F5a

ITEMS TO INCLUDE ON AGENDA FOR MAY 4, 2016

CITY OF HIAWATHA, IOWA

$2,945,000 (Dollar Amount Subject to Change) General Obligation Capital Loan Notes, Series 2016A.

- Resolution approving Preliminary Official Statement.

NOTICE MUST BE GIVEN PURSUANT TO IOWA CODE CHAPTER 21 AND THE LOCAL RULES OF THE CITY.

May 4, 2016

The City Council of the City of Hiawatha, State of Iowa, met in _____ session, in the Council Chambers, City Hall, 101 Emmons Street, Hiawatha, Iowa, at _____ _____.M., on the above date. There were present Mayor _____, in the chair, and the following named Council Members:

_____

_____

Absent: _____

* * * * * * *

Council Member _____ introduced the following Resolution entitled "RESOLUTION APPROVING THE PRELIMINARY OFFICIAL STATEMENT FOR $2,945,000 (DOLLAR AMOUNT SUBJECT TO CHANGE) GENERAL OBLIGATION CAPITAL LOAN NOTES, SERIES 2016A," and moved its adoption. Council Member _____ seconded the Resolution to adopt. The roll was called and the vote was,

AYES: _____

_____

NAYS: _____

Whereupon, the Mayor declared the resolution duly adopted as follows:

RESOLUTION APPROVING THE PRELIMINARY OFFICIAL STATEMENT FOR $2,945,000 (DOLLAR AMOUNT SUBJECT TO CHANGE) GENERAL OBLIGATION CAPITAL LOAN NOTES, SERIES 2016A

WHEREAS, a preliminary form of Official Statement has been prepared for the purpose of offering $2,945,000 (Dollar Amount Subject to Change) General Obligation Capital Loan Notes, Series 2016A; and

WHEREAS, it is appropriate that the form of the Preliminary Official Statement be approved and deemed final and, upon completion of the same, that the Preliminary Official Statement be used in connection with the offering of the Notes for sale;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HIAWATHA, IOWA:

Section 1. The Preliminary Official Statement, in the form presented to this meeting, be and the same is hereby approved as to form and deemed final for purposes of Rule 15c2-12 of the Securities and Exchange Commission, subject to such revisions, corrections or modifications as the City Clerk, upon the advice of the City's Municipal Advisor, shall determine to be appropriate, and is authorized to be distributed thereafter in connection with the offering of the Notes for sale.

PASSED AND APPROVED this 4th day of May, 2016.

_____
Mayor

ATTEST:

_____
City Clerk

CERTIFICATE

STATE OF IOWA)
) SS
COUNTY OF LINN)

I, the undersigned City Clerk of the City of Hiawatha, State of Iowa, do hereby certify that attached is a true and complete copy of the portion of the corporate records of the City showing proceedings of the Council, and the same is a true and complete copy of the action taken by the Council with respect to the matter at the meeting held on the date indicated in the attachment, which proceedings remain in full force and effect, and have not been amended or rescinded in any way; that meeting and all action thereat was duly and publicly held in accordance with a notice of public hearing and tentative agenda, a copy of which was timely served on each member of the Council and posted on a bulletin board or other prominent place easily accessible to the public and clearly designated for that purpose at the principal office of the Council (a copy of the face sheet of the agenda being attached hereto) pursuant to the local rules of the Council and the provisions of Chapter 21, Code of Iowa, upon reasonable advance notice to the public and media at least twenty-four hours prior to the commencement of the meeting as required by law and with members of the public present in attendance; I further certify that the individuals named therein were on the date thereof duly and lawfully possessed of their respective city offices as indicated therein, that no vacancy existed except as may be stated in the proceedings, and that no controversy or litigation is pending, prayed or threatened involving the incorporation, organization, existence or boundaries of the City or the right of the individuals named therein as officers to their respective positions.

WITNESS my hand and the seal of the Council hereto affixed this _____ day of _____, 2016.

_____
City Clerk, City of Hiawatha, State of Iowa

(SEAL)

New Issue
Date of Sale: Wednesday, May 18, 2016
10:30 - 11:00 A.M., C.D.T. *(SpeerAuction)*
11:00 A.M., C.D.T. *(Sealed Bids)*
(Alternative Bid Methods)

Investment Rating:
Moody's Investors Service ...
(Rating Requested)

OFFICIAL STATEMENT

Assuming compliance with certain covenants, in the opinion of Ahlers & Cooney, P.C., Bond Counsel, under present law and assuming continued compliance with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on the Notes is excludable from gross income for federal income tax purposes and interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes), such interest is included in adjusted current earnings for the purpose of determining the alternative minimum tax imposed on such corporations. Interest on the Notes is not exempt from present Iowa income taxes. The Notes will be designated as "qualified tax-exempt obligations". See "TAX MATTERS" herein for a more detailed discussion.

Hiawatha!

$2,945,000*
CITY OF HIAWATHA
Linn County, Iowa
General Obligation Capital Loan Notes, Series 2016A

Dated Date of Delivery **Bank Qualified** **Book-Entry** **Due Serially June 1, 2017 - 2031**

The $2,945,000* General Obligation Capital Loan Notes, Series 2016A (the "Notes") are being issued by the City of Hiawatha, Linn County, Iowa, (the "City"). Interest on the Notes is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2017. The Notes will be issued using a book-entry system. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Notes. The ownership of one fully registered Note for each series and maturity will be registered in the name of Cede & Co., as nominee for DTC and no physical delivery of Notes will be made to purchasers. The Notes will mature on June 1 in the following years and amounts:

AMOUNTS*, MATURITIES, INTEREST RATES, PRICE OR YIELDS AND CUSIP NUMBERS

Principal Amount	Due June 1	Interest Rate	Price or Yield	CUSIP NUMBER(1)	Principal Amount	Due June 1	Interest Rate	Price or Yield	CUSIP NUMBER(1)
$350,000	2017	____%	____%	_____	$135,000	2025	____%	____%	_____
345,000	2018	____%	____%	_____	140,000	2026	____%	____%	_____
355,000	2019	____%	____%	_____	145,000	2027	____%	____%	_____
345,000	2020	____%	____%	_____	150,000	2028	____%	____%	_____
120,000	2021	____%	____%	_____	155,000	2029	____%	____%	_____
120,000	2022	____%	____%	_____	160,000	2030	____%	____%	_____
125,000	2023	____%	____%	_____	170,000	2031	____%	____%	_____
130,000	2024	____%	____%	_____					

Any consecutive maturities may be aggregated into term notes at the option of the bidder, in which case the mandatory redemption provisions shall be on the same schedule as above.

OPTIONAL REDEMPTION

The Notes due June 1, 2017 - 2024, inclusive, are non-callable. The Notes due June 1, 2025 - 2031, inclusive, are callable in whole or in part on any date on or after June 1, 2024, at a price of par and accrued interest. If less than all the Notes are called, they shall be redeemed in any order of maturity as determined by the City and within any maturity by lot. See "**OPTIONAL REDEMPTION**" herein.

PURPOSE, LEGALITY AND SECURITY

The proceeds of the Notes will be used to: (i) open, widen, extend, grade, and drain the right-of-way streets, highways, avenues, alleys and public grounds; (ii) construct, reconstruct and repair any street improvements; (iii) acquire, install and repair sidewalks, storm sewers, sanitary sewers, water service lines, street lighting, and traffic control devices; (iv) acquire any real estate needed for any of the foregoing purposes; (v) equip the fire department; (vi) currently refund the City's outstanding General Obligation Capital Loan Notes, Series 2009A; (vii) acquire, construct, reconstruct, enlarge, improve and equip a new park, and acquire the real estate therefor; (viii) acquire, construct, reconstruct, enlarge, improve and equip the city hall, jails, the Community Center and the fire station; (ix) acquire, construct, reconstruct, enlarge, improve and equip the recreation grounds, trails, recreation buildings, recreation centers and parks and acquire the real estate therefor and (x) pay the cost of issuance of the Notes. See **"PLAN OF FINANCING"** herein.

In the opinion of Bond Counsel, Ahlers & Cooney, P.C., Des Moines, Iowa, the Notes will constitute valid and legally binding obligations of the City payable both as to principal and interest from ad valorem taxes levied against all taxable property therein without limitation as to rate or amount, all except as limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws relating to the enforcement of creditors' rights generally and except that enforcement by equitable and similar remedies, such as mandamus, is subject to the exercise of judicial discretion.

This Official Statement is dated May 4, 2016, and has been prepared under the authority of the City. An electronic copy of this Official Statement is available from the www.speerfinancial.com web site under "Official Statement Sales Calendar". Additional copies may be obtained from Ms. Cindy Kudrna, Finance Director, City of Hiawatha, 101 Emmons Street, Hiawatha, Iowa 52233-1697, or from the Registered Municipal Advisor to the City:

Speer Financial, Inc.

**Subject to principal adjustment in accordance with the Official Terms of Offering.*

(1) CUSIP numbers appearing in this Official Statement have been provided by the CUSIP Service Bureau, which is managed on behalf of the American Bankers Association by S&P Capital IQ, a part of McGraw Hill Financial Inc. The City is not responsible for the selection of CUSIP numbers and makes no representation as to their correctness on the Notes or as set forth on the cover of this Official Statement.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the City from time to time (collectively, the "Official Statement"), may be treated as an Official Statement with respect to the Notes described herein that is deemed near final as of the date hereof (or the date of any such supplement or correction) by the City.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Notes, together with any other information required by law or deemed appropriate by the City, shall constitute a "Final Official Statement" of the City with respect to the Notes, as that term is defined in Rule 15c2-12. Any such addendum shall, on and after the date thereof, be fully incorporated herein and made a part hereof by reference. Alternatively, such final terms of the Notes and other information may be included in a separate document entitled "Final Official Statement" rather than through supplementing the Official Statement by an addendum or addenda.

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations with respect to the Notes other than as contained in the Official Statement or the Final Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. Certain information contained in the Official Statement and the Final Official Statement may have been obtained from sources other than records of the City and, while believed to be reliable, is not guaranteed as to completeness. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE OFFICIAL STATEMENT OR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE RESPECTIVE DATES THEREOF.

References herein to laws, rules, regulations, ordinances, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Official Statement or the Final Official Statement they will be furnished on request. This Official Statement does not constitute an offer to sell, or solicitation of an offer to buy, any securities to any person in any jurisdiction where such offer or solicitation of such offer would be unlawful.

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OFFICIAL BID FORM
OFFICIAL TERMS OF OFFERING

NOTE ISSUE SUMMARY

This Note Issue Summary is expressly qualified by the entire Official Statement, including the Official Terms of Offering and the Official Bid Form, which are provided for the convenience of potential investors and which should be reviewed in their entirety by potential investors.

Issuer:	City of Hiawatha, Linn County, Iowa.
Issue:	$2,945,000* General Obligation Capital Loan Notes, Series 2016A.
Dated Date:	Date of delivery (expected to be on or about June 15, 2016).
Principal Due:	Serially each June 1, commencing June 1, 2017 through 2031, as detailed on the front page of this Official Statement.
Interest Due:	Each June 1 and December 1, commencing June 1, 2017.
Optional Redemption:	Notes maturing on or after June 1, 2025, are callable at the option of the City on any date on or after June 1, 2024, at a price of par plus accrued interest. See "**OPTIONAL REDEMPTION**" herein.
Authorization:	The Notes are being issued pursuant to authority established in Code of Iowa, Chapter 384, and all laws amendatory thereof and supplementary thereto, and in conformity with a resolution of the City Council duly passed and approved.
Security:	The Notes are valid and legally binding obligations of the City payable both as to principal and interest from ad valorem taxes levied against all taxable property therein without limitation as to rate or amount, all except as limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws relating to the enforcement of creditors' rights generally and except that enforcement by equitable and similar remedies, such as mandamus, is subject to the exercise of judicial discretion.
Investment Rating:	An investment rating for the Notes has been requested from Moody's Investors Service, New York, New York. See **"INVESTMENT RATING"** herein.
Purpose:	The proceeds of the Notes will be used to: (i) open, widen, extend, grade, and drain the right-of-way streets, highways, avenues, alleys and public grounds; (ii) construct, reconstruct and repair any street improvements; (iii) acquire, install and repair sidewalks, storm sewers, sanitary sewers, water service lines, street lighting, and traffic control devices; (iv) acquire any real estate needed for any of the foregoing purposes; (v) equip the fire department; (vi) currently refund the City's outstanding General Obligation Capital Loan Notes, Series 2009A; (vii) acquire, construct, reconstruct, enlarge, improve and equip a new park, and acquire the real estate therefor; (viii) acquire, construct, reconstruct, enlarge, improve and equip the city hall, jails, the Community Center and the fire station; (ix) acquire, construct, reconstruct, enlarge, improve and equip the recreation grounds, trails, recreation buildings, recreation centers and parks and acquire the real estate therefor and (x) pay the cost of issuance of the Notes. See **"PLAN OF FINANCING"** herein.
Tax Matters:	Ahlers & Cooney, P.C., Des Moines, Iowa, will provide an opinion as to the tax exemption of the Notes as discussed under **"TAX MATTERS"** in this Official Statement. Interest on the Notes is not exempt from present State of Iowa income taxes. See **APPENDIX C** for a draft form of legal opinion for the Notes.
Registrar/Paying Agent:	Bankers Trust Company, Des Moines, Iowa.
Book-Entry Form:	The Notes will be registered in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Notes. See **APPENDIX B** herein.
Bank Qualified:	The City intends to designate the Notes as "qualified tax-exempt obligations".
Delivery Date:	The Notes are expected to be delivered on or about June 15, 2016.
Denomination:	$5,000 or integral multiples thereof.
Municipal Advisor:	Speer Financial, Inc., Waterloo, Iowa and Chicago, Illinois.

**Subject to principal adjustment in accordance with the Official Terms of Offering.*

CITY OF HIAWATHA
Linn County, Iowa

Bill Bennett
Mayor

Council Members

Martin Bruns
Dennis Norton
Richard Olson
Robert Rampulla
Aime Wichtendahl

Officials

Kim Downs
City Administrator

Cindy Kudrna
Finance Director

Kelly Kornegor
City Clerk

Mark Parmenter
City Attorney

THE CITY

General

The City was founded in 1950. Mr. Fay Clark, the founder and first mayor of the City, spent some of his early years among Native Americans. He was enamored also with the character of Hiawatha made famous by Henry Wadsworth Longfellow and so named the City Hiawatha. The mission statement of the City is: "The City of Hiawatha will be a cohesive community of family neighborhoods that is aesthetically pleasing and responsibly governed to sustain and promote balanced growth for the benefit of all individual and corporate citizens."

The City is located adjacent to Cedar Rapids. Interstate 380 bisects the City providing interstate access to Interstate 80 within 20 miles south of the City. Four federal highways and five state highways either cross the City or are located within five miles of the City. The City is located approximately 75 miles west of the Mississippi River, 220 miles from Chicago and 100 miles from Des Moines, the state capital of Iowa. The Cedar Rapids MSA is a regional center of commerce, industry and transportation and has a population of over 190,000.

City Organization and Services

The City has a Mayor-Council form of government. Policy is established by a Mayor and five Council members. The Council members are elected at large for four-year terms, which are staggered. The City Administrator, City Clerk and City Attorney are appointed by the City Council. City-operated facilities include the library, the water and sewer systems, and a park system.

Approximately 52 people are employed by the City on a full-time basis. In addition, there are part-time and seasonal employees. The City currently employs 14 full-time police officers. The City has a full-time fire chief and deputy chief and is served by a volunteer Fire Department. Approximately 50 volunteers operate out of a centrally located fire station. The fire insurance classification for the City is Class 5, the highest obtainable for a volunteer department. The City has an established ambulance service that is staffed by trained employees and volunteers.

The City's police officers and maintenance workers are represented by a collective bargaining unit of the International Brotherhood of Teamsters. The police contract is for a one-year term and expires June 30, 2016, and the maintenance workers contract is for a one-year term and expires June 30, 2016.

Electric power is supplied to the City by Alliant Energy and Linn County REC (Rural Electric Co.), and natural gas service is provided by MidAmerican Energy. Water service is provided to residents by the City Water Department that is governed by a City Water Board. Sewer lines are maintained by the City with all waste being pumped to a regional treatment facility.

Transportation

Interstate 380 runs through the City. It is part of the "Avenue of the Saints" which is a direct connection through the heartland from St. Louis to St. Paul. Via the Interstate system the City is approximately: 4 hours from Chicago; 4-1/2 hours from Milwaukee; 5 hours from Minneapolis, Omaha, or St. Louis; and 6 hours from Kansas City. Locally, the City is served by an area fixed route and ADA paratransit bus service. Three major railroads serve the Hiawatha/Cedar Rapids/Marion area: the Union Pacific, the Illinois Central Gulf and the Cedar Rapids and Iowa City Railroads.

The City is located within 10 miles of the Eastern Iowa Airport. The airport offers both cargo and passenger air service. The airport is served by approximately five airlines (four jet carriers) offering over 29 flights per day.

Education

The residents of the City are served by the Cedar Rapids Community School District with an enrollment of approximately 16,939. Two of the District's 23 elementary schools are located within the City. The District also has six middle schools and four high schools.

Post secondary educational opportunities are readily available. Kirkwood Community College, Hamilton College, Mount Mercy College and Coe College are located within Cedar Rapids, only minutes from the City. The University of Iowa is located in Iowa City, which is 30 miles south of the City.

Growth

The City has grown in both its residential and commercial sectors. This growth is evident by the construction permits issued, as well as the substantial increase in the City tax valuations and population, as further described in this Official Statement. The actual valuation for the City in 1992 was $88,757,122 compared with a 2014 actual valuation of $391,308,347. The 2010 Census reported a population for the City of 7,024, an increase of approximately 8% from the 2000 Census population of 6,480.

The development of an Urban Renewal Plan which established a Tax Increment Finance District has enhanced commercial growth in the City. The District has provided a means for the City to enter into development agreements with incentives for businesses to locate within the City. The development in turn provides increased tax valuation for the City on what was previously undeveloped land. Another leading factor in business growth in the City is the immediate access to Interstate 380.

Community Life

The City has several City parks throughout the community. Other recreational and leisure opportunities are located throughout the Hiawatha/Cedar Rapids/Marion area. These opportunities include over 78 developed parks covering over 4,210 acres, as well as golf, professional baseball, basketball, hockey and automobile racing. Cultural facilities in the area include numerous museums and theaters, along with the Cedar Rapids Symphony Orchestra. The University of Iowa Hawkeyes in Iowa City, less than 30 miles from the City, offers spectator sports opportunities in the Big Ten college conference. Riverboat and casino gambling is offered in such cities as Dubuque, Clinton, Waterloo, Riverside and the Quad Cities, all within a 75 mile radius of the City.

SOCIOECONOMIC INFORMATION

The following demographic information is for the City. Additional comparisons are made with Linn County (the "County") and the State of Iowa (the "State").

Population

The following table reflects population trends for the City, the County and the State.

Population Comparison*(1)*

Year	The City	Percent Change	The County	Percent Change	The State	Percent Change
1960	1,336	N/A	136,899	N/A	2,757,537	N/A
1970	2,416	80.84%	163,213	19.22%	2,825,368	2.46%
1980	4,885	102.19%	169,775	4.02%	2,913,808	3.13%
1990	4,986	2.07%	168,767	(0.59%)	2,776,785	(4.70%)
2000	6,480	29.96%	191,701	13.59%	2,926,324	5.39%
2010	7,024	8.40%	211,226	10.19%	3,046,355	4.10%

Note: (1) Source: U.S. Bureau of the Census.

Employment

Lists of major City employers and major area employers are shown below. The area list shows the diversity of the employers located within 50 miles of the City. The majority of City residents are employed throughout the County.

Major City Employers*(1)*

Name	Product/Service	Approximate Employment
The Go Daddy Group, Inc.	Website Hosting	650
Windstream Communications	Communications	450
CCB Packaging, Inc.	Packaging	140
Climate Engineers, Inc.	HVAC Engineering	140
Fisher Printers, Inc.	Printing	123
Crystal Group Inc.	Industrial Computers	100
J & A Printing, Inc.	Commercial Printing	100
Parker Hannifin, Corp	Manufacturing	88
Ready Wireless, LLC	Communication	85
Cedar Graphics, Inc.	Printing	80
Motive Power Corp.	Industrial Batteries	80
Newell Machinery Company	Manufacturing	60

Note: (1) Source: the City and 2016 Manufacturers' News, Inc.

Major Area Employers*(1)*

Location	Name	Business or Product	Approximate Employment(2)
Iowa City	University of Iowa	Education	22,827
Iowa City	University of Iowa Hospitals & Clinics	Health Care	11,551
Cedar Rapids	Rockwell-Collins, Inc.	Communications Instruments	8,700
Waterloo	John Deere	Manufacturing	5,600
Cedar Rapids, Iowa City	Mercy Medical Center.	Health Care	3,040
Cedar Rapids	Transamerica Insurance Group	Insurance	3,800
Cedar Rapids	Unity Point Health/St. Luke's Hospital	Health Care	2,979
Waterloo	Wheaton Franciscan Healthcare	Health Care	3,060
Cedar Rapids	Cedar Rapids Community Schools	Education	2,879
Waterloo	Tyson Fresh Meats	Meat Processing	2,500
Cedar Rapids	Whirlpool	Equipment Manufacturing	2,500
Cedar Rapids	Nordstrom Direct	Distribution	2,150
Cedar Rapids	Wal-Mart Stores, Inc.	Retail	1,800
Cedar Falls	University of Northern Iowa	Higher Education	1,740
Iowa City	Iowa City Community School District	Education	1,700
Waterloo/Cedar Falls	Unity Point Health Care	Health Care	1,615
Waterloo	Waterloo Community Schools	Public Education	1,610
Cedar Rapids	Kirkwood Community College	Education	1,600
Iowa City	Pearson Educational Measurement	Education Publishing	1,756
Iowa City	Veterans Health Administration	Government	1,562

Notes: (1) Source: Areas Chamber of Commerce, selected telephone surveys, and the 2016 Iowa Manufacturers Directory.
(2) Includes full and part-time as well as seasonal employees.

The following tables show employment by industry and by occupation for the City, the County and the State as reported by the 2010 - 2014 American Community Survey 5-Year Estimates from the U.S. Bureau of the Census.

Employment By Industry*(1)*

	The City		The County		The State	
Classification	Number	Percent	Number	Percent	Number	Percent
Agriculture, forestry, fishing and hunting, and mining	79	2.1%	1,027	0.9%	62,344	4.0%
Construction	127	3.3%	7,135	6.3%	95,899	6.1%
Manufacturing	854	22.4%	19,573	17.3%	233,193	14.9%
Wholesale trade	13	0.3%	3,106	2.7%	45,376	2.9%
Retail trade	526	13.8%	14,412	12.7%	182,416	11.7%
Transportation and warehousing, and utilities	94	2.5%	5,311	4.7%	71,807	4.6%
Information	160	4.2%	2,918	2.6%	28,625	1.8%
Finance, insurance, real estate and rental and leasing	366	9.6%	9,026	8.0%	118,166	7.6%
Professional, scientific, management, administrative, and Waste management services	285	7.5%	10,924	9.6%	110,830	7.1%
Education, health and social services	831	21.8%	24,610	21.7%	379,192	24.3%
Arts, entertainment, recreation, accommodation and food services	274	7.2%	7,967	7.0%	116,274	7.4%
Other services	146	3.8%	4,561	4.0%	67,550	4.3%
Public administration	54	1.4%	2,652	2.3%	50,820	3.3%
Total	3,809	100.0%	113,222	100.0%	1,562,492	100.0%

Note: (1) Source: U. S. Bureau of the Census, American Community Survey 5-Year Estimates from 2010 - 2014.

Employment By Occupation*(1)*

	The City		The County		The State	
Classification	Number	Percent	Number	Percent	Number	Percent
Management, professional, and related occupations	1,347	35.4%	43,189	38.1%	536,702	34.3%
Service occupations	714	18.7%	16,359	14.4%	258,198	16.5%
Sales and office occupations	998	26.2%	29,495	26.1%	369,512	23.6%
Natural Resources, construction, and maintenance occupations	216	5.7%	9,409	8.3%	147,530	9.4%
Production, transportation, and material moving occupations	534	14.0%	14,770	13.0%	250,550	16.0%
Total	3,809	100.0%	113,222	100.0%	1,562,492	100.0%

Note: (1) Source: U. S. Bureau of the Census, American Community Survey 5-Year Estimates from 2010 - 2014.

The following shows the annual average unemployment rates for the City, the County, the State and the United States.

Annual Average Unemployment Rates*(1)*

Calendar Year	The County	The State	United States
2007	3.8%	3.8%	4.6%
2008	3.9%	4.0%	5.8%
2009	5.7%	6.2%	9.3%
2010	6.0%	6.3%	9.6%
2011	6.0%	5.9%	8.9%
2012	5.3%	5.2%	8.1%
2013	4.8%	4.7%	7.4%
2014	4.4%	4.4%	6.2%
2015	3.7%	3.8%	5.3%
2016	4.5%	3.6%	4.9%

Notes: (1) Source: Iowa Workforce Development.
(2) As of February 2016.

Building Permits

Total building permits have averaged approximately $10,491,851 annually over the last five years in the City, excluding the value of land.

City Building Permits*(1)*
(Excludes the Value of Land)

Calendar Year	Single-Family		Multi-Family			Commercial/Industrial		Total Value
	Permits	Value	Permits	Units	Value	Permits	Value	
2006	14	$ 1,932,177	0	0	$ 0	3	$ 978,075	$ 2,910,252
2007	16	3,938,246	0	0	0	16	15,506,320	19,444,566
2008	15	2,029,015	0	0	0	9	3,987,228	6,016,243
2009	11	1,668,090	0	0	0	8	7,131,645	8,799,735
2010	19	2,322,476	0	0	0	11	2,442,835	4,765,311
2011	19	3,180,442	1	4	290,000	19	11,803,235	14,983,677
2012	15	2,297,031	0	0	0	4	3,536,608	5,833,639
2013	14	2,999,122	1	2	230,476	7	4,219,000	7,218,122
2014	14	2,945,228	4	4	880,000	9	2,165,080	5,110,308
2015	22	5,996,212	0	0	0	10	13,317,299	19,313,511

Note: (1) Source: the City.

Housing

According to the 2010 - 2014 American Community Survey 5-Year Estimates from the U.S. Bureau of the Census, the median value of the City's owner-occupied homes was $141,400. This compares to $145,700 for the County and $126,300 for the State. The following table represents the five year average market value of specified owner-occupied units for the City, the County and the State at the time of the 2010 - 2014 American Community Survey.

Specified Owner-Occupied Units*(1)*

	The City		The County		The State	
Value	Number	Percent	Number	Percent	Number	Percent
Under $50,000	467	25.1%	4,312	6.7%	102,799	11.6%
$ 50,000 to $ 99,999	250	13.4%	9,557	14.9%	221,298	25.0%
$100,000 to $149,999	284	15.2%	19,788	30.9%	205,311	23.2%
$150,000 to $199,999	287	15.4%	12,900	20.2%	149,310	16.9%
$200,000 to $299,999	479	25.7%	11,459	17.9%	131,066	14.8%
$300,000 to $499,999	81	4.3%	4,660	7.3%	56,523	6.4%
$500,000 to $999,999	0	0.0%	987	1.5%	14,404	1.6%
$1,000,000 or more	16	0.9%	294	0.50%	4,273	0.5%
Total	1,864	100.0%	63,957	100.0%	884,984	100.0%

	The City		The County		The State	
Mortgage Status	Number	Percent	Number	Percent	Number	Percent
Housing Units with a Mortgage	1,063	57.0%	44,446	69.5%	546,451	61.7%
Housing Units without a Mortgage	801	43.0%	19,511	30.5%	338,533	38.3%
Total	1,864	100.0%	63,957	100.0%	884,984	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2010 - 2014.

Income

According to the 2010 - 2014 American Community Survey 5-Year Estimates from the U.S. Bureau of the Census, the City had a median household income of $63,210. This compares to $77,182 for the County and $66,829 for the State. The following table represents the distribution of household incomes for the City, the County and the State at the time of the 2010 - 2014 American Community Survey.

Family Income*(1)*

	The City		The County		The State	
Income	Number	Percent	Number	Percent	Number	Percent
Under $10,000	26	1.5%	1,467	2.7%	27,085	3.4%
$ 10,000 to $ 14,999	44	0.03	992	1.8%	18,696	2.3%
$ 15,000 to $ 24,999	187	10.6%	2,808	5.1%	52,443	6.6%
$ 25,000 to $ 34,999	202	11.4%	3,561	6.5%	67,654	8.5%
$ 35,000 to $ 49,999	287	16.2%	6,493	11.8%	108,497	13.6%
$ 50,000 to $ 74,999	267	15.1%	11,133	20.2%	178,835	22.4%
$ 75,000 to $ 99,999	258	14.6%	10,420	18.9%	136,631	17.1%
$100,000 to $149,999	278	15.7%	11,270	20.5%	133,785	16.8%
$150,000 to $199,999	150	8.5%	4,000	7.3%	40,514	5.1%
$200,000 or more	72	4.1%	2,843	5.2%	32,891	4.1%
Total	1,771	100.0%	54,987	100.0%	797,031	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2010 - 2014.

Agriculture

Shown below is information on the agricultural values of Linn County and certain data comparing the County with statewide averages:

	2011	2012	2013	2014	2015
Average Value Per Acre(1)(2):					
The County	$7,672	$9,189	$10,175	$9,658	$9,093
State of Iowa	6,708	8,296	8,716	7,943	7,633

Note: (1) Source: Center for Agricultural and Rural Development - Iowa State University.

Local Option Sales Tax

The City approved a 1% local option sales and service tax ("Local Option Tax") at a special referendum. The Local Option Tax for the City first became effective July 1, 2009. The City renewed the Local Option Tax on August 21, 2013 to be effective July 1, 2014 until June 30, 2024. The City's fiscal year 2015 Local Option Tax receipts were approximately $890,553. The City's Local Option Tax referendum question stated that proceeds of such tax would be designated for up to 10% property tax relief and all remaining proceeds for any lawful purpose.

The State of Iowa Department of Revenue and Finance (the "Department") administers collection and disbursement of all local option sales and services taxes in conjunction with administration of the State-wide sales, services and use tax presently assessed at 6%. The Department is required by statute to remit at least 95% of the estimated tax receipts to a county board of supervisors (for taxes imposed in unincorporated areas) and to each incorporated city on a monthly basis. Once a year the Department reconciles its estimated payments and makes an adjustment payment or debit at the November 10 payment date. Remittance of collections within a county are based upon the following statutory formula for county-wide collections:

75 percent: Based on a pro rata share of population (the most recent certified federal census) of those incorporated or unincorporated areas in a county which have approved a Local Option Tax.

25 percent: Based on a pro rata share of total property tax dollars levied during the three year period beginning July 1, 1982, through June 30, 1985, for those incorporated or unincorporated areas of a county which have approved a Local Option Tax.

Local Option Taxes are based on the same sales currently taxed by the state-wide 6% sales and services tax, with the present statutory exceptions of use taxes, lottery tickets, motor fuel and special fuels, certain farm machinery, industrial equipment, and the sale of automobiles, room rental already subject to a hotel/motel tax, or natural gas or electricity already subject to a city or county franchise fee or user fee.

The following table shows the trend of City's local option sales tax receipts.

Local Option Tax Receipts*(1)*

Fiscal Year Ending June 30	Local Option Tax Receipts(2)	Percent Change
2009-10	$902,872	N/A
2010-11	972,274	7.69%
2011-12	910,617	(6.34%)
2012-13	927,617	1.87%
2013-14	964,148	3.94%
2014-15	890,553	(7.63%)
2015-16	910,351(3)	2.22%

Notes:
(1) Source: Iowa Department of Revenue.
(2) Includes a makeup payment in November attributable to the previous fiscal year.
(3) Collections received or expected to be received, not including any allowance for the reconciliation payment.

Retail Sales

The Department of Revenue of the State of Iowa provides retail sales figures based on sales tax reports for years ending June 30. The Department of Revenue figures provide recent data to confirm trends in retail sales activity in the City.

Retail Taxable Sales*(1)(2)*

Fiscal Year Ending June 30th	Taxable Sales	Annual Percent Change + (-)
2006	$ 95,510,656	N/A
2007	92,820,800	(2.82%)
2008	91,520,634	(1.40%)
2009	88,536,862	(3.26%)
2010	94,649,340	6.90%
2011	92,001,630	(2.80%)
2012	104,529,277	13.62%
2013	103,764,832	(0.73%)
2014	112,654,640	8.57%
2015	121,727,894	8.05%

Growth from 2006 to 2015 ..... 27.45%

Notes: (1) Source: the Iowa Department of Revenue.
(2) Fiscal years 2006 - 2008 the amounts reflect a year ending March 31st.

PLAN OF FINANCING

Approximately $925,000 in proceeds of the Notes will be used to currently refund certain outstanding general obligation notes of the City (the "Refunded Notes"). The Refunded Notes are described below.

General Obligation Capital Loan Notes, Series 2009A
(Originally dated April 1, 2009)

Outstanding Maturities	Outstanding Amount	Amount Refunded	Redemption Price	Maturity or Redemption Date(1)
6/1/16	$200,000	$ 0	N/A	6/01/16
6/1/17	220,000	220,000	100%	6/16/16
6/1/18	230,000	230,000	100%	6/16/16
6/1/19	240,000	240,000	100%	6/16/16
6/1/20	235,000	235,000	100%	6/16/16

Note: (1) Subject to change.

Remaining proceeds will be used for continuing street projects; equipping the fire department; a new park project; improvements to City Hall, jails, the Community Center and the fire station; improving recreational facilities around the City along with paying the costs of issuance of the Notes.

DEBT INFORMATION

After issuance of the Notes and the refunding of the Refunded Notes, the City will have approximately $24,450,000* principal of general obligation bonded debt. The City has a general obligation constitutional debt limit equal to 5% of Actual Valuation. For the January 1, 2014 Actual Valuation of $560,952,180 (including tax increment valuation and excluding military exemption valuation) applied to fiscal year 2015/16, the total limit is $28,047,609. Including the Notes, excluding the Refunded Notes, and including tax increment financing rebates obligations, the estimated principal amount of bonded and nonbonded debt applicable to this limit is approximately $25,415,781*, resulting in a legal debt margin of $2,631,828*.

The City does not anticipate issuing any additional new debt in the 2016 calendar year.

**Subject to change.*

General Obligation Debt Summary*(1)*
(Principal Only)

Capital Loan Notes, Series 2009A	$ 1,125,000
Capital Loan Notes, Series 2010B	1,955,000
Capital Loan Notes, Series 2011	2,160,000
Capital Loan Notes, Series 2011B	515,000
Capital Loan Notes, Series 2012A	1,500,000
Refunding Capital Loan Notes, Series 2012B	745,000
Capital Loan Notes, Series 2013A	3,375,000
Refunding Capital Loan Notes, Series 2013B	3,890,000
Taxable Capital Loan Notes, Series 2013C	955,000
General Obligation Bonds, Series 2014A	2,490,000
Capital Loan Notes, Series 2015	3,720,000
The Notes(2)	2,945,000
Less: the Refunded Notes (2)	(925,000)
Total(2)	$24,450,000

Notes: (1) Source: the City.
(2) Subject to change.

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General Obligation Bonded Debt*(1)*
(Principal Only)

Fiscal Year Ending June 30	Series 2009A	Series 2010B	Series 2011	Series 2011B	Series 2012A	Series 2012B	Series 2013A	Series 2013B	Series 2013C
2016	$ 200,000	$ 250,000	$ 170,000	$ 60,000	$ 470,000	$ 75,000	$ 325,000	$ 330,000	$ 85,000
2017	220,000	260,000	170,000	60,000	120,000	75,000	325,000	335,000	85,000
2018	230,000	270,000	175,000	60,000	120,000	80,000	335,000	340,000	90,000
2019	240,000	275,000	180,000	65,000	125,000	80,000	335,000	340,000	95,000
2020	235,000	290,000	185,000	65,000	125,000	80,000	340,000	345,000	95,000
2021	0	300,000	195,000	65,000	130,000	85,000	340,000	350,000	100,000
2022	0	310,000	200,000	70,000	135,000	85,000	340,000	360,000	100,000
2023	0	0	205,000	70,000	135,000	90,000	345,000	360,000	100,000
2024	0	0	220,000	0	140,000	95,000	345,000	365,000	100,000
2025	0	0	225,000	0	0	0	345,000	380,000	105,000
2026	0	0	235,000	0	0	0	0	385,000	0
2027	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0
Total	$1,125,000	$1,955,000	$2,160,000	$515,000	$1,500,000	$745,000	$3,375,000	$3,890,000	$955,000

Fiscal Year Ending June 30	Series 2014	Series 2015	Total Outstanding G.O. Debt	The Notes(2)	Less: the Refunded Notes	Total General Obligation Debt(2)	Less GO Debt Paid By TIF	Total Property Tax Debt	Cumulative Retirement(2) Amount	Cumulative Retirement(2) Percent
2016	$ 210,000	$ 520,000	$ 2,695,000	$ 0	$ (0)	$ 2,695,000	$(1,365,500)	$ 1,329,500	$ 1,329,500	9.08%
2017	210,000	600,000	2,460,000	350,000	(220,000)	2,590,000	(1,123,000)	1,467,000	2,796,500	19.11%
2018	210,000	605,000	2,515,000	345,000	(230,000)	2,630,000	(1,158,000)	1,472,000	4,268,500	29.17%
2019	215,000	205,000	2,155,000	355,000	(240,000)	2,270,000	(919,500)	1,350,500	5,619,000	38.39%
2020	215,000	210,000	2,185,000	345,000	(235,000)	2,295,000	(947,000)	1,348,000	6,967,000	47.61%
2021	225,000	210,000	2,000,000	120,000	(0)	2,120,000	(839,000)	1,281,000	8,248,000	56.36%
2022	225,000	215,000	2,040,000	120,000	(0)	2,160,000	(861,000)	1,299,000	9,547,000	65.23%
2023	235,000	220,000	1,760,000	125,000	(0)	1,885,000	(733,500)	1,151,500	10,698,500	73.10%
2024	240,000	225,000	1,730,000	130,000	(0)	1,860,000	(675,000)	1,185,000	11,883,500	81.20%
2025	250,000	225,000	1,530,000	135,000	(0)	1,665,000	(591,000)	1,074,000	12,957,500	88.54%
2026	255,000	240,000	1,115,000	140,000	(0)	1,255,000	(502,500)	752,500	13,710,000	93.68%
2027	0	245,000	245,000	145,000	(0)	390,000	(100,000)	290,000	14,000,000	95.66%
2028	0	0	0	150,000	(0)	150,000	(0)	150,000	14,150,000	96.69%
2029	0	0	0	155,000	(0)	155,000	(0)	155,000	14,305,000	97.75%
2030	0	0	0	160,000	(0)	160,000	(0)	160,500	14,465,000	98.84%
2031	0	0	0	170,000	(0)	170,000	(0)	170,000	14,635,000	100.00%
Total	$2,490,000	$3,720,000	$22,430,000	$2,945,000	$(925,000)	$24,450,000	$(9,815,000)	$14,635,500		

Notes: (1) Source: the City.
(2) Subject to change.

Statement of Bonded Indebtedness*(1)(2)*

City Actual Value, January 1, 2014 ..... $560,952,180
City Taxable Value, January 1, 2014 ..... $391,308,347

	Total	Applicable Percent	Applicable Amount	Ratio to City Actual Value	Ratio to City Taxable Value	Per Capita (2010 Pop. 7,024)
Direct Bonded Debt(3)(4)	$24,450,000	100.00%	$24,450,000	4.36%	6.25%	$3,480.92
Less: Direct Debt Paid From Other Sources	(9,815,000)		(9,815,000)	(1.75%)	(2.51%)	(1,397.35)
Net Direct Go Bonded Debt(3)(4)	$14,635,000		$14,635,000	2.61%	3.74%	$2,083.57
Overlapping Debt:						
Linn County	$19,160,000	3.76%	$ 720,416	0.13%	0.18%	$ 102.56
Cedar Rapids Community School District	18,180,000	7.35%	1,336,230	0.24%	0.34%	190.24
Kirkwood Community College(5)	70,115,000	1.71%	1,198,967	0.21%	0.31%	170.70
Total Direct and Overlapping Bonded Debt(3)(4)			$17,890,613	3.19%	4.57%	$2,547.07

Per Capita Actual Value $79,862.21
Per Capita Taxable Value $55,710.19

Notes:
(1) Source: the City, County, Cedar Rapids School District and Kirkwood Community College.
(2) As of the day of issuance for the Direct Debt and March 31, 2016 for the overlapping debt.
(3) Includes the Refunded Notes.
(4) Subject to change.
(5) Excludes $38,160,000 of self-supporting industrial job training certificates, for which a stand-by property tax levy is available to pay debt service.

PROPERTY TAX INFORMATION

Property Tax Assessment

In compliance with Section 441.21 of the Code of Iowa, as amended, the State Director of Revenue annually directs all county auditors to apply prescribed statutory percentages to the assessments of certain categories of real property. The final values, called Actual Valuation, are then adjusted by the County Auditor. Taxable Valuation subject to tax levy is then determined by the application of State determined rollback percentages, principally to residential property.

Beginning in 1978, the State required a reduction in Actual Valuation to reduce the impact of inflation on its residents. The resulting value is defined as the Taxable Valuation. Such rollback percentages may be changed in future years. Certain historical rollback percentages for residential, multi-residential, agricultural and commercial valuations are as follows:

Percentages for Taxable Valuation After Rollbacks*(1)*

Fiscal Year	Residential	Multi-Residential(2)	Ag Land & Buildings	Commercial
2007/08	45.5596%	N/A	100.0000%	100.0000%
2008/09	44.0803%	N/A	90.1023%	99.7312%
2009/10	45.5893%	N/A	93.8568%	100.0000%
2010/11	46.9094%	N/A	66.2715%	100.0000%
2011/12	48.5299%	N/A	69.0152%	100.0000%
2012/13	50.7518%	N/A	57.5411%	100.0000%
2013/14	52.8166%	N/A	59.9334%	100.0000%
2014/15	54.4002%	N/A	43.3997%	95.0000%
2015/16	55.7335%	N/A	44.7021%	90.0000%
2016/17	55.6259%	86.2500%	46.1068%	90.0000%

Notes:
(1) Source: the Iowa Department of Revenue.
(2) New category beginning with fiscal year 2017.

Property is assessed on a calendar year basis. The assessments finalized as of January 1 of each year are applied to the following tax year. For example, the assessments finalized on January 1, 2014, are used to calculate tax liability for the tax year starting July 1, 2015 through June 30, 2016.

Property Tax Collection

Each county is required by State law to collect all tax levies within its jurisdiction and remit, before the fifteenth of each month, the amount collected through the last day of the preceding month to underlying units of government, including the City. Property tax payments are made at the office of each county treasurer in full or one-half by September 30 and March 31, pursuant to the Code of Iowa, Sections 445.36 and 445.37. Where the first half of any property tax has not been paid by October 1, such installment becomes delinquent. If the second installment is not paid, it becomes delinquent on April 1. Delinquent taxes and special assessments are subject to a penalty at the rate of one and one-half percent per month, to a maximum of eighteen percent per annum.

If taxes are not paid when due, the property may be offered at the regular tax sale on the third Tuesday of June following the delinquency date. Purchasers at the tax sale must pay an amount equal to the taxes, special assessments, interest and penalties due on the property, and funds so received are applied to the payment of taxes. A property owner may redeem from the regular tax sale, but failing redemption within two years, the tax sale purchaser is entitled to a deed which in general conveys the title free and clear of all liens except future installments of taxes.

Actual (100%) Valuations for the City*(1)(2)*

Property Class	Fiscal Year: Levy Year January 1:	2011/12 2010	2012/13 2011	2013/14 2012	2014/15 2013	2015/16 2014
Residential		$282,081,449	$288,015,992	$296,284,134	$306,427,500	$312,366,000
Agricultural		984,007	1,253,100	1,257,200	1,793,000	1,768,000
Commercial		190,451,575	189,494,286	200,602,600	207,194,800	211,909,300
Industrial		19,995,339	20,116,479	23,857,700	23,891,300	24,441,000
Railroad		55,543	41,143	49,508	62,383	70,870
Utilities without Gas and Electric(3)		1,416,122	1,456,424	1,458,649	1,324,278	1,082,613
Gas and Electric Utilities(3)		7,669,653	8,054,899	8,438,157	9,089,955	9,884,257
Less: Military Exemption		(627,828)	(629,680)	(613,012)	(594,492)	(569,860)
Total		$502,025,860	$507,802,643	$531,334,936	$549,188,724	$560,952,180
Percent Change +(-)		1.62%(4)	1.15%	4.63%	3.36%	2.14%

Notes: (1) Source: Iowa Department of Management.
(2) Includes tax increment finance (TIF) valuations used in the following amounts:

January 1:	2010	2011	2012	2013	2014
TIF Valuation	$64,433,576	$61,756,288	$52,397,512	$62,242,545	$63,812,447

(3) See **"PROPERTY TAX INFORMATION-Utility Property Tax Replacement"** herein.
(4) Based on 2009 Actual Valuation of $494,016,618.

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For the January 1, 2014 levy year, the City's Taxable Valuation was comprised of approximately 44% residential, 48% commercial, 6% industrial, 1% utilities, and 1% railroad, agriculture and less military exemption.

Taxable ("Rollback") Valuations for the City*(1)(2)*

Property Class — Fiscal Year: / Levy Year January 1:	2011/12 2010	2012/13 2011	2013/14 2012	2014/15 2013	2016/15 2014
Residential	$136,893,696	$146,173,287	$156,486,973	$166,696,976	$174,092,599
Agricultural	679,117	721,049	753,481	778,155	790,336
Commercial	190,451,575	189,494,286	200,602,600	196,835,060	190,718,370
Industrial	19,995,339	20,116,479	23,857,700	22,696,735	21,996,900
Railroad	55,543	41,143	49,508	59,264	63,783
Utilities without Gas and Electric(3)	1,416,122	1,456,424	1,458,649	1,324,278	1,082,614
Gas and Electric Utilities(3)	3,234,745	3,245,865	3,143,578	3,239,074	3,130,598
Less: Military Exemption	(627,828)	(629,680)	(613,012)	(594,492)	(566,853)
Total	$352,098,309	$360,618,853	$385,739,477	$391,035,050	$391,308,347
Percent Change +(-)	2.56%(4)	2.42%	6.97%	1.37%	0.07%

Notes: (1) Source: Iowa Department of Management.
(2) Includes tax increment finance (TIF) valuations used in the following amounts:

January 1:	2010	2011	2012	2013	2014
TIF Valuation	$64,433,576	$61,756,288	$52,397,512	$62,242,545	$63,812,447

(3) See "**PROPERTY TAX INFORMATION-Utility Property Tax Replacement**" herein.
(4) Based on 2009 Taxable Valuation of $343,295,528.

The following shows the trend in the City's tax extensions and collections.

Tax Extensions and Collections*(1)(2)*

Levy Year	Collection Year	Amount Levied	Amount Collected(2)	Percent Collected
2005	2006-2007	$2,981,227	$3,033,206	101.74%
2006	2007-2008	3,308,557	3,317,726	100.27%
2007	2008-2009	4,079,702	4,129,247	101.21%
2008	2009-2010	4,113,284	4,175,612	101.52%
2009	2010-2011	4,572,504	4,658,895	101.89%
2010	2011-2012	4,608,485	4,706,172	102.12%
2011	2012-2013	4,702,727	4,756,433	101.14%
2012	2013-2014	5,213,629	5,306,177	101.76%
2013	2014-2015	5,242,477	5,436,518	103.70%
2014	2015-2016	5,284,645	--In Collection--	

Notes: (1) Source: the City and Iowa Department of Management. Does not include levies and collections for the City's tax increment finance District.
(2) Includes delinquent taxes.

Listed below are the larger taxpayers within the City and their taxable valuations.

Principal Taxpayers*(1)(2)*

Taxpayer Name	Business/Service	January 1, 2014 Taxable Valuation
Warrior Properties, LLC	Trucking/Transportation	$ 7,114,500
Ahmann Properties, LLC	Real Estate	5,479,110
CCB Packaging Inc.	Manufacturing	5,276,790
Longfellow Square LC	Real Estate	5,140,080
HS Property, LLC, aka Hunter Co.	Commercial Real Estate	4,891,770
Hiawatha Care Center, Inc.	Health Care	4,383,180
1250 Property LLC	Real Estate	4,193,280
1200 Properties LLC	Real Estate	3,867,840
LAJ LC	Real Estate	4,035,510
Brown Inc.	Financial Consultants	3,544,914
Total		$47,926,974
Ten Largest Taxpayers as Percent of City's 2014 Taxable Value ($391,308,347)		12.25%

Notes: (1) Source: the County.
(2) Every effort has been made to seek out and report the largest taxpayers. However, many of the taxpayers listed contain multiple parcels and it is possible that some parcels and their valuations have been overlooked.

Levy Limits

Normal municipal operations and maintenance costs are generally funded through the corporate property tax levy. Iowa State Code does not allow the municipal general fund to be taxed above $8.10 per thousand dollars of taxable value in any one year. In addition to the General Fund, there are several other tax funds that the City can create and use for specific purposes.

The property tax rates for the City from levy year 2010 through levy year 2014 are shown below:

Property Tax Rates: Levy Years 2010 - 2014*(1)*
(Per $1,000 Actual Valuation)

Fiscal Year: / Levy Year:	2011/12 / 2010	2012/13 / 2011	2013/14 / 2012	2014/15 / 2013	2015/16 / 2014
City:					
General Fund	$ 8.10000	$ 8.10000	$ 8.10000	$ 8.10000	$ 8.10000
Debt Service Fund	3.09776	3.73527	3.98802	3.98802	3.88905
Employee Benefits	3.74583	2.68329	2.51061	2.45416	2.81599
Other	0.58709	0.63895	0.58571	0.59011	0.60363
Total City	$15.53068	$15.15751	$15.18434	$15.18434	$15.40867
Linn County	$ 6.11117	$ 6.11191	$ 6.11191	$ 6.14191	$ 6.14225
Cedar Rapids Community Schools	15.16034	15.16089	15.47881	15.48446	15.38030
Kirkwood Community College	0.99870	1.07888	1.06473	1.05754	1.06125
Other	0.59162	0.56408	0.25694	0.42115	0.41229
Total Tax Rate	$38.39251	$38.07327	$38.09673	$38.30989	$38.40476

Note: (1) Source: Iowa Department of Management.

Tax Levy Procedures

The Notes are general obligations of the City, payable from and secured by a continuing ad valorem tax levied against all of the property valuation within the City. As part of the budgetary process each fiscal year, the City will have an obligation to request a debt service levy to be applied against all of the taxable property within the City. A failure on the part of the City to make a timely levy request or a levy request by the City that is inaccurate or is insufficient to make full payments of the debt service of the Notes for a particular fiscal year may cause Note holders to experience delay in the receipt of distributions of principal of and/or interest on the Notes. In the event of a default in the payment of principal of or interest on the Notes, there is no provision for acceleration of maturity of the principal of the Notes. Consequently, the remedies of the owners of the Notes (consisting primarily of an action in the nature of mandamus requiring the Issuer and certain other public officials to perform the terms of the resolution for the Notes) may have to be enforced from year to year.

Utility Property Tax Replacement

Property owned by entities involved primarily in the production, delivery, service and sale of electricity and natural gas ("Utilities") pay a replacement tax based upon the delivery of energy by Utilities in lieu of property taxes. All replacement taxes are allocated among local taxing bodies by the State Department of Revenue and the Department of Management. This allocation is made in accordance with a general allocation formula developed by the Department of Management on the basis of general property tax equivalents. Utility properties paying the replacement tax are exempt from the levy of property tax by political subdivisions. In addition to the replacement tax, Utility property will continue to be valued by a special method as provided in the statute and taxed at the rate of three cents per one thousand dollars for the general fund of the State.

By statute, the replacement tax collected by the State and allocated among local taxing bodies (including the City) shall be treated as property tax when received and shall be disposed of by the county treasurer as taxes on real estate. It is possible that the general obligation debt capacity of the City could be adjudicated to be proportionately reduced in future years if Utility property were determined to be other than "taxable property" for purposes of computing the City's debt limit under Article XI of the Constitution of the State of Iowa. There can be no assurance that future legislation will not (i) operate to reduce the amount of debt the City can issue or (ii) adversely affect the City's ability to levy taxes in the future for the payment of the principal of and interest on its outstanding debt obligations, including the Notes. Approximately 1% of the City's tax base currently is utility property.

Notwithstanding the foregoing, Iowa Code section 76.2 provides when an Iowa political subdivision issues bonds, "the governing authority of these political subdivisions before issuing bonds shall, by resolution, provide for the assessment of an annual levy upon all the taxable property in the political subdivision sufficient to pay the interest and principal of the bonds within a period named not exceeding twenty years. A certified copy of this resolution shall be filed with the county auditor or auditors of the counties in which the political subdivision is located; and the filing shall make it a duty of the auditor(s) to enter annually this levy for collection from the taxable property within the boundaries of the political subdivision until funds are realized to pay the bonds in full."

Tax Increment Financing

The Code of Iowa currently authorizes the use of two types of tax increment financing by local taxing districts in the State of Iowa. The first type allows local governments to establish TIF districts to be established for the purposes of financing designated urban renewal projects which contribute to the urban redevelopment and economic development of the immediate area. The total taxable valuation of this type of TIF district in the City for levy year 2014 was $63,812,447.

The second type of tax increment financing was authorized by state legislative action in the mid-1980's. The area community colleges can establish TIF districts by contract with specific local businesses and industries to provide jobs training programming for new employees of existing expanding businesses or employees of new businesses. The revenues from these job training TIF districts then retires the debt incurred from the issuance of jobs training certificates which finance the cost of jobs training programming over a maximum of ten years. Upon payment of all jobs training certificates, the district dissolves and the incremental value from the new or expanded business reverts to the general tax base. There is no current valuation for this second type of TIF district.

Legislation

From time to time, legislative proposals are pending in Congress and the Iowa General Assembly that would, if enacted, alter or amend one or more of the property tax matters described herein. It cannot be predicted whether or in what forms any of such proposals, either pending or that may be introduced, may be enacted, and there can be no assurance that such proposals will not apply to valuation, assessment or levy procedures for taxes levied by the City or have an adverse impact on the future tax collections of the City. Purchasers of the Notes should consult their tax advisors regarding any pending or proposed federal or state tax legislation. The opinions expressed by Bond Counsel are based upon existing legislation as of the date of issuance and delivery of the Notes and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending federal or state tax legislation.

During the 2013 legislative session, the Iowa General Assembly enacted Senate File 295 (the "Act"), which the Governor signed into law on June 12, 2013. Among other things, the Act (i) reduces the maximum annual taxable value growth percent, due to revaluation of existing residential and agricultural property, from the current 4% to 3%, (ii) assigns a "rollback" (the percentage of a property's value that is subject to tax) to commercial, industrial and railroad property of 95% for the 2013 assessment year and 90% for the 2014 assessment year and all years thereafter, (iii) creates a new property tax classification for multi-residential properties (apartments, nursing homes, assisted living facilities and certain other rental property) that begins in the 2015 assessment year, and assigns a declining rollback percentage to such properties for each subsequent year until the residential rollback percentage is reached in the 2022 assessment year, after which the rollback percentage for such properties will be equal to the residential rollback percentage each assessment year, and (iv) exempts a specified portion of the assessed value of telecommunication properties.

The Act includes a standing appropriation to replace some of the tax revenues lost by local governments, including tax increment districts, resulting from the new rollback for commercial and industrial property. Prior to fiscal year 2018, the appropriation is a standing unlimited appropriation, but beginning in fiscal year 2018 the standing appropriation cannot exceed the actual 2017 appropriation amount. The appropriation does not replace losses to local governments resulting from the Act's provisions that reduce the annual revaluation growth limit for residential and agricultural properties to 3% from 4%, the gradual transition for multi-residential properties from the commercial rollback percentage (100% of market value) to the residential rollback percentage (currently 53% of market value), or the reduction in the percentage of telecommunications property that is subject to taxation.

Given the wide scope of the statutory changes, and the State's discretion in establishing the annual replacement amount that is appropriated each year commencing in fiscal 2018, the impact of the Act on the City's future property tax collections is uncertain and the City has not attempted to quantify the financial impact of the Act's provisions on the City's future operations. It has been projected by Moody's Investor Service that local governments in Iowa are likely to experience modest reductions in property tax revenues starting in fiscal 2015 as a result of the Act, with sizeable reductions possible starting in fiscal 2018[1]. According to Moody's, local governments that may experience disproportionately higher revenue losses include regions that have a substantial commercial base, a large share of multi-residential developments (such as college towns), or significant amounts of telecommunications property.

Notwithstanding any decrease in property tax revenues that may result from the Act, Iowa Code section 76.2 provides that when an Iowa political subdivision issues bonds, "[t]he governing authority of these political subdivisions before issuing bonds shall, by resolution, provide for the assessment of an annual levy upon all the taxable property in the political subdivision sufficient to pay the interest and principal of the bonds within a period named not exceeding twenty years. A certified copy of this resolution shall be filed with the county auditor or the auditors of the counties in which the political subdivision is located; and the filing shall make it a duty of the auditors to enter annually this levy for collection from the taxable property within the boundaries of the political subdivision until funds are realized to pay the bonds in full."

From time to time, other legislative proposals may be considered by the Iowa General Assembly that would, if enacted, alter or amend one or more of the property tax matters described in this Official Statement. It cannot be predicted whether or in what forms any of such proposals may be enacted, and there can be no assurance that such proposals will not apply to valuation, assessment or levy procedures for the levy of taxes by the City.

FINANCIAL INFORMATION

Financial Reports

The City's financial statements are audited annually by certified public accountants. The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. See **APPENDIX A** for more detail.

No Consent or Updated Information Requested of the Auditor

The tables and excerpts (collectively, the "Excerpted Financial Information") contained in this **"FINANCIAL INFORMATION"** section are from the audited financial statements of the City, including the audited financial statements for the fiscal year ended June 30, 2015, (the "2015 Audit"). The 2015 Audit has been prepared by the Auditor of the State of Iowa, Des Moines, Iowa (the "Auditor"), and received by the City Council. The City has not requested the Auditor to update information contained in the Excerpted Financial Information and the 2015 Audit; nor has the City requested that the Auditor consent to the use of the Excerpted Financial Information and the 2015 Audit in this Official Statement. Other than as expressly set forth in this Official Statement, the financial information contained in the Excerpted Financial Information and the Audit has not been updated since the date of the 2015 Audit. The inclusion of the Excerpted Financial Information in this Official Statement in and of itself is not intended to demonstrate the fiscal condition of the City since the date of the 2015 Audit. Questions or inquiries relating to financial information of the City since the date of the 2015 Audit should be directed to the City.

[1] US Public Finance Weekly Credit Outlook, May 30, 2013, Moody's Investors Service.

Summary Financial Information

The following tables are summaries and do not purport to be the complete audits, copies of which are available upon request. See **APPENDIX A** for the City's June 30, 2015 fiscal year audit. The City budgeted for fiscal year 2016 Current Funds - Unrestricted Balance to remain approximately the same as fiscal year 2015. Revenue and Expenses to date are generally below budget.

Statement of Activities and Net Position – Cash Basis
Governmental Activities*(1)*

	Audited Fiscal Year Ended June 30				
	2011	2012	2013	2014	2015
PROGRAMS/FUNCTIONS					
Governmental Activities:					
Public Safety	$ (1,555,158)	$ (1,615,490)	$ (1,759,906)	$ (1,887,412)	$ (1,996,893)
Public Works	(4,222)	(24,577)	3,143	43,849	30,264
Health & Social Services	(18,500)	(19,500)	(14,500)	(20,000)	(20,000)
Culture and Recreation	(581,359)	(509,457)	(514,787)	(606,318)	(682,506)
Community and Economic Development	(360,720)	(499,465)	(446,020)	(243,782)	(309,894)
General Government	(1,037,840)	(888,873)	(923,434)	(1,077,006)	(1,106,201)
Debt Service	(3,757,210)	(3,467,865)	(2,845,113)	(3,056,602)	(3,308,469)
Capital Projects	(6,073,153)	(3,463,618)	(3,172,128)	(2,703,411)	(3,267,064)
Total Governmental Activities	$(13,388,162)	$(10,488,845)	$ (9,672,745)	$ (9,550,682)	$(10,660,763)
GENERAL RECEIPTS AND TRANSFERS:					
Property and Other City Tax Levied For:					
General Purposes	$ 3,366,466	$ 3,606,090	$ 3,427,788	$ 3,759,717	$ 3,630,019
Debt Service	1,291,550	1,100,082	1,347,385	1,547,585	1,565,367
Tax Increment Financing	1,803,156	2,200,459	2,037,467	1,725,842	1,979,524
Local Option Sales Tax	916,326	963,802	887,535	938,472	884,979
Unrestricted Interest on Investments	6,291	7,512	8,897	7,551	8,135
Note Proceeds, Net	3,577,912	3,280,915	4,950,223	2,673,188	3,884,424
Payment to Refunding Bond Agent	0	0	0	0	(1,205,000)
Sale of Capital Assets	15,100	38,025	0	171,156	0
Miscellaneous	179,880	17,095	133,361	6,500	389,297
Primary Government Transfers	0	0	0	0	7,500
Component Unit Transfers	68,578	69,615	71,397	60,127	59,832
Total General Receipts and Transfers	$ 11,225,259	$11,283,595	$12,864,553	$10,890,138	$ 11,204,077
CHANGE IN CASH BASIS NET POSITION	$ (2,162,903)	$ 794,750	$ 3,191,808	$ 1,339,456	$ 543,314
CASH BASIS NET POSITION, BEGINNING OF YEAR	$ 7,530,447	$ 5,367,544	$ 6,162,294	$ 9,354,102	$ 10,693,558
CASH BASIS NET POSITION, END OF YEAR	$ 5,367,544	$ 6,162,294	$ 9,354,102	$10,693,558	$ 11,236,872
CASH BASIS NET POSITION					
Restricted:					
Urban Renewal Purposes	$ 111,566	$ 315,575	$ 401,220	$ 205,974	$ 129,408
Debt Service	923,907	115,932	146,970	337,433	429,661
Streets	208,517	306,483	342,339	378,794	407,592
Capital Projects	0	0	4,505,881	5,207,809	5,641,678
Equipment	0	570,317	0	0	0
Other Purposes	3,014,480	4,145,819	2,263,565	2,365,758	2,064,020
Unrestricted	1,109,074	708,168	1,694,127	2,197,790	2,564,513
Total Cash Basis Net Position	$ 5,367,544	$6,162,294	$ 9,354,102	$10,693,558	$ 11,236,872

Note: (1) Source: Audited financial statements of the City for the fiscal years ended June 30, 2011 - 2015.

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Statement of Cash Receipts, Disbursements and Changes in Cash Balances
General Fund*(1)*

	Audited Fiscal Year Ended June 30				
	2011	2012	2013	2014	2015
RECEIPTS:					
Property Taxes	$2,343,209	$2,503,444	$2,560,835	$2,870,829	$2,812,693
Other City Taxes	18,176	17,671	60,337	46,301	18,832
Licenses and Permits	221,051	219,117	217,390	211,064	246,189
Use of Money and Property	48,158	52,102	47,548	51,766	61,306
Intergovernmental	226,752	183,500	207,643	200,044	389,231
Charges for Service	368,643	272,547	383,988	326,183	463,726
Miscellaneous	145,024	145,479	158,878	193,056	127,083
Total Receipts	$3,371,013	$3,393,860	$3,636,619	$3,899,243	$4,119,060
DISBURSEMENTS:					
Operating:					
Public Safety	$1,609,019	$1,524,818	$1,634,531	$1,747,502	$1,931,341
Public Works	51,676	60,411	62,861	69,984	76,260
Health and Social Services	18,500	19,500	14,500	20,000	20,000
Culture and Recreation	686,153	664,545	698,574	727,902	778,390
Community and Economic Development	15,703	8,788	7,083	4,228	1,374
General Government	874,590	809,010	795,508	930,504	931,420
Total Disbursements	$3,255,641	$3,087,072	$3,213,057	$3,500,120	$3,738,785
Excess (Deficiency) of Receipts Over (Under) Disbursements	$ 115,372	$ 306,788	$ 423,562	$ 399,123	$ 380,275
Other Financing Sources (Uses):					
Operating Transfers (Net)	$ (90,175)	$ 0	$ (128,725)	$ (138,725)	$ (162,725)
Sale on Property	0	0	0	0	29,000
Total Other Financing Sources (Uses)	$ (90,175)	$ 0	$ (128,725)	$ (138,725)	$ (133,725)
Change in Cash Balances	$ 25,197	$ 306,788	$ 294,837	$ 260,398	$ 246,550
Cash Balances Beginning of Year	$ 441,101	$ 466,298	$ 773,086	1,067,923	1,328,321
Cash Balances End of Year	$ 466,298	$ 773,086	$1,067,923	$1,328,321	$1,574,871

Note: (1) Source: Audited financial statements of the City for the fiscal years ended June 30, 2011 - 2015.

EMPLOYEE RETIREMENT AND OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS

Pensions

Pursuant to GASB Statement No. 68, the City reported a liability of $699,133 as of June 30, 2015 for its proportionate share of the net pension liability for Iowa Public Employee Retirement System ("IPERS"). The net pension liability is the amount by which the total actuarial liability exceeds the pension plan's net assets or fiduciary net position (essentially the market value) available for paying benefits. 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 June 30, 2014. 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. As of June 30, 2014, the City's collective proportion was 0.017629%. For additional information, see the City's Audited Financial Statements for Fiscal Year Ending June 30, 2015 in **APPENDIX A**.

The City also contributes to the Iowa Public Employees' Retirement System ("IPERS"), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. Employees who retire at age 65 (or anytime after age 58 with 30 or more years of service) are entitled to full monthly benefits. IPERS offers five options for distribution of retirement benefits. Prior to July 1, 2012, benefits become fully vested after completing four years of service or after attaining age 55 and after July 1, 2012 benefits become fully vested after completing seven years of service or after attaining age 65.

IPERS plan members are required to contribute a percentage of their annual salary, in addition to the City being required to make annual contributions to IPERS. Contribution amounts are set by State statute. The City's share is payable from the applicable funds of the City. All contributions are on a current basis. See **APPENDIX A – Note 5** for additional information on IPERS.

The following table sets forth the contributions made by the City and employees to IPERS for the period indicated. The City has always made their full statutorily required contributions to IPERS. The City cannot predict the levels of funding that will be required in the future.

Fiscal Year	% of Payroll Paid by the City	% of Payroll Paid by Employee
2013	8.67%	5.78%
2014	8.93%	5.95%
2015	8.93%	5.95%
2016	8.93%	5.95%
2017	8.93%	5.95%

The IPERS fund is administered by the IPERS Board with administration costs paid from income derived from invested funds. IPERS has an unfunded actuarial liability and unrecognized actuarial loss. The following table sets forth certain information about the funding status of IPERS that has been extracted from the Actuarial Valuation Report of IPERS for fiscal years noted below (the "IPERS Reports"). A complete copy of the Reports can be obtained by visiting IPERS website at: http://ww.ipers.org/ or by writing to IPERS at P.O. Box 9117, Des Moines, Iowa 50306-9117.

Fiscal Year Ending June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability [b]	Unfunded Actuarial Accrued Liability (Actuarial Value) [b]-[a]	Funded Ratio (Actuarial Value) [a]/[b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll (Actuarial Value) {[b-a]/[c]}
2011	$22,575,309,199	$28,257,080,114	$5,681,770,915	79.89%	$6,574,872,719	86.42%
2012	23,530,094,461	29,446,197,486	5,916,103,025	79.91%	6,786,158,720	87.18%
2013	24,711,096,187	30,498,342,320	5,787,246,133	81.02%	6,880,131,134	84.12%
2014	26,460,428,085	32,004,456,088	5,544,028,003	82.68%`	7,099,277,280	78.09%
2015	27,915,379,103	33,370,318,731	5,454,939,628	83.65%	7,326,348,141	74.46%

Source: IPERS Reports.

According to IPERS, the market value investment return on program assets is as follows:

Fiscal Year Ended June 30	Investment Return %
2011	19.91%
2012	3.73%
2013	10.12%
2014	15.88%
2015	3.96%

Source: IPERS Reports

Bond Counsel, the City and the Municipal Advisor undertake no responsibility for and make no representations as to the accuracy or completeness of the information available from the IPERS discussed above or included on the IPERS website, including, but not limited to, updates of such information on the State Auditor's website or links to other Internet sites accessed through the IPERS website.

Other Post-Employment Benefits (OPEB)

In June 2004, the Governmental Accounting Standards Board ("GASB") issued GASB 45, which address how state and local governments are required to account for and report their costs and obligations related to other post-employment benefits ("OPEB"), defined to include post-retirement healthcare benefits. GASB 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension establishes financial reporting standards designed to measure, recognize and display OPEB costs. OPEB costs would become measurable on an accrual basis of accounting, and contribution rates (actuarially determined) would be prescribed for funding such costs. The provisions of GASB 45 do not require governments to fund their OPEBs. The City may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however the unfunded actuarial liability is required to be amortized over future periods.

See **APPENDIX A – Notes 4** and **5** herein for a further discussion of the City's employee retirement and other post-employment benefit obligations.

REGISTRATION, TRANSFER AND EXCHANGE

See also **APPENDIX B, BOOK-ENTRY SYSTEM** for information on registration, transfer and exchange of book-entry bonds. The Notes will be initially issued as book-entry bonds.

The City shall cause books (the "Note Register") for the registration and for the transfer of the Notes to be kept at the principal corporate trust office of the Registrar in Des Moines, Iowa. The City will authorize to be prepared, and the Registrar shall keep custody of, multiple bond blanks executed by the City for use in the transfer and exchange of Notes.

Any Note may be transferred or exchanged, but only in the manner, subject to the limitations, and upon payment of the charges as set forth in the Note Resolution. Upon surrender for transfer or exchange of any Note at the principal corporate trust office of the Registrar, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Registrar and duly executed by the registered owner or such owner's attorney duly authorized in writing, the City shall execute and the Registrar shall authenticate, date and deliver in the name of the registered owner, transferee or transferees (as the case may be) a new fully registered Note or Notes of the same maturity, series and interest rate of authorized denominations, for a like aggregate principal amount.

The execution by the City of any fully registered Note shall constitute full and due authorization of such Note, and the Registrar shall thereby be authorized to authenticate, date and deliver such Note, provided, however, the principal amount of outstanding Notes of each maturity authenticated by the Registrar shall not exceed the authorized principal amount of Notes for such maturity less Notes previously paid.

The Registrar shall not be required to transfer or exchange any Note following the close of business on the 15th day of the month next preceding any interest payment date on such Note, nor to transfer or exchange any Note after notice calling such Note for redemption has been mailed, nor during a period of fifteen days next preceding mailing of a notice of redemption of any Notes.

The person in whose name any Note shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of the principal of or interest on any Notes shall be made only to or upon the order of the registered owner thereof or such owner's legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sum or sums so paid.

No service charge shall be made for any transfer or exchange of Notes, but the City or the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Notes.

TAX MATTERS

Tax Exemption

Federal tax law contains a number of requirements and restrictions that apply to the Notes, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of Note proceeds and facilities financed with Note proceeds, and certain other matters. The City has covenanted to comply with all requirements that must be satisfied in order for the interest on the Notes to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Notes to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Notes.

Subject to the City's compliance with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Notes is excludable from gross income for federal income tax purposes and interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes), such interest is included in adjusted current earnings for the purpose of determining the alternative minimum tax imposed on such corporations.

The interest on the Notes is not exempt from present Iowa income taxes. Ownership of the Notes may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Notes. Prospective purchasers of the Notes should consult their tax advisors regarding the applicability of any such state and local taxes.

Prospective purchasers of the Notes should be aware that ownership of the Notes may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Notes should consult their tax advisors as to collateral federal income tax consequences.

Qualified Tax-Exempt Obligations

The City does not reasonable expect to issue more than $10,000,000 in tax-exempt obligations in calendar year 2016 which must be taken into account and accordingly, will designate the Notes as "qualified tax-exempt obligations" under the exception provided in Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code.

Tax Accounting Treatment of Discount and Premium on Certain Notes

The initial public offering price of certain Notes may be less than the amount payable on such Notes at maturity ("Discount Notes"). Owners of Discount Notes should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Notes for income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Notes. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Notes may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Notes may be greater than the amount of such Notes at maturity ("Premium Notes"). Purchasers of the Premium Notes should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Notes for income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Notes.

Other Tax Advice

In addition to the income tax consequences described above, potential investors should consider the additional tax consequences of the acquisition, ownership, and disposition of the Notes. For instance, state income tax law may differ substantially from state to state, and the foregoing is not intended to describe any aspect of the income tax laws of any state. Therefore, potential investors should consult their own tax advisors with respect to federal tax issues herein covered by the opinion and with respect to the various state tax consequences of an investment in Notes.

Audits

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Notes. If an audit is commenced, under current procedures the Service may treat the City as a taxpayer and the Noteholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Notes until the audit is concluded, regardless of the ultimate outcome.

Reporting and Withholding

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Notes, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Note owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Note owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

Pending Federal Tax Legislation

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals are pending in Congress that could, if enacted, alter or amend one or more of the federal tax matters described herein in certain respects or would adversely affect the market value of the Notes or otherwise prevent holders of the Notes from realizing the full benefit of the tax exemption of interest on the Notes. Further such proposals may impact the marketability or market value of the Notes simply by being proposed. It cannot be predicted whether or in what forms any of such proposals, either pending or that may be introduced, may be enacted and there can be no assurance that such proposals will not apply to the Notes. In addition regulatory actions are from time to time announced or proposed, and litigation threatened or commenced, which if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Notes. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Notes would be impacted thereby.

Tax Legislation

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may be considered by the Iowa legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Notes will not have an adverse effect on the tax status of interest or other income on the Notes or the market value or marketability of the Notes. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Notes from gross income for federal or state income tax purposes for all or certain taxpayers.

Some legislative proposals may carry retroactive effective dates, that, if enacted, could alter or amend the tax matters referred to in this section or affect the market value of the Notes. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal or state tax legislation.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Notes, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Enforcement

Holders of the Notes shall have and possess all the rights of action and remedies afforded by the common law, the Constitution and statutes of the State of Iowa and of the United States of America for the enforcement of payment of the Notes, including, but not limited to, the right to a proceeding in law or in equity by suit, action or mandamus to enforce and compel performance of the duties required by Iowa law and the Note Resolution.

The practical realization of any rights upon any default will depend upon the exercise of various remedies specified in the Note Resolution. The remedies available to the owners of the Notes upon an event of default under the Note Resolution, in certain respects, may require judicial action, which is often subject to discretion and delay. Under existing law, including specifically the federal bankruptcy code, certain of the remedies specified in the Note Resolution may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in these documents. The legal opinions to be delivered concurrently with the delivery of the Notes will be qualified as to the enforceability of the various legal instruments by limitations imposed by general principles of equity and public policy and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

No representation is made, and no assurance is given, that the enforcement of any remedies with respect to such assets will result in sufficient funds to pay all amounts due under the Note Resolution, including principal of and interest on the Notes.

Opinion

Bond Counsel's opinion is not a guarantee of a result, or of the transaction on which the opinion is rendered, or of the future performance of parties to the transaction, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described in this section. No ruling has been sought from the Service with respect to the matters addressed in the opinion of Note Counsel and Bond Counsel's opinion is not binding on the Service. Bond Counsel assumes no obligation to update its opinion after the issue date to reflect any further action, fact or circumstance, or change in law or interpretation, or otherwise. See **APPENDIX C** for a draft form of legal opinion for the Bonds.

ALL POTENTIAL PURCHASERS OF THE NOTES SHOULD CONSULT WITH THEIR TAX ADVISORS WITH RESPECT TO FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF OWNERSHIP OF THE NOTES (INCLUDING BUT NOT LIMITED TO THOSE LISTED ABOVE).

CONTINUING DISCLOSURE

For the purpose of complying with Rule 15c2-12 of the Securities Exchange Commission, as amended and interpreted from time to time (the "Rule"), the City will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Notes to provide reports of specified information and notice of the occurrence of certain events, if material, as hereinafter described (the "Disclosure Covenants"). The information to be provided on an annual basis, and the events as to which notice is to be given, if material, is set forth in **"APPENDIX D - Form of Continuing Disclosure Certificate"**. This covenant is being made by the City to assist the Underwriter(s) in complying with the Rule.

Breach of the Disclosure Covenants will not constitute a default or an "Event of Default" under the Notes or Resolution, respectively. A broker or dealer is to consider a known breach of the Disclosure Covenants, however, before recommending the purchase or sale of the Notes in the secondary market. Thus, a failure on the part of the City to observe the Disclosure Covenants may adversely affect the transferability and liquidity of the Notes and their market price.

Pursuant to the Rule, in the last five years, the City believes it has complied in all material respects with regard to its prior Disclosure Covenants.

Bond Counsel expresses no opinion as to whether the Undertaking complies with the requirements of Section (b)(5) of the Rule.

OPTIONAL REDEMPTION

The Notes due June 1, 2017 - 2024, inclusive, are not subject to optional redemption prior to maturity. The Notes due June 1, 2025 - 2031, inclusive, are subject to optional redemption prior to maturity in whole or in part on any date on or after June 1, 2024 at a price of par and accrued interest. If less than all the Notes are called, they shall be redeemed in any order of maturity as determined by the City and within any maturity by lot.

The Note Registrar will give notice of redemption, identifying the Notes (or portions thereof) to be redeemed, by written notice of the redemption not less than thirty (30) days prior to the date fixed for redemption to the registered owner of each Note (or portion thereof) to be redeemed at the address shown on the registration books maintained by the Note Registrar. Unless moneys sufficient to pay the redemption price of the Notes to be redeemed are received by the Note Registrar prior to the giving of such notice of redemption, such notice may, at the option of the City, state that said redemption will be conditional upon the receipt of such moneys by the Note Registrar on or prior to the date fixed for redemption. If such moneys are not received, such notice will be of no force and effect, the City will not redeem such Notes, and the Note Registrar will give notice, in the same manner in which the notice of redemption has been given, that such moneys were not so received and that such Notes will not be redeemed. Otherwise, prior to any redemption date, the City will deposit with the Note Registrar an amount of money sufficient to pay the redemption price of all the Notes or portions of Notes which are to be redeemed on the date.

LITIGATION

The City is not aware of litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Notes, or in any way contesting or affecting the validity of the Notes or any proceedings of the City taken with respect to the issuance or sale thereof or any other litigation which could have a material adverse effect on the City's ability to meet its financial obligations.

LEGAL MATTERS

The Notes are subject to approval as to certain legal matters by Ahlers & Cooney, P.C., Des Moines, Iowa, as Bond Counsel. Bond Counsel has not participated in the preparation of this Official Statement except for guidance concerning the sections regarding **"TAX MATTERS"**, and will not pass upon its accuracy, completeness, or sufficiency. Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements, or data contained in this Official Statement, and will express no opinion with respect thereto.

The legal opinion to be delivered concurrently with the delivