 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 auditing standards generally accepted in the United States of America by us and other auditors. 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 22, 2016, 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 22, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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, 2015. We encourage readers to consider the information presented here in conjunction with additional information contained within the City's financial statements that follow this report, as well as the separately issued financial statements of the Hawarden Community Hospital, a discretely presented component unit of the City.

Financial Highlights

- The assets of the City of Hawarden exceeded liabilities at June 30, 2015 by $16,860,110. Of this amount, $5,510,317 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

- The City's net position increased $707,613 during the year. Of this amount, the assets of our Governmental Activities increased $638,016 and the assets of our Business-Type Activities increased $69,597.

- The City's long-term debt reflected a significant increase of $3,571,242 as a result of additional debt obligations which included a 16th Street Paving Project and an Electric Improvement Project in 2015. Outstanding General Obligation debt totals $2,199,869. Outstanding Revenue Bond Debt totals $5,920,000.

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

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

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

- **Governmental Activities** – Most of the City's basic services are reported here, such as Police, Fire, Ambulance, Public Works, Parks, and Recreation departments, and general administration. Property Taxes, charges for services, state and federal grants finance most of these activities.

- **Business Type Activities** – The City charges fees to customers to cover the cost of these services. Included here are the City Electric, Water, Sewer, Natural Gas, City Telephone, and Cable/High Speed Internet.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

- **Governmental Funds** – Most of the City's basic services are included in Governmental Funds, which focus on how money moves into and out of these

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

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

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

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

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

THE CITY AS A WHOLE

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

For the year ended June 30, 2015, net position changed as follows:

	Governmental Activities		Business-Type Activities		Total	
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)
Current and Other Assets	$4,538,560	$3,902,766	$6,646,869	$5,040,320	$11,185,429	$8,943,086
Capital Assets	9,872,590	8,927,223	6,453,503	5,143,551	16,326,093	14,070,774
Total Assets	14,411,150	12,829,989	13,100,372	10,183,871	27,511,522	23,013,860
Deferred Outflows of Resources	183,620	-	46,767	-	230,387	-
Total Deferred Outflows of Resources	183,620	-	46,767	-	230,387	-
Long-term Liabilities Outstanding	2,736,221	1,232,284	6,042,242	3,321,570	8,778,463	4,553,854
Other Liabilities	187,289	168,261	588,261	336,848	775,550	505,109
Total Liabilities	2,923,510	1,400,545	6,630,503	3,658,418	9,554,013	5,058,963
Deferred Inflows of Resources	1,273,852	1,062,098	53,934	-	1,327,786	1,062,098
Total Deferred Inflows of Resources	1,273,852	1,062,098	53,934	-	1,327,786	1,062,098
Net Position:						
Net Investment in Capital Assets,	7,655,931	7,738,596	2,413,400	1,859.810	10,069,331	9,598,406
Restricted	793,914	748,632	486,548	509,743	1,280,462	1,258,375
Unrestricted	1,947,563	1,880,118	3,562,754	4,155,901	5,510,317	6,036,019
Total Net Position	$10,397,408	$10,367,346	$6,462,702	$6,525,454	$16,860,110	$16,892,800

The government's net position increased by $707,613 over the fiscal year 2014 restated amount. 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 6.54% for the Governmental Activities and an increase of 1.08% in the Business-Type Activities.

The Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* was implemented during fiscal year 2015. The beginning net position for governmental activities and business-type activities were restated ($607,954) and ($132,349), respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. The financial statement amounts for fiscal year 2014 net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Total Revenue and Expenses and changes in Net Position reported in fiscal year 2015 as compared to fiscal year 2014 are shown in the chart below.

	Governmental Activities		Business-Type Activities		Total	
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)
Revenues:						
Program Revenues:						
Charges for Services	$ 414,528	$ 492,673	$ 5,085,062	$ 5,515,176	$ 5,499,590	$ 6,007,849
Operating Grants & Contributions	395,678	287,268	-	-	395,678	287,268
Capital Grants & Contributions	377,291	138,682	-	-	377,291	138,682
General Revenues:						
Property Taxes	1,046,202	1,040,182			1,046,202	1,040,182
Other Taxes	320,359	292,197			320,359	292,197
Other	25,722	26,726	147,911	111,039	173,633	137,765
Total Revenues	2,579,780	2,277,728	5,232,973	5,626,215	7,812,753	7,903,943
Expenses:						
General Government	163,782	100,403	-	-	163,782	100,403
Public Safety	633,700	672,958	-	-	633,700	672,958
Public Works	570,628	588,679	-	-	570,628	588,679
Health & Welfare	321,654	293,492	-	-	321,654	293,492
Culture & Recreation	440,537	502,996	-	-	440,537	502,996
Community and Economic Development	92,213	291,111	-	-	92,213	291,111
Debt Service	93,250	55,131	-	-	93,250	55,131
Water Utility	-	-	460,247	377,570	460,247	377,570
Waste Water Utility	-	-	304,458	349,025	304,458	349,025
Electric Utility	-	-	1,920,984	2,009,660	1,920,984	2,009,660
Gas Utility	-	-	841,188	1,081,333	841,188	1,081,333
Solid Waste Utility	-	-	156,823	154,905	156,823	154,905
Telephone Utility	-	-	515,920	596,957	515,920	596,957
Cable/Internet Utility	-	-	589,756	516,417	589,756	516,417
Total Expenses	2,315,764	2,504,770	4,789,376	5,085,867	7,105,140	7,590,637
Increase (Decrease) in Net Position, Before Transfers	264,016	(227,042)	443,597	540,348	707,613	313,306
Transfers	374,000	559,000	(374,000)	(559,000)	-	-
Increase (Decrease) in Net Position	638,016	331,958	69,597	(18,652)	707,613	313,306
Net Position, July 1	10,367,346	1,035,388	6,525,454	6,544,106	16,892,800	16,579,494
Prior Period Adjustment	(607,954)	-	(132,349)	-	(740,303)	-
Net Position, July 1, as Restated	9,759,392	1,035,388	6,393,105	6,544,106	16,152,497	16,579,494
Net Position, June 30	$ 10,397,408	$ 1,367,346	$ 6,462,702	$ 6,525,454	$ 16,860,110	$ 16,892,800

Program revenues totaled $6,272,559 for fiscal year 2015 compared to $6,433,799 for fiscal year 2014. Governmental Activities provided $1,187,497 and Business-Type Activities provided $5,085,062. Revenue collected for Charges for Services during fiscal year 2015 was $5,499,590 accounting for 87.7% of the total program revenues.

General Revenues for fiscal year 2015 totaled $1,540,194. Governmental Activities provided $1,392,283 and Business-Type Activities provided $147,911. Property Tax Revenues for fiscal year 2015 totaled $1,046,202 accounting for 67.9% of General Revenues.

Expenses for fiscal year 2015 totaled $7,105,140. Expenses for General Governmental Activities totaled $2,315,764, accounting for 33% of total expenses. Business-Type Activity expenses totaled $4,789,376, for 67% 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 $633,700 and received $266,230 in revenue, thus leaving a cost to the taxpayer of $367,470 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 $2,315,764. Of these costs, $414,528 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 $772,969, leaving a Net Expense of $1,128,267 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 $12,713,172, consisting of Net Position at July 1, 2014 of $9,759,392, Program Revenues of $1,187,497 and General Revenues and transfers of $1,766,283. Total Governmental Activities during the year expended $2,315,764; thus, Net Position increased by $638,016, to $10,397,408.

Business-Type Activities

Business-Type Activities increased the City's net position by $69,597.

The cost of all Proprietary Activities this year was $4,789,376. As shown in the Statement of Activities, the amount paid by users of the systems was $5,085,062, resulting in total Net Revenue for Business-Type Activities of $295,686.

Total resources available during the year to finance Proprietary Fund activities were $11,252,078 consisting of Net Position at July 1, 2014 of $6,393,105, Program Revenues of $5,085,062 and General Revenues and transfers of ($226,089). Total Proprietary Fund Activities during the year expended $4,789,376; thus Net Position increased by $69,597 to $6,462,702.

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 $1,846,721. The combined Governmental Funds balance increased $302,902 from the prior year.

The General Fund is the primary operating fund of the City. During the year, revenues were greater than expenditures in the General fund by $105,882. This is an improvement from fiscal year 2014 when the General fund increased by $38,868. The larger increase in fiscal year 2015 is due to various road repair expenses incurred in fiscal year 2014. The TIF Fund saw a $3,557 increase in its fund balance, due mainly to decreases in project debt. The Capital Projects Street Fund also reflected an increased fund balance of $163,058 which is an increase from fiscal year 2014, where the fund balance decreased by $340,525. The increase in fund balance is mainly due to the issuance of debt to finance various street projects.

Budgetary Highlights

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

	Amended Budget	Actual Expenditures	Variance
Public Safety	$646,944	$633,774	$ 13,170
Public Works	393,247	351,224	42,023
Culture and Recreation	396,224	384,509	11,715
Community and Economic Development	123,267	94,048	29,219
General Government	105,048	99,925	5,123
Health and Social Services	316,500	320,359	(3,859)
Debt Service	237,870	291,173	(53,303)
Capital Projects	1,434,110	1,373,917	60,193
Business Type Activities	16,200,381	12,909,730	3,290,651
Total Expenditures	$19,853,591	$16,458,659	$3,394,932

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

- The total original revenue budget of $16,544,765 was increased to $16,917,310 (an increase of $372,545). A substantial portion of this increase can be attributed to intergovernmental (hospital) increases.
- Property Tax budgeted revenues exceeded actual revenues by $330,584 due primarily to changes in assessed valuations and state backfill.
- Intergovernmental revenue exceeded budgeted figures by $650,838 which is primarily attributed to the substantial revenue increases in the hospital operation.
- Charges totaled $13,758,821 which was $1,265,581 less than the budgeted amount due to improved utility revenues, decreased utility administration charges and hospital Medicare reimbursement variables.
- Contribution revenue exceeded budget figures by $1,892,371.
- The total original expenditure budget of $19,232,860 was increased to $19,853,591 (an increase of $620,731).
- 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 $3,394,932. This is primarily due to careful attention to expenditures.

Capital Assets

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2015, was $10,069,331 (net of accumulated depreciation and outstanding financings) compared to $9,598,406 as of June 30, 2014. The increase can be accounted for by several large infrastructure projects which were partially financied with existing debt. See Note 4 to the financial statements for more information on the City's capital assets.

DEBT ADMINISTRATION

At year-end, the City had $8,119,869 of debt outstanding which is a $3,571,242 increase from last year. This increase is a result of scheduled capital improvement projects which included an ongoing conversion of our overhead to underground electric project and the 16th Street Paving project in 2015. Debt administration is on track for all City debt to be repaid within twenty years. This aggressive repayment schedule, combined with the use of TIF revenue for debt repayment, has allowed the City to maintain a good credit rating which reflects well on our community.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt Outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is $4,494,629. With outstanding General Obligation Debt applicable to this limit of $2,199,889, we are utilizing 48.9% of this limit. More detailed information on debt administration is provided in Note 5 of the financial statements.

ECONOMIC FACTORS

The City of Hawarden continues to maintain a progressive approach to growth and community development. During fiscal year 2015 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. Coilcraft has purchased the old Staples building and has expanded their operation. Superior Farms has expanded their pet treat operations in Hawarden and continue to add employees. The Spec Building continues to be marketed with a professional R/E agency. There have been several new retail businesses open in fiscal year 2015. The City completed a resurfacing project on 16th Street from Ave. E to K18 in fiscal year 2015 and is planning to resurface Ave. L in fiscal year 2018-19.

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 the Hawarden Community Hospital. The Hospital has accepted bids on a major expansion/renovation project which should be completed within the next 12-18 months and have 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 2016 with completion of a section of trail within the Big Sioux Recreation Area. 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, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Hawarden Regional Healthcare
ASSETS				
Cash and Cash Equivalents	$ 2,406,888	$ 4,219,320	$ 6,626,208	$ 1,659,440
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	47,668	122,935	170,603	1,532,468
Taxes	20,652	-	20,652	-
Subsequent Year Taxes	1,062,094	-	1,062,094	-
Accrued Interest	198	3,435	3,633	-
Other	-	-	-	301,363
Estimated Unbilled Usage	-	229,741	229,741	-
Special Assessments	324,746	8,322	333,068	-
Pledges Receivable	-	-	-	870,949
Notes Receivable	413,104	-	413,104	-
Internal Balances	(9,969)	9,969	-	-
Due from Other Governmental Agencies	83,364	-	83,364	315,638
Inventories	-	505,694	505,694	137,575
Prepaid Assets	54,999	55,636	110,635	140,535
Investment in Joint Venture	-	923,232	923,232	-
Restricted Assets:				
Cash and Cash Equivalents - Board Restricted	-	-	-	1,709,203
Cash and Cash Equivalents - Donor Restricted	134,816	-	134,816	9,164
Cash and Cash Equivalents - Bond Reserve	-	503,155	503,155	-
Customer Deposits	-	65,430	65,430	-
Land	363,031	56,094	419,125	172,313
Construction in Progress	-	3,221,275	3,221,275	1,566,581
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 4)	9,509,559	3,176,134	12,685,693	1,463,705
Other assets	-	-	-	8,968
Total Assets	14,411,150	13,100,372	27,511,522	9,887,902
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Deferred Outflows	183,620	46,767	230,387	634,327
Intangible asset, net	-	-	-	619,792
Total Deferred Outflows of Resources	183,620	46,767	230,387	1,254,119
LIABILITIES				
Accounts Payable	123,479	439,248	562,727	496,729
Accrued Wages	55,156	33,258	88,414	258,413
Accrued Expenses	-	26,926	26,926	181,329
Due to Other Governments	-	6,792	6,792	-
Accrued Interest Payable	8,654	-	8,654	-
Payables from Restricted Assets:				
Customer Deposits	-	65,430	65,430	-
Accrued Revenue Bond Interest	-	16,607	16,607	-
Long-Term Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	240,000	240,000	-
General Obligation Bonds	313,598	-	313,598	-
Notes Payable	-	-	-	155,538
Compensated Absences	6,350	8,363	14,713	-
Due in more than one year:				
Revenue Bonds Payable	-	5,660,811	5,660,811	-
General Obligation Bonds	1,903,061	-	1,903,061	-
Notes Payable	-	-	-	658,242
Compensated Absences	25,402	33,454	58,856	-
Net Pension Liability	476,080	99,614	575,694	1,660,106
Estimated Other Post Employement Benefit Obligations	11,730	-	11,730	-
Total Liabilities	2,923,510	6,630,503	9,554,013	3,410,357
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue- subsequent year taxes	1,062,094	-	1,062,094	-
Pension Related Deferred Inflows	211,758	53,934	265,692	633,117
Deferred Grant Revenue	-	-	-	339,296
Total Deferred Inflows of Resources	1,273,852	53,934	1,327,786	972,413
NET POSITION				
Net Investment in Capital Assets	7,655,931	2,413,400	10,069,331	2,388,819
Restricted for:				
Specific Revenues	627,510	-	627,510	-
Revenue Bonds	-	486,548	486,548	-
Endowments:				
Expendable	31,459	-	31,459	1,653,833
Nonexpendable	134,945	-	134,945	-
Unrestricted	1,947,563	3,562,754	5,510,317	2,716,599
Total Net Position	$ 10,397,408	$ 6,462,702	$ 16,860,110	$ 6,759,251

See Accompanying Notes to Financial Statements

CITY OF HAWARDEN, IOWA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

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	$ 633,700	$ 252,465	$ -	$ 13,765
Public Works	570,628	44,663	302,177	355,728
Health and Social Services	321,654	-	-	-
Culture and Recreation	440,537	54,494	33,750	7,798
Community and Economic Development	92,213	-	23,000	-
General Government	163,782	62,906	30,763	-
Interest Expense	93,250	-	5,988	-
Total governmental activities	2,315,764	414,528	395,678	377,291
Business-Type Activities:				
Water Utility	460,247	285,170	-	-
WasteWater Treatment Utility	304,458	270,838	-	-
Electric Utility	1,920,984	2,304,622	-	-
Gas Utility	841,188	996,298	-	-
Solid Waste Utility	156,823	171,605	-	-
Telephone Utility	515,920	466,598	-	-
Cable/Internet Utility	589,756	589,931	-	-
Total Business-Type Activities:	4,789,376	5,085,062	-	-
Total Primary Government	$ 7,105,140	$ 5,499,590	$ 395,678	$ 377,291
Component Unit:				
Hawarden Regional Healthcare	$ 7,969,655	$ 8,208,334	$ 431,101	$ 1,856,988

General Revenues:
- Property taxes
- Local Option Sales Tax
- Interest
- Miscellaneous
- Interfund Transfers
  - Total general revenues and transfers
  - Change in net position

Net Position - beginning
Prior Period Adjustment
Net Position - beginning, as Restated
Net Position - ending

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-Type Activities	Total	Component Unit Hawarden Regional Healthcare
$ (367,470)		$ (367,470)	
131,940		131,940	
(321,654)		(321,654)	
(344,495)		(344,495)	
(69,213)		(69,213)	
(70,113)		(70,113)	
(87,262)		(87,262)	
(1,128,267)		(1,128,267)	
-	$ (175,077)	(175,077)	
-	(33,620)	(33,620)	
-	383,638	383,638	
-	155,110	155,110	
-	14,782	14,782	
-	(49,322)	(49,322)	
-	175	175	
-	295,686	295,686	
(1,128,267)	295,686	(832,581)	
			$ 2,526,768
1,046,202	-	1,046,202	-
320,359	-	320,359	-
10,602	20,805	31,407	9,010
15,120	127,106	142,226	-
374,000	(374,000)	-	-
1,766,283	(226,089)	1,540,194	9,010
638,016	69,597	707,613	2,535,778
10,367,346	6,525,454	16,892,800	5,963,701
(607,954)	(132,349)	(740,303)	(1,740,228)
9,759,392	6,393,105	16,152,497	4,223,473
$ 10,397,408	$ 6,462,702	$ 16,860,110	$ 6,759,251

CITY OF HAWARDEN, IOWA
BALANCE SHEET
Governmental Funds
JUNE 30, 2015

	General	TIF
Assets		
Cash and Cash Equivalents	$ 467,565	$ 696,573
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	47,668	-
Taxes	8,068	9,262
Subsequent Year Taxes	344,756	496,029
Accrued Interest	-	-
Special Assessments	-	-
Notes Receivable	-	-
Due from Other Funds	151,573	-
Due from Other Governmental Agencies	6,651	-
Prepaid Assets	54,999	-
Restricted Assets:		
Donor Restricted Investments	-	-
Total Assets	1,081,280	1,201,864
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities:		
Accounts Payable	39,698	72
Accrued Wages and Compensated Absences	55,156	-
Due to Other Funds	-	-
Advance from Other Funds	-	618,252
Total Liabilities	94,854	618,324
Deferred Inflows of Resources		
Unavailable Revenue- subsequent year taxes	344,756	496,029
Unavailable Revenue- delinquent property taxes	2,262	8,476
Unavailable Revenue- special assessments	-	-
Total Deferred Inflows of Resources	347,018	504,505
Fund Balances (Deficits):		
Nonspendable:		
Prepaid expenditures	54,999	-
Library Endowment	-	-
Restricted for:		
Debt Service	-	-
Road Surface Repairs	-	-
Employee Benefits	-	-
Revolving Loan Fund	-	-
Low-Moderate Income Project	-	-
Library Endowment	-	-
Tax Increment Financing	-	79,035
Assigned for:		
Capital Improvement	-	-
Mapping	-	-
Capital Improvement and Facilities	-	-
Unassigned:	584,409	-
Total Fund Balances	639,408	79,035
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,081,280	$ 1,201,864

Capital Project Street Project	Non-major Governmental Funds	Total Governmental Funds
$ -	$ 666,046	$ 1,830,184
-	-	47,668
-	3,322	20,652
-	221,309	1,062,094
-	198	198
-	324,746	324,746
-	325,856	325,856
-	-	151,573
-	76,713	83,364
-	-	54,999
-	134,816	134,816
-	1,753,006	4,036,150
3,200	50,534	93,504
-	-	55,156
24,939	-	24,939
-	-	618,252
28,139	50,534	791,851
-	221,309	1,062,094
-	-	10,738
-	324,746	324,746
-	546,055	1,397,578
-	-	54,999
-	134,945	134,945
-	2,785	2,785
-	67,262	67,262
-	15,545	15,545
-	456,388	456,388
-	804	804
-	31,459	31,459
-	-	79,035
-	81,600	81,600
-	4,158	4,158
	361,471	361,471
(28,139)	-	556,270
(28,139)	1,156,417	1,846,721
$ -	$ 1,753,006	$ 4,036,150

CITY OF HAWARDEN, IOWA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2015

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

Total Fund Balance - Governmental Funds (page 18)		$ 1,846,721
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds.		9,168,868
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.		1,819,348
Deferred property tax revenues and special assessments that provide current financial resources for governmental activities.		335,484
Accrued expenses from the balance sheet that require current financial resources for governmental activities.		(8,654)
Accrued compensated absences not reported on the modified accrual basis.		(31,752)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		(2,216,659)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred Outflows of Resources	183,620	
Deferred Inflows of Resources	(211,758)	(28,138)
Other Post Employment Benefit Liabilities, and Net Pension Liabilities are not due and payable in the current period and therefore are not reported in the funds.		(487,810)
Total Net Position - Governmental Activities (page 14)		$ 10,397,408

CITY OF HAWARDEN, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2015

	General	TIF
Revenue:		
Taxes	$ 340,029	$ 489,564
Special Assessments	-	-
Licenses and Permits	22,766	-
Intergovernmental Revenue	112,961	-
Charges for Services	276,527	-
Fines and Forfeits	13,903	-
Contributions	7,907	23,000
Refunds/Reimbursements	12,057	-
Rental Income	38,418	-
Interest	1,571	1,448
Miscellaneous	1,767	-
Total Revenue	827,906	514,012
Expenditures:		
Public Safety	622,006	-
Public Works	319,224	-
Health and Social Services	-	-
Culture and Recreation	375,058	-
Community and Economic Development	34,957	59,091
General Government	99,925	-
Capital Projects	-	597
Debt Service	-	8,710
Total Expenditures	1,451,170	68,398
Excess (deficiency) of revenues over expenditures	(623,264)	445,614
Other financing sources (uses):		
Bond Proceeds	-	-
Premium on General Obligation Bonds Issued	-	-
Transfers In	734,396	-
Transfers Out	(5,250)	(442,057)
Total other financing sources (uses)	729,146	(442,057)
Net Change in Fund Balance	105,882	3,557
Fund balances - beginning of year	533,526	75,478
Fund balances - end of year	$ 639,408	$ 79,035

See Accompanying Notes to Financial Statements

Capital Projects Street Projects	Non-major Governmental Funds	Total Governmental Funds
$ -	$ 215,690	$ 1,045,283
-	72,183	72,183
-	-	22,766
-	605,987	718,948
-	-	276,527
-	-	13,903
-	4,476	35,383
-	-	12,057
-	-	38,418
1,114	6,469	10,602
2,738	325	4,830
3,852	905,130	2,250,900
-	11,768	633,774
-	32,000	351,224
-	320,359	320,359
-	9,451	384,509
-	-	94,048
-	-	99,925
1,268,868	104,452	1,373,917
17,512	264,951	291,173
1,286,380	742,981	3,548,929
(1,282,528)	162,149	(1,298,029)
1,210,000	-	1,210,000
16,931	-	16,931
230,874	247,823	1,213,093
(12,219)	(379,567)	(839,093)
1,445,586	(131,744)	1,600,931
163,058	30,405	302,902
(191,197)	1,126,012	1,543,819
$ (28,139)	$ 1,156,417	$ 1,846,721

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, 2015

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

Net change in fund balances - total governmental funds (page 21)		$ 302,902
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. Capital outlay exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	$ 1,238,662	
Depreciation expense	(307,331)	931,331
Revenues reported in the funds that are not available to provide current financial resources		284,464
Accrued interest expense that does not require current financial resources		(976)
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.		44,416
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Compensated absences	1,777	
Other post employment benefits	(1,602)	
Pension expense	103,736	103,911
The issuance of indebtedness provides current financial resources to the governmental funds without affecting net position. The statement of activities does not reflect the proceeds from the issuance of long-term debt. The proceeds from the issuance of long-term debt for the year was:		(1,226,931)
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:		198,758
The effect of bond issuance premiums are shown in the governmental funds when new debt is issued, wheras, these amounts are deferred and accreted in the Statement of Activities		141
Change in net position of governmental activities (page 16)		$ 638,016

CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF NET POSITION
Proprietary Funds
June 30, 2015

	Business Type Activities			
	Water Utility	Waste Water Treatment Utility	Electric Utility	Gas Utility
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ -	$ 97,917	$ 3,092,719	$ 557,243
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	21,076	20,548	3,565	17,488
Accrued Interest	-	2,292	1,143	-
Estimated Unbilled Usage	24,409	18,223	159,836	16,844
Special Assessments	8,322	-	-	-
Notes Receivable	-	-	-	-
Due from Other Funds	-	-	7,324	133,250
Investment in Joint Venture	-	-	889,456	-
Advances to Other Funds	-	98,206	50,046	-
Inventories	20,995	-	248,952	65,648
Prepaid Assets	6,908	5,921	23,477	5,538
Non-Current Assets:				
Restricted Assets:				
Cash and Cash Equivalents - Bond Reserve	-	-	503,155	-
Customer Deposits	-	-	-	60,853
Land	33,873	130	-	6
Construction in Progress	75,988	-	2,923,006	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	454,523	439,291	1,842,514	73,696
Total Assets	646,094	682,528	9,745,193	930,566
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Deferred Outflows	6,590	4,760	18,198	5,408
LIABILITIES				
Current Liabilities:				
Accounts Payable	46,141	7,103	182,820	14,404
Accrued Wages	2,905	2,262	16,952	2,827
Accrued Expenses	767	32	21,749	745
Due to Other Funds	133,958	-	144,899	-
Due to Other Governments	-	-	-	-
Payables from Restricted Assets:				
Customer Deposits	-	-	-	60,853
Accrued Revenue Bond Interest	-	-	16,607	-
Noncurrent Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	-	240,000	-
Compensated Absences	849	513	3,989	580
Due in more than one year:				
Revenue Bonds Payable	-	-	5,660,811	-
Net Pension Liability	14,037	10,139	38,761	11,518
Compensated Absences	3,396	2,053	15,957	2,320
Total Liabilities	202,053	22,102	6,342,545	93,247
DEFERRED INFLOWS OF RESOURCES				
Pension Related Deferred Inflows	7,600	5,489	20,987	6,237
NET POSITION				
Net Investment in Capital Assets	564,384	439,421	725,417	73,702
Restricted for:				
Revenue Bonds	-	-	486,548	-
Unrestricted	(121,353)	220,276	2,187,894	762,788
Total Net Position	$ 443,031	$ 659,697	$ 3,399,859	$ 836,490

See Accompanying Notes to Financial Statements

Business Type Activities				Governmental Activities
Telephone Utility	Cable/Internet Utility	Nonmajor Solid Waste Utility	Total	Internal Service
$ 208,907	$ 190,763	$ 71,772	$ 4,219,321	$ 576,704
24,671	22,291	13,296	122,935	-
-	-	-	3,435	-
-	-	10,429	229,741	-
-	-	-	8,322	-
-	-	-	-	87,248
-	-	-	140,574	11,649
-	-	33,776	923,232	-
-	-	-	148,252	470,000
102,728	67,370	-	505,693	-
7,550	5,405	837	55,636	-
-	-	-	503,155	-
4,577	-	-	65,430	-
-	-	22,085	56,094	-
205,578	16,703	-	3,221,275	-
182,648	183,462	-	3,176,134	703,722
736,659	485,994	152,195	13,379,229	1,849,323
6,513	5,298	-	46,767	-
145,304	33,176	10,300	439,248	29,975
5,938	2,374	-	33,258	-
2,220	1,404	9	26,926	-
-	-	-	278,857	-
6,792	-	-	6,792	-
4,577	-	-	65,430	-
-	-	-	16,607	-
-	-	-	240,000	-
1,789	643	-	8,363	-
-	-	-	5,660,811	-
13,873	11,286	-	99,614	
7,157	2,571	-	33,454	-
187,650	51,454	10,309	6,909,360	29,975
7,512	6,109	-	53,934	-
388,226	200,165	22,085	2,413,400	703,722
-	-	-	486,548	-
159,784	233,564	119,801	3,562,754	1,115,626
$ 548,010	$ 433,729	$ 141,886	$ 6,462,702	$ 1,819,348

CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Proprietary Funds
For the Year Ended June 30, 2015

	Business Type Activities			
	Water Utility	Waste Water Treatment Utility	Electric Utility	Gas Utility
Operating Revenues:				
Charges for Services	$ 285,170	$ 270,838	$ 2,304,622	$ 996,298
Total Operating Revenue	285,170	270,838	2,304,622	996,298
Operating Expenses:				
Resale Purchases	-	-	1,171,306	536,606
Employee Services	80,108	63,033	220,939	72,923
Contract Services	89,947	105,411	197,505	152,698
Supplies	41,424	15,617	34,301	31,117
Repairs and Improvements	181,272	36,954	30,432	18,053
Utilities	14,972	43,420	-	-
Miscellaneous	666	202	16,493	7,158
Depreciation	51,858	39,821	160,060	22,633
Total Operating Expenses	460,247	304,458	1,831,036	841,188
Operating Income (Loss)	(175,077)	(33,620)	473,586	155,110
Non-Operating Income (Expense):				
Interest Income	501	5,198	11,403	1,454
Other Non-operating Revenues	2,245	492	117,005	3,109
Interest Expense	-	-	(89,948)	-
Total Non-Operating Income (Expenses)	2,746	5,690	38,460	4,563
Income (Loss) Before Transfers	(172,331)	(27,930)	512,046	159,673
Transfers Out	(7,000)	(7,000)	(200,000)	(85,000)
Change in Net Position	(179,331)	(34,930)	312,046	74,673
Net Position - Beginning	641,012	708,097	3,139,312	777,120
Prior Period Adjustment	(18,650)	(13,470)	(51,499)	(15,303)
Net Position -Beginning, as restated	622,362	694,627	3,087,813	761,817
Net Position - Ending	$ 443,031	$ 659,697	$ 3,399,859	$ 836,490

See Accompanying Notes to Financial Statements

Business Type Activities				Governmental Activities
Telephone Utility	Cable/Internet Utility	Nonmajor Solid Waste Utility	Total	Internal Service
$ 466,598	$ 589,931	$ 171,605	$ 5,085,062	$ 188,898
466,598	589,931	171,605	5,085,062	188,898
123,554	355,520	141,191	2,328,177	-
75,786	59,694	-	572,483	-
262,819	119,957	15,564	943,901	-
15,697	11,613	-	149,769	-
9,419	24,884	-	301,014	75
15,976	-	-	74,368	-
2,107	2,805	68	29,499	-
10,562	15,283	-	300,217	150,624
515,920	589,756	156,823	4,699,428	150,699
(49,322)	175	14,782	385,634	38,199
1,550	521	178	20,805	6,217
2,024	1,728	503	127,106	-
-	-	-	(89,948)	-
3,574	2,249	681	57,963	6,217
(45,748)	2,424	15,463	443,597	44,416
-	(70,000)	(5,000)	(374,000)	-
(45,748)	(67,576)	10,463	69,597	44,416
612,191	516,299	131,423	6,525,454	1,774,932
(18,433)	(14,994)	-	(132,349)	-
593,758	501,305	131,423	6,393,105	1,774,932
$ 548,010	$ 433,729	$ 141,886	$ 6,462,702	$ 1,819,348

CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended June 30, 2015

	Business Type Activities			
	Water Utility	Waste Water Treatment Utility	Electric Utility	Gas Utility
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	$ 283,100	$ 271,670	$ 2,361,723	$ 1,017,930
Cash Received from Interfund Services Provided	-	-	-	-
Cash Paid to Suppliers for Goods and Services	(282,752)	(202,715)	(1,397,212)	(751,280)
Cash Paid to Employees for Services	(83,486)	(64,197)	(226,836)	(75,137)
Other Nonoperating Income	2,245	492	38,686	3,109
Net Cash Provided (Used) by Operating Activities	(80,893)	5,250	776,361	194,622
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and Construction of Capital Assets	(75,989)	-	(1,247,180)	-
Special Assessment Receipts	1,371	-	-	-
Principal Paid on Notes and Bonds	-	-	(330,000)	-
Capital Debt Proceeds	-	-	2,890,000	-
Premium on Capital Debt Issued	-	-	50,057	-
Bond Issue Costs	-	-	(41,460)	-
Interest Paid on Notes and Bonds	-	-	(40,248)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(74,618)	-	1,281,169	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Operating Transfers to Other Funds	(7,000)	(7,000)	(200,000)	(85,000)
Advances to Other Funds	-	13,695	21,675	-
Due From (To) Other Funds	126,634	-	-	-
Net Cash Provided (Used) for Non-Capital Financing Activities	119,634	6,695	(178,325)	(85,000)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and Dividends on Investments	501	5,549	11,973	1,454
Net Cash Provided for Investing Activities	501	5,549	11,973	1,454
Net Increase (Decrease) in Cash and Cash Equivalents	(35,376)	17,494	1,891,178	111,076
Cash and Cash Equivalents at Beginning of Year	35,376	80,423	1,704,696	507,020
Cash and Cash Equivalents at End of Year	$ -	$ 97,917	$ 3,595,874	$ 618,096

Business Type Activities				Governmental Activities
Telephone Utility	Cable/Internet Utility	Nonmajor Solid Waste Utility	Total	Internal Service
$ 464,793	$ 581,506	$ 171,180	$ 5,151,902	$ -
-	-	-	-	188,898
(445,108)	(518,375)	(157,688)	(3,755,130)	-
(78,250)	(62,089)	-	(589,995)	-
2,441	1,728	504	49,205	-
(56,124)	2,770	13,996	855,982	188,898
(75,689)	(23,497)	-	(1,422,355)	(135,760)
-	-	-	1,371	-
-	-	-	(330,000)	-
-	-	-	2,890,000	-
-	-	-	50,057	-
-	-	-	(41,460)	-
-	-	-	(40,248)	-
(75,689)	(23,497)	-	1,107,365	(135,760)
-	(70,000)	(5,000)	(374,000)	-
-	-	-	35,370	(300,000)
-	-	-	126,634	11,107
-	(70,000)	(5,000)	(211,996)	(288,893)
1,550	521	178	21,726	6,217
1,550	521	178	21,726	6,217
(130,263)	(90,206)	9,174	1,773,077	(229,538)
343,747	280,969	62,598	3,014,829	806,242
$ 213,484	$ 190,763	$ 71,772	$ 4,787,906	$ 576,704

(Continued)

CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF CASH FLOWS (Continued)
Proprietary Funds
For the Year Ended June 30, 2015

	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)	$ (175,077)	$ (33,620)	$ 473,586	$ 155,110
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	51,858	39,821	160,060	22,633
Amortization	-	-	7,222	-
Miscellaneous Non-Operating Income	2,245	492	38,686	3,109
(Increase) Decrease in Assets:				
Accounts Receivable	4,247	2,300	70,695	20,879
Estimated Unbilled Usage	(6,318)	(1,467)	(13,594)	3,020
Inventories	2,195	-	6,392	(5,808)
Prepaid Expenses	(300)	(270)	(274)	6,992
Increase (Decrease) in Liabilities				
Accounts Payable	43,747	(873)	19,567	(6,629)
Accrued Wages	140	579	3,049	678
Accrued Compensated Absences	85	859	2,055	64
Due To Other Governments	-	-	-	-
Accrued Expenses	(112)	32	18,866	(203)
Net Pension Liability	(8,284)	(5,983)	(22,874)	(6,798)
Deferred Outflows of Resources	(2,919)	(2,108)	(8,061)	(2,395)
Deferred Inflows of Resources	7,600	5,488	20,986	6,237
Customer Deposits	-	-	-	(2,267)
Total Adjustments	94,184	38,870	302,775	39,512
Net Cash Provided (Used) by Operating Activities	$ (80,893)	$ 5,250	$ 776,361	$ 194,622

Reconciliation of Cash and Cash Equivalents to the Balance Sheet:				
Cash and Cash Equivalents	$ -	$ 97,917	$ 3,092,719	$ 557,243
Customer Deposits	-	-	-	60,853
Restricted Cash and Cash Equivalents	-	-	503,155	-
	$ -	$ 97,917	$ 3,595,874	$ 618,096

Business Type Activities				Governmental Activities
Telephone Utility	Cable/Internet Utility	Nonmajor Solid Waste Utility	Total	Internal Service
$ (49,322)	$ 175	$ 14,782	$ 385,634	$ 38,199
10,562	15,283	-	300,217	150,624
-	-	-	7,222	-
2,441	1,728	504	49,205	
(1,236)	(8,425)	(335)	88,125	-
-	-	(90)	(18,449)	-
6,521	(4,358)	-	4,942	-
(218)	(199)	(7)	5,724	-
(13,729)	301	(179)	42,205	75
553	121		5,120	-
544	381		3,988	-
(9,830)	-	-	(9,830)	-
1,720	660	(679)	20,284	-
(8,188)	(6,663)		(58,790)	
(2,885)	(2,345)		(20,713)	
7,512	6,111		53,934	
(569)	-		(2,836)	-
(6,802)	2,595	(786)	470,348	150,699
$ (56,124)	$ 2,770	$ 13,996	$ 855,982	$ 188,898

$ 208,907	$ 190,763	$ 71,772	$ 4,219,321	$ 576,704
4,577	-	-	65,430	-
-	-	-	503,155	-
$ 213,484	$ 190,763	$ 71,772	$ 4,787,906	$ 576,704

CITY OF HAWARDEN, IOWA
STATEMENT OF FIDUCIARY NET POSITION
Fiduciary Funds
June 30, 2015

	Pension Trust Fund		
	Police Retirement Fund	Agency Funds	Total
ASSETS			
Cash and Pooled Investments	$ 4,140	$ 23,197	$ 27,337
Total Assets	4,140	23,197	27,337
LIABILITIES			
Accounts Payable	616	-	616
Due to Other Governments	-	23,197	23,197
Total Liabilities	616	23,197	23,813
NET POSITION			
Held in Trust for Pension Benefits	3,524	-	3,524
Total Net Position	$ 3,524	$ -	$ 3,524

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, 2015

	Pension Trust Fund Police Retirement Fund
ADDITIONS	
Contributions:	
Employer	$ 11,768
Total Contributions	11,768
Investment Income:	
Interest, Dividends and Market Gain	9
Net Investment Income	9
Total Additions	11,777
DEDUCTIONS	
Pension Benefits	11,538
Total Deductions	11,538
Net Increase	239
Net Position-- Beginning of Period	3,285
Net Position -- End of Period	$ 3,524

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.

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

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

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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories.

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

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

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

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

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

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

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

The City reported the following major governmental funds.

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

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

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

The Capital Project Street Fund is used to account for all resources used in the acquisition and construction of various city street projects.

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.

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

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

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

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

D. Assets, 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

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2015 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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects tax asking contained in the budget certified to the County Board of Supervisors March, 2014.

Customer Accounts and Unbilled Usage – Accounts receivable are recorded at the time the service is billed, net of an allowance for doubtful accounts of $23,963 at June 30, 2015. 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 $654,448 at June 30, 2015.

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, 2015, 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 2015 were $157,322 of which $67,374 is capitalized.

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

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

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

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

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded for this time and any related benefits when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

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

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:

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

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

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

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

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

Unassigned – All amounts not included in other spendable classifications.

Budgets and Budgetary Accounting – The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures for the year ended June 30, 2015 exceeded amounts budgeted in the debt service and health and social service functions.

Note 2 - POOLED CASH, INVESTMENTS AND CASH EQUIVALENTS

The City's deposits in banks at June 30, 2015 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.

Summary financial information of the joint venture for the year ended December 31, 2014 follows:

	Total	City Share
Assets	$ 9,906,877	$1,164,058
Liabilities	177,545	20,862
Equity	9,729,332	1,143,196
	9,906,877	1,164,058
Revenues	1,901,376	223,412
Expenses	1,141,574	134,135
Net Increase in Equity	$ 759,802	$ 89,277

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, 2015 was as follows:

Primary Government	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 363,031	$ -	$ -	$ 363,031
Construction in Progress-infrastructure	893,368	1,232,552	2,125,920	-
Total capital assets not being depreciated	1,256,399	1,232,552	2,125,920	363,031
Capital assets being depreciated:				
Buildings	4,895,012	-	-	4,895,012
Improvements other than buildings	1,356,608	-	-	1,356,608
Equipment and vehicles	3,073,698	181,600	153,328	3,101,970
Infrastructure, road network	5,691,683	2,125,920	-	7,817,603
Total capital assets being depreciated	15,017,001	2,307,520	153,328	17,171,193
Less: Accumulated Depreciation for:				
Buildings	2,527,327	104,793	-	2,632,120
Improvements other than buildings	655,236	37,014	-	692,250
Equipment and vehicles	2,310,283	170,647	142,498	2,338,432
Infrastructure, road network	1,853,331	145,501	-	1,998,832
Total Accumulated Depreciation	7,346,177	457,955	142,498	7,661,634
Total capital assets being depreciated, net	7,670,824	1,849,565	10,830	9,509,559
Governmental activities capital assets, net	$ 8,927,223	$ 3,082,117	$ 2,136,750	$ 9,872,590
Business-Type Activities:				
Capital assets not being depreciated:				
Land	$ 56,094	$ -	$ -	$ 56,094
Construction in Progress	1,631,675	1,589,600	-	3,221,275
Total capital assets not being depreciated	1,687,769	1,589,600	-	3,277,369
Capital assets being depreciated:				
Buildings	142,376	-	-	142,376
Utility Plant	14,910,028	20,569	-	14,930,597
Total capital assets being depreciated	15,052,404	20,569	-	15,072,973
Less: Accumulated Depreciation for:				
Buildings	105,567	3,276	-	108,843
Utility Plant	11,491,055	296,941	-	11,787,996
Total Accumulated Depreciation	11,596,622	300,217	-	11,896,839
Total capital assets being depreciated, net	3,455,782	(279,648)	-	3,176,134
Business-Type activities capital assets, net	$ 5,143,551	$ 1,309,952	$ -	$ 6,453,503

Note: Investment in NW Iowa Solid Waste is to be carried forward at the amount of $33,776.

Note 4 -CAPITAL ASSETS – (Continued)

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

Governmental Activities:	
Culture & Recreation	$ 81,899
General Government	167,025
Health & Social Services	1,295
Public Safety	45,683
Public Works	162,053
Total depreciation expense – governmental activities	$ 457,955

The governmental depreciation expense amount shown above includes $150,624 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	$ 15,283
Electric	160,060
Gas	22,633
Telephone	10,562
Waste Water	39,821
Water	51,858
Total depreciation expense – business type activities	$ 300,217

Discretely presented component unit	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets not being depreciated:				
Land	$ 172,313	$ -	$ -	$ 172,313
Construction-in-Progress	468,215	1,098,366	-	1,566,581
Total capital assets, not being depreciated	640,528	1,098,366	-	1,738,894
Capital assets being depreciated:				
Land Improvements	54,997	-	-	54,997
Hospital	1,556,820	-	-	1,556,820
Fixed Equipment	620,022	-	-	620,022
Major Moveable Equipment	1,887,228	213,876	-	2,101,104
Electronic health record-non-meaningful use	5,473	-	139,248	144,721
Electronic health record-meaningful use	626,493	14,595	(139,248)	501,840
Total capital assets being depreciated	4,751,033	228,471	-	4,979,504
Less: Accumulated Depreciation for:				
Land Improvements	37,610	1,794	-	39,404
Hospital	1,235,879	35,712	-	1,271,591
Fixed Equipment	464,714	18,884	-	483,598
Major Moveable Equipment	1,415,534	147,281	-	1,562,815
Electronic health record-non-meaningful use	6,627	20,805	11,604	39,036
Electronic health record-meaningful use	58,941	72,018	(11,604)	119,355
Total Accumulated Depreciation	3,219,305	296,494	-	3,515,799
Total capital assets being depreciated, net	1,531,728	(68,023)	-	1,463,705
Total capital assets, net	$ 2,172,256	$ 1,030,343	$ -	$ 3,202,599

Total depreciation expense – discretely presented component unit	$ 296,494

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	-	3,221,275	1,566,581
Capital Assets (net of accumulated depreciation)	9,509,559	3,176,134	1,463,705
Less:			
General Obligation Bonds Payable	2,216,659	-	-
Revenue Bonds	-	5,900,811	-
Note Payable (Asset Purchase Agreement)	-	-	813,780
Add:			
Unspent Bond Proceeds	-	1,860,708	-
	$ 7,655,931	$ 2,413,400	$ 2,388,819

Note 5 - CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2015 is a follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Due Within One Year
Governmental activities:					
Compensated Absences	$ 33,529	$ 4,929	$ 6,706	$ 31,752	$ 6,350
General Obligation Bonds/Notes	843,461	1,210,000	116,208	1,937,253	228,342
General Obligation Refunding Note	345,166	-	82,550	262,616	85,256
General Obligation Bond Premiums	-	16,931	141	16,790	-
Net Pension Liability	710,246	-	234,166	476,080	-
Other Post Employment Benefit	10,128	1,602	-	11,730	-
	$ 1,942,530	$ 1,233,462	$ 439,771	$ 2,736,221	$ 319,948
Business type activities:					
Revenue notes	$ 3,360,000	$ 2,890,000	$ 330,000	$ 5,920,000	$ 240,000
Revenue Notes Premiums	-	50,057	209	49,848	-
Revenue Notes Discounts	(76,259)	-	7,222	(69,037)	-
Compensated Absences	37,829	11,553	7,565	41,817	-
Net Pension Liability	158,402	-	58,788	99,614	-
	$ 3,479,972	$ 2,951,610	$ 403,784	$ 6,042,242	$ 240,000

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Due Within One Year
Discretely Presented Component Unit:					
Note Payable (Asset Purchase Agreement)	$ 700,000	$ -	$ 100,000	$ 600,000	$ 100,000
Capital Lease Obligation	218,468	-	55,538	162,930	55,538
Construction Note Payable	-	50,850	-	50,850	-
Net Pension Liability	1,984,830	-	324,724	1,660,106	-
	$ 2,903,298	$ 50,850	$ 480,262	$ 2,473,886	$ 155,538

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

General Obligation Bonds/Notes

Four issues of unmatured general obligation bonds/notes, totaling $2,216,659 are outstanding at June 30, 2015. General obligation bonds/notes bear interest at rates ranging from 2.56-4.25% and mature in varying annual amounts, ranging from $50,000 to $135,000, with the final maturities due in the year ending June 1, 2025.

On July 9, 2014, the City issued $1,210,000 of general obligation corporate purpose bonds Series 2014A with an average interest rate of 2.56%, with annual maturities from June 2016 through 2025. The net proceeds were used to fund the 16th Street project.

The general obligation bonds outstanding on the Statement of Net Position are shown net of bond premiums of $16,790. The debt service fund is used to pay all general obligation debt.

Details of general obligation bonds/notes payable at June 30, 2015 are as follows:

Governmental Activities:	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2015
General obligation bonds/notes:						
General Corporate Purpose	August 20,2009	4.25%	June 1, 2019	$ 50,000	$ 500,000	$ 200,000
General Corporate Purpose	November 30, 2011	3.20%	June 1, 2022	84,627	750,000	527,253
General Corporate Purpose	July 9, 2014	2.56%	June 1, 2025	110,000-135,000	1,120,000	1,210,000
General Obligation Refunding Note	June 1, 2010	3.25%	June 1, 2018	74,000-89,500	650,000	262,616
						$ 2,199,869

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
2016	$ 313,598	$ 60,871	$ 374,469
2017	323,595	51,549	375,144
2018	327,132	41,963	369,095
2019	240,170	33,020	273,190
2020	197,595	26,701	224,296
2021-2025	797,779	62,313	860,092
Total	$ 2,199,869	$ 276,417	$ 2,476,286

Revenue Notes

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

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

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

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, 2015	Actual Balance June 30, 2015
Electric	Electric Revenue Sinking Fund	$ 20,912	$ 20,912
Electric	Bond and Interest Reserve	336,000	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, 2015 are as follows:

Business Type Activities	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2015
Revenue Notes:						
Electric Improvement and Refunding	Nov. 30, 2011	2.55-4.3%	June 1, 2031	$ 155,000-430,000	$ 4,615,000	$ 3,030,000
Electric Improvements	May 5, 2015	1-4%	June 1, 2034	85,000-415,000	2,890,000	2,890,000
						$ 5,920,000

The revenue notes outstanding on the Statement of Net Position is shown less bond discounts of $69,038 and an addition of bond premiums of $49,849 for a net subtraction of $19,189.

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

Year Ending June 30	Principal	Interest	Total
2016	$ 240,000	$ 192,764	$ 432,764
2017	250,000	182,913	432,913
2018	255,000	179,095	434,095
2019	260,000	174,263	434,263
2020	265,000	168,912	433,912
2021-2025	1,420,000	738,562	2,158,562
2026-2030	1,660,000	495,825	2,155,825
2031-2034	1,570,000	156,150	1,726,150
Total	$ 5,920,000	$ 2,288,484	$ 8,208,484

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

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

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

Lease Obligation Note

During 2014, the Hospital entered into a capital lease obligation at an imputed interest rate of .99%. Monthly payments of $4,628 are to be made through August 2014, and are collateralized by leased equipment with a cost of $264,750.

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.

Construction Payable

On August 21, 2014, the Hospital entered into a Hospital Revenue Project Note, Series 2014A with a local financial institution to provide financing up to $500,000 during the construction phase of the addition and remodel of the hospital. The principal amount of the note payable will be paid with future USDA financing when the project is completed. Interest only payments are to be paid on the outstanding principal balance during the construction phase at a rate of 2.95%

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

2016	$ 155,538
2017	206,388
2018	151,854
2019	150,000
2020	150,000
	$ 813,780

Note 6 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Tax Increment Financing Revenue	$ 62,500
	Non-Major Governmental	331,896
	Enterprise:	
	Electric	190,000
	Gas	75,000
	Cable/Internet	70,000
	Non-Major Enterprise	5,000
		734,396
Capital Projects - Street	Tax Increment Financing	230,874
Non-Major Funds	General	5,250
	Special Revenue:	
	Tax Increment Financing Revenue	148,683
	Capital Project	
	Street Projects	12,219
	Non-Major Governmental	47,671
	Enterprise:	
	Water	7,000
	Electric	10,000
	Gas	10,000
	Wastewater	7,000
		247,823
Total Transfers		$ 1,213,093

Note 6 - INTERFUND TRANSFERS - (Contnued)

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, 2015, 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, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
Governmental:	Governmental:	
General	Capital Project	$ 24,939
	Enterprise:	
	Water	126,634
Enterprise:	Enterprise:	
Gas	Electric	133,250
Electric	Water	7,324
Internal Service:	Enterprise:	
Capital Equipment	Electric	11,649
		$ 303,796

The detail of long-term advances to and from other funds at June 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
Enterprise:	Special Revenue:	
Electric	Tax Increment Financing	$ 50,046
Wastewater	Tax Increment Financing	98,206
Internal Service	Tax Increment Financing	470,000
		$ 618,252

Note 8 - PENSION PLAN

Summary of Significant Accounting Policies & Pensions Totals

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

Method used to Value Investments

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

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

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

Pension Totals

At June 30, 2015, the City recognized the following amounts related to pensions in financial statements prepared using the economic resources measurement focus and accrual basis of accounting (expressed in thousands):

	Defined Benefit			
	Cost-Sharing, Multiple Employer		Single Employer	
	IPERS – Primary Government	IPERS – Discretely Presented Component Units	PRS	Total
Net Pension Liability	$ 490.7	$ 1,660.1	$ 85.0	$ 2,235.80
Deferred Outflows of Resources Related to Pensions	230.4	634.3	-	864.7
Deferred Inflows of Resources Related to Pensions	265.7	633.1	-	898.8
Pension Expense for the Period Associated with Net Pension Liabilities	(126.0)	164.4	8.43	47.3

Iowa Public Employees' Retirement System (IPERS)

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

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The

Note 8 - PENSION PLAN - (Continued)

following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits

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

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

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

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

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.

- The member's highest three-year average salary.

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

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

Disability and Death Benefits

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

Note 8 - PENSION PLAN - (Continued)

Contributions

Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30 year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protective occupation members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.80 percent.

The City's total contributions to IPERS for the year ended June 30, 2015 were $177,108 and for the component unit total contributions were $269,496.

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

At June 30, 2015, the City reported a liability of $490,738 and the component unit reported $1,660,106 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's collective proportion was 0.0123739 percent and 0.041020 percent for the component unit, which was a decrease of 0.001217 from its proportion measured as of June 30, 2013. The component unit showed an increase of 0.005965 percent from 2013.

For the year ended June 30, 2015, the City and component unit recognized pension expense of ($125,958) and $164,922, respectively. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	City's Share	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,919	$ 4,857
Changes of assumptions	24,038	116
Net difference between projected and actual earnings on pension plan investments	-	260,719
Changes in proportion and differences between City contributions and proportionate share of contributions	23,322	-
City contributions subsequent to the measurement date	177,108	-
Total	$ 230,387	$ 265,692

Note 8 - PENSION PLAN - (Continued)

	Component Unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 18,042	$ -
Changes of assumptions	73,264	-
Net difference between projected and actual earnings on pension plan investments	-	633,117
Changes in proportion and differences between Hospital's contributions and proportionate share of contributions	273,525	-
Hospital's contributions subsequent to the measurement date	269,496	-
Total	$ 634,327	$ 633,117

$177,108 and $269,496 reported as deferred outflows of resources related to pensions resulting from the City and component unit contributions, respectively subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	City	Component Unit
2016	$ (53,894)	$ (136,946)
2017	(53,894)	(136,946)
2018	(53,894)	(136,946)
2019	(53,894)	(136,946)
2020	3,163	5,973
	$ (212,413)	$ (541,811)

There were no non-employer contributing entities of IPERS.

Actuarial assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Salary Increases (effective June 30, 2014)	4.00 - 17 percent average, including inflation. Rates vary by membership group.
Investment Rate of Return (effective June 30, 2014)	7.50 percent per annum, compounded annually, net of pension plan investment expense, and including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates (expected

Note 8 - PENSION PLAN - (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

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

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

	1% Decrease 6.5%	Discount Rate 7.5%	1% Increase 8.5%
Proportionate Share of the Net Pension Liability (Asset)			
City	$ 1,085,967	$ 490,738	$ (11,539)
Component Unit	3,263,601	1,660,106	306,816

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report which is available on IPERS' website at www.ipers.org.

Payables to the pension plan

At June 30, 2015, the component unit reported payables to the defined benefit pension plan of $23,076 for legally required employer contributions and $15,375 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 8 - PENSION PLAN - (Continued)

Police Retirement System

Police Pension - The City maintains a single-employer, defined benefit pension plan (police retirement system), which was organized under Chapter 410 of the Code of Iowa. Police personnel who were in the employment of the City prior to July 1, 1971, are eligible to participate in the plan. Any eligible participant may be entitled to benefits if such member has served 22 years or more and shall have reached the age of 50 years; or who shall, while a member of the department, become mentally or physically permanently disabled while performing his duties. The salary benefit is equal to one-half the amount of salary received by him monthly at the date he actually retires from the department. Benefits are increased subsequent to retirement by 50% of any increase in the pension benefits for the rank at which the member retired. In the event of the death of a retired participant, the benefit paid to a surviving spouse is reduced to 50% of the retiree's benefit. Presently, the City has only one individual who qualifies as a participant because of the employment of their spouse prior to July 1, 1971. The payroll for employees covered by the system was $-0- and the City's total payroll for the police department was $236,510.

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, 2015.

Net Pension Obligation	
Retirees and Beneficiaries Currently Receiving Benefits	$ 88,480
Net Position Available for Benefits	3,524
	$ 84,956

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

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

The unfunded actuarial present value of credited projected benefits is $88,480.

Note 8 - PENSION PLAN - (Continued)

The City's contribution for the year was $11,450 as required by the pay-as-you-go method of funding. This $11,450 was paid by the City as required. The amount was not actuarially determined.

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement:

Discount Rate:	8.00%
Assumed Future Benefit Increase:	2.5%

Post retirement mortality rates were based on the RP-200 Mortality Table projected to 2020 (female).

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

Note 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 2014-2015 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 - 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
2016	$ 11,444
2017	11,792
2018	12,150
2019	12,519
2020	12,901
2021-2023	26,442
Total Note Receivable	$ 87,248

Note 10 - NOTES RECEIVABLE - (Continued)

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, 2015 consisted of $233,576 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, 2015. During fiscal year ended June 30, 2015, the City made an additional $60,000 loan to Rosa Zamora through this program. No payments were made in fiscal year 2015 towards this loan. This loan is scheduled to be repaid over 15 years, with monthly payments at 2% interest.

Fiscal Year	Principal
2016	$ 41,232
2017	42,441
2018	42,512
2019	42,585
2020	42,658
2021-2025	58,728
2026-2030	21,882
2031	1,538
Total Note Receivable	$ 293,576

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 $15,429 as of June 30, 2015. The other loan was made to Hoogestrat for $30,000 and had a balance of $16,851 as of June 30, 2015. Each loan is scheduled to be repaid over 7 years, with monthly payments, at 3% interest.

Fiscal Year	Principal
2016	$ 8,664
2017	8,927
2018	9,200
2019	5,489
Total Note Receivable	$ 32,280

Note 11 - RELATED PARTY TRANSACTIONS

Hawarden Community Clinic

Effective January 1, 2005, Hawarden Regional Healthcare and Mercy Medical Services (MMS) entered into a joint venture whereby each partner has a 50% sponsorship interest in Hawarden Regional Healthcare Clinics, LLC, (HRHC). The Hawarden Regional Healthcare and MMS share equally in the net income (loss) of HRHC. The Hospital's share of Hawarden Clinic's (HC) 2015 and 2014 (from January 1 through June 30) operating loss was $123,474 and $101,211, 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 2015 and 2014 was $395,676 and $387,527, 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 $70,000 and $50,000 in 2015 and

Note 11 - RELATED PARTY TRANSACTIONS - (Continued)

2014, respectively and monthly rent totaling $27,600 for the years ended June 30, 2015 and 2014. These amounts are included in other revenue.

HC owed the Hospital $319,726 and $558,545 at June 30, 2015 and 2014, 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 2015 and 2014 operating loss was $30,869 and $23,914, 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 2015 and 2014 was $50,915 and $50,716, 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 2015 and 2014. These fees are included in other revenue.

The Hospital owed ICC $4,088 and $18,308 at June 30, 2015 and 2014, repsectively. These amounts are recorded in due from related party on the balance sheet.

Note 12 - 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 13 – 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.

Note 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2015, 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	10,128
Net OPEB obligation end of year	$ 11,730

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, 2015.

For the year ended June 30, 2015, the City contributed $-0- to the medical plan. Plan members eligible for benefits did not contribute any of the premium costs.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	$ 2,308	0.0%	$ 6,924
June 30, 2013	$ 1,602	0.0%	$ 8,526
June 30, 2014	$ 1,602	0.0%	$ 10,128
June 30, 2015	$ 1,602	0.0%	$ 11,730

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 $1,251,056 and the ratio of the UAAL to covered payroll was 1.040%. As of June 30, 2015, 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

Note 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)

each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the June 30, 2013 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 14 – CONSTRUCTION COMMITMENTS

During the year ended June 30, 2015, and in previous years, the City had entered into several construction contracts totaling approximately $3,267,925 of which approximately $2,160,000 had been expended. The remaining balance will be paid as work progresses on the projects.

Note 15 – DEFICIT FUND EQUITY

The City has one fund with a deficit balance at June 30, 2015. The City intends to fund this through various resources including the general fund and grant funding.

The individual fund deficit was as follows:

Capital Project Street Project	$ 28,139

Note 16 – SUBSEQUENT EVENT

On August 5, 2015, MBMECA entered into an agreement with its participating municipal members to terminate the joint venture. Each member city is due to receive their respective unamortized transmission capacity balance. Hawarden is due $740,029 from this dissolution.

On September 1, 2015, the Hospital agreed to terms with a local financial institution on a 6 year note payable for a total of $360,000. The note will have a two year principal deferral, followed by annual payments of $90,000 at an interest rate of 0%.

NOTE 17 – ACCOUNTING CHANGE / RESTATEMENT

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension

NOTE 17 – ACCOUNTING CHANGE / RESTATEMENT (Continued)

liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities	Component Unit
Net Position June 30, 2014, as previously reported	$ 10,367,346	$ 6,525,454	$ 5,963,701
Net Pension Liability at June 30, 2014	(710,246)	(158,402)	(1,984,830)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	102,292	26,053	244,602
Net Position June 30, 2014, as restated	$ 9,759,392	$ 6,393,105	$ 4,223,473

REQUIRED SUPPLEMENTARY INFORMATION

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	5/27/15 Amendment	Amended Budget
Public Safety	$ 611,273	$ 35,671	$ 646,944
Public Works	393,247	-	393,247
Health and Social Services	300,000	16,500	316,500
Culture and Recreation	385,144	11,080	396,224
Community and Economic Development	92,297	30,970	123,267
General Government	102,648	2,400	105,048
Debt Service	237,870	-	237,870
Capital Projects	1,340,000	94,110	1,434,110
Business Type Activities	15,770,381	430,000	16,200,381
Transfer Out	1,139,326	819,494	1,958,820

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, 2015

	Governmental Fund Types	Proprietary Fund Types	Primary Government Total
Revenue:			
Property Taxes	$ 1,045,283	$ -	$ 1,045,283
Special Assessments	72,183	-	72,183
Licenses	22,766	-	22,766
Intergovernmental	718,948	-	718,948
Charges	276,527	5,273,960	5,550,487
Fines	13,903	-	13,903
Contributions	35,383	-	35,383
Refunds	12,057	-	12,057
Rental Income	38,418	-	38,418
Interest	10,602	27,022	37,624
Miscellaneous	4,830	127,106	131,936
Total Revenue	2,250,900	5,428,088	7,678,988
Expenditures:			
Public Safety	633,774	-	633,774
Public Works	351,224	-	351,224
Health and Social Services	320,359	-	320,359
Culture and Recreation	384,509	-	384,509
Community and Economic Development	94,048	-	94,048
General Government	99,925	-	99,925
Capital Projects	1,373,917	-	1,373,917
Debt Service	291,173	-	291,173
Business Type Activities	-	4,940,075	4,940,075
Total Expenditures/Expenses	3,548,929	4,940,075	8,489,004
Excess (deficiency) of revenues over expenditures	(1,298,029)	488,013	(810,016)
Other financing sources (uses):			
Transfers from Other Funds	1,213,093	-	1,213,093
Proceeds from Debt Financing	1,226,931	-	1,226,931
Transfers to Other Funds	(839,093)	(374,000)	(1,213,093)
Total other financing sources (uses)	1,600,931	(374,000)	1,226,931
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures/Expenses and Other (Uses)	302,902	114,013	416,915
Fund Balance/Retained Earnings at Beginning of Year	1,543,819	8,300,386	9,844,205
Prior Period Adjustment	-	(132,349)	(132,349)
Fund Balance/Retained Earnings at End of Year	$ 1,846,721	$ 8,282,050	$ 10,128,771

Hawarden Community Hospital	Reporting Entity Total	Original Budget	Final Amended Budget	Variance
$ -	$ 1,045,283	$ 1,359,367	$ 1,375,867	$ (330,584)
-	72,183	-	-	72,183
-	22,766	24,350	24,350	(1,584)
320,359	1,039,307	339,424	388,469	650,838
8,208,334	13,758,821	14,758,402	15,024,402	(1,265,581)
-	13,903	-	-	13,903
1,856,988	1,892,371	-	-	1,892,371
-	12,057	-	-	12,057
-	38,418	-	-	38,418
9,010	46,634	18,802	36,802	9,832
110,742	242,678	44,420	67,420	175,258
10,505,433	18,184,421	16,544,765	16,917,310	1,267,111
-	633,774	611,273	646,944	13,170
-	351,224	393,247	393,247	42,023
-	320,359	300,000	316,500	(3,859)
-	384,509	385,144	396,224	11,715
-	94,048	92,297	123,267	29,219
-	99,925	102,648	105,048	5,123
-	1,373,917	1,340,000	1,434,110	60,193
-	291,173	237,870	237,870	(53,303)
7,969,655	12,909,730	15,770,381	16,200,381	3,290,651
7,969,655	16,458,659	19,232,860	19,853,591	3,394,932
2,535,778	1,725,762	(2,688,095)	(2,936,281)	(2,127,821)
-	1,213,093	1,139,326	1,958,820	745,727
-	1,226,931	3,315,000	3,315,000	2,088,069
-	(1,213,093)	(1,139,326)	(1,958,820)	(745,727)
-	1,226,931	3,315,000	3,315,000	2,088,069
2,535,778	2,952,693	626,905	378,719	(2,573,974)
5,963,701	15,807,906			
(1,740,228)	(1,872,577)			
$ 6,759,251	$ 16,888,022			

CITY OF HAWARDEN, IOWA
POST EMPLOYMENT HEALTHCARE BENEFITS
SCHEDULE OF FUNDING PROGRESS
For the Year Ended June 30, 2015

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

* 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
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM LAST FISCAL YEAR*
(IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

	2015	
	City	Component Unit
Entity's proportion of the net pension liability	0.0123739%	0.041020%
Entity's proportionate share of the net pension liability	$ 491	$ 1,660
Entity's covered-employee payroll	$ 1,120	$ 3,012
Entity's proportionate share of the net pension liability as a percentage of its covered employee payroll	43.84%	55.11%
Plan fiduciary net position as a percentage of the total pension liability	87.61%	87.61%

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

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

CITY OF HAWARDEN, IOWA
SCHEDULE OF THE CITY'S CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN YEARS (IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

City	**2015**	**2014**	**2013**	**2012**	**2011**
Statutorily required contribution	$ 106	$ 103	$ 99	$ 97	$ 92
Contributions in relation to the statutorily required contribution	(106)	(103)	(99)	(97)	$ (92)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Entity's covered employee payroll	$ 1,159	$ 1,120	$ 1,102	$ 1,138	$ 1,194
Contributions as a percentage of covered-employee payroll	9.15%	9.20%	8.98%	8.52%	7.71%

City	**2010**	**2009**	**2008**	**2007**	**2006**
Statutorily required contribution	$ 86	$ 79	$ 71	$ 65	$ 64
Contributions in relation to the statutorily required contribution	(86)	(79)	(71)	(65)	(64)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Entity's covered employee payroll	$ 1,209	$ 1,162	$ 1,094	$ 1,025	$ 1,014
Contributions as a percentage of covered-employee payroll	7.11%	6.80%	6.49%	6.34%	6.31%

Component Unit	**2015**	**2014**	**2013**	**2012**	**2011**
Statutorily required contribution	$ 269	$ 245	$ 190	$ 186	$ 140
Contributions in relation to the statutorily required contribution	(269)	(245)	(190)	(186)	(140)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Hospital's covered employee payroll	$ 3,012	$ 2,744	$ 2,197	$ 2,300	$ 2,009
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%

Component Unit	**2010**	**2009**	**2008**	**2007**	**2006**
Statutorily required contribution	$ 123	$ 121	$ 99	$ 99	$ 94
Contributions in relation to the statutorily required contribution	(123)	(121)	(99)	(99)	(94)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Hospital's covered employee payroll	$ 1,850	$ 1,906	$ 1,636	$ 1,722	$ 1,635
Contributions as a percentage of covered-employee payroll	6.65%	6.35%	6.05%	5.75%	5.75%

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

	2015	2014
Total pension liability		
Differences between expected & actual experience	$ 8,430	$ 8,382
Benefit payments, including refunds of employee contributions	(11,538)	(11,235)
Net change in total pension liability	(3,108)	(2,853)
Total pension liability – beginning	91,588	94,441
Total pension liability – ending (a)	$ 88,480	$ 91,588
Plan fiduciary net position		
Contributions – employer	11,768	11,783
Contributions - employee	-	-
Net investment income	9	13
Benefit payments, including refunds of employee contributions	(11,538)	(11,235)
Administrative expense	-	(600)
Net change in fiduciary net position	239	(39)
Plan fiduciary net position - beginning	3,285	3,324
Plan fiduciary net position – ending (b)	$ 3,524	$ 3,285
Net pension liability – ending (a) – (b)	$ 84,956	$ 88,303
Plan fiduciary net position as percentage of the total pension liability	3.98%	3.58%
Covered-employee payroll	-	-

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

See accompanying independent auditors' report.

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

	2015	2014	2013	2012	2011
Required pay-as-you-go	$ 11,538	$ 11,235	$ 10,998	$ 10,863	$ 10,699
Actual employer contribution	(11,538)	(11,235)	(10,998)	(10,863)	(10,699)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ -	$ -	$ -	$ -	$ -

	2010	2009	2008	2007	2006
Required pay-as-you-go	$ 10,379	$ 10,155	$ 11,635	$ 19,810	$ 21,980
Actual employer contribution	(10,379)	(10,155)	(11,635)	(19,810)	(21,980)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ -	$ -	$ -	$ -	$ -

See Notes to Required Supplementary Information – Schedules of Contributions.

IPERS

Changes of Benefit Terms:

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

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

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of Assumptions

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

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

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

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

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Police Retirement System (PRS)

Valuation date: July 1, 2015.

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

OTHER SUPPLEMENTARY INFORMATION

CITY OF HAWARDEN, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
JUNE 30, 2015

	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	$ 41,083	$ 13,387	$ -	$ 33,544	$ 96,988	$ 1,621
Receivables (Net, where applicable, of allowance for uncollectibles)						
Taxes	-	2,158	-	-	-	1,164
Subsequent Year Taxes	-	128,205	-	-	-	93,104
Accrued Interest	-	-	-	-	-	-
Special Assessments	-	-	-	-	-	-
Notes Receivable	-	-	-	32,280	293,576	-
Due from Other Governmental Agencies	26,179	-	50,534	-	-	-
Restricted Assets:						
Donor Restricted Investments	-	-	-	-	-	-
Total Assets	67,262	143,750	50,534	65,824	390,564	95,889
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities:						
Accounts Payable	-	-	50,534	-	-	-
Total Liabilities	-	-	50,534	-	-	-
Deferred Inflows of Resources						
Unavailable Revenue- subsequent year taxes	-	128,205	-	-	-	93,104
Unavailable Revenue- special assessments	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	128,205	-	-	-	93,104
Fund Balances (Deficits):						
Nonspendable:						
Library Endowment	-	-	-	-	-	-
Restricted for:						
Debt Service	-	-	-	-	-	2,785
Road Surface Repairs	67,262	-	-	-	-	-
Employee Benefits	-	15,545	-	-	-	-
Revolving Loan Fund	-	-	-	65,824	390,564	-
Low-Moderate Income Project	-	-	-	-	-	-
Library Endowment	-	-	-	-	-	-
Assigned for:						-
Capital Improvement	-	-	-	-	-	-
Mapping	-	-	-	-	-	-
Capital Improvement and Facilities	-	-	-	-	-	-
Total Fund Balances	67,262	15,545	-	65,824	390,564	2,785
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	$ 67,262	$ 143,750	$ 50,534	$ 65,824	$ 390,564	$ 95,889

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
$ 8,074	$ 14,131	$ 73,526	$ 286,234	$ 61,106	$ 4,158	$ 804	$ 31,390	$ 666,046
-	-	-	-	-	-	-	-	3,322
-	-	-	-	-	-	-	-	221,309
-	-	-	-	-	-	-	198	198
-	-	324,746	-	-	-	-	-	324,746
-	-	-	-	-	-	-	-	325,856
-	-	-	-	-	-	-	-	76,713
-	-	-	-	-	-	-	134,816	134,816
8,074	14,131	398,272	286,234	61,106	4,158	804	166,404	1,753,006
-	-	-	-	-	-	-	-	50,534
-	-	-	-	-	-	-	-	50,534
-	-	-	-	-	-	-	-	221,309
-	-	324,746	-	-	-	-	-	324,746
-	-	324,746	-	-	-	-	-	546,055
-	-	-	-	-	-	-	134,945	134,945
-	-	-	-	-	-	-	-	2,785
-	-	-	-	-	-	-	-	67,262
-	-	-	-	-	-	-	-	15,545
-	-	-	-	-	-	-	-	456,388
-	-	-	-	-	-	804	-	804
-	-	-	-	-	-	-	31,459	31,459
8,074	-	73,526	-	-	-	-	-	81,600
-	-	-	-	-	4,158	-	-	4,158
-	14,131	-	286,234	61,106	-	-	-	361,471
8,074	14,131	73,526	286,234	61,106	4,158	804	166,404	1,156,417
$ 8,074	$ 14,131	$ 398,272	$ 286,234	$ 61,106	$ 4,158	$ 804	$ 166,404	$ 1,753,006

CITY OF HAWARDEN, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
JUNE 30, 2015

	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	$ -	$ 130,278	$ -	$ -	$ -	$ 85,412
Special Assessments	-	-	-			-
Intergovernmental Revenue	271,275	8,365	320,359	-	-	5,988
Contributions	-	-	-	-	-	-
Interest	-	-	-	1,223	580	100
Miscellaneous	-	-	-	-	-	-
Total Revenue	271,275	138,643	320,359	1,223	580	91,500
Expenditures:						
Public Safety	-	11,768	-	-	-	-
Public Works	32,000	-	-	-	-	-
Health and Social Services	-	-	320,359	-	-	-
Culture and Recreation	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-
Debt Service	-	-	-	-	-	264,951
Total Expenditures	32,000	11,768	320,359	-	-	264,951
Excess (deficiency) of revenues over expenditures	239,275	126,875	-	1,223	580	(173,451)
Other financing sources (uses):						
Transfers In	-	-	-	-	-	168,573
Transfers Out	(212,416)	(119,480)	-	-	-	-
Total other financing sources (uses)	(212,416)	(119,480)	-	-	-	168,573
Net Change in Fund Balance	26,859	7,395	-	1,223	580	(4,878)
Fund balances - beginning of year	40,403	8,150	-	64,601	389,984	7,663
Fund balances (Deficits) - end of year	$ 67,262	$ 15,545	$ -	$ 65,824	$ 390,564	$ 2,785

Capital Projects							Permanent Fund	Total
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	Governmental Nonmajor Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 215,690
-	-	72,183	-	-	-	-	-	72,183
-	-	-	-	-	-	-	-	605,987
-	-	-	-	-	-	-	4,476	4,476
21	35	1,595	1,187	338	18	9	1,363	6,469
-	-	-	-	-	-	325	-	325
21	35	73,778	1,187	338	18	334	5,839	905,130
-	-	-	-	-	-	-	-	11,768
-	-	-	-	-	-	-	-	32,000
-	-	-	-	-	-	-	-	320,359
-	-	-	-	-	-	-	9,451	9,451
-	-	-	43,343	47,868	6,335	6,906	-	104,452
-	-	-	-	-	-	-	-	264,951
-	-	-	43,343	47,868	6,335	6,906	9,451	742,981
21	35	73,778	(42,156)	(47,530)	(6,317)	(6,572)	(3,612)	162,149
-	-	-	34,000	5,250	-	40,000	-	247,823
-	-	(47,671)	-	-	-	-	-	(379,567)
-	-	(47,671)	34,000	5,250	-	40,000	-	(131,744)
21	35	26,107	(8,156)	(42,280)	(6,317)	33,428	(3,612)	30,405
8,053	14,096	47,419	294,390	103,386	10,475	(32,624)	170,016	1,126,012
$ 8,074	$ 14,131	$ 73,526	$ 286,234	$ 61,106	$ 4,158	$ 804	$ 166,404	$ 1,156,417

CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF NET POSITION
Fiduciary Funds
JUNE 30, 2015

	Agency Funds			
	Payroll Clearing	Flex Spending	Community Projects	**Total**
ASSETS				
Cash and Cash Equivalents	$ 9,290	$ 5,074	$ 8,833	$ 23,197
Total Assets	9,290	5,074	8,833	23,197
LIABILITIES				
Due to Other Governments	9,290	5,074	8,833	23,197
Total Liabilities	$ 9,290	$ 5,074	$ 8,833	$ 23,197

CITY OF HAWARDEN, IOWA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
PAYROLL CLEARING				
Assets				
Cash and Cash Equivalents	$ 8,481	$ 1,755,215	$ 1,754,406	$ 9,290
Total Assets	8,481	1,755,215	1,754,406	9,290
Liabilities				
Due to Other Governments	8,481	1,755,215	1,754,406	9,290
Total Liabilities	8,481	1,755,215	1,754,406	9,290
FLEX SPENDING				
Assets				
Cash and Cash Equivalents	4,661	20,675	20,262	5,074
Total Assets	4,661	20,675	20,262	5,074
Liabilities				
Due to Other Governments	4,661	20,675	20,262	5,074
Total Liabilities	4,661	20,675	20,262	5,074
COMMUNITY PROJECTS FUND				
Assets				
Cash and Cash Equivalents	10,381	749	2,297	8,833
Total Assets	10,381	749	2,297	8,833
Liabilities				
Due to Other Governments	10,381	749	2,297	8,833
Total Liabilities	10,381	749	2,297	8,833
ALL AGENCY FUNDS TOTAL				
Assets				
Cash and Cash Equivalents	23,523	1,776,639	1,776,965	23,197
Total Assets	23,523	1,776,639	1,776,965	23,197
Liabilities				
Due to Other Governments	23,523	1,776,639	1,776,965	23,197
Total Liabilities	$ 23,523	$ 1,776,639	$ 1,776,965	$ 23,197

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:

2015-001 Financial Reporting – Material Adjusting Journal Entries

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

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

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

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

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

Part III: Other Findings Related to Required Statutory Reporting

III-A-15 Certified Budget

Condition and Criteria – City expenditures during the year ended June 30, 2015, exceeded amounts budgeted in the Debt Service and Health and Social Service functions.

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

Cause – On July 9, 2014, the City issued $1,210,000 in general obligation corporate purpose bonds. The City paid two interest payments and bond issue costs related to this bond issuance which the City did not include in the current year's budget. The local option sales tax fund is used to provide health and social services to the City's citizens. It is common practice for the City to expend all current year revenues for these services. The City received revenues in excess of budgeted revenues, therefore the City's expenditures in this function exceeded budgeted expenditures.

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

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

III-B-15 Questionable Expenses – We noted no expenditures that we believe may constitute unlawful expenditures from public funds as defined in an Attorney General's opinion dated April 25, 1979.

III-C-15 Travel Expenses – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

III-D-15 Business Transactions – No business transactions between the City and City officials and/or employees were noted.

III-E-15 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-15 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

III-G-15 Revenue Bonds – No violations of revenue bond resolutions were noted.

III-H-15 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-15 Telecommunication Services – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.

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

To the City Council
City of Hawarden, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hawarden, Iowa, as of and for the year ended June 30, 2015, 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 22, 2016. 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 2015-001 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*.

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 22, 2016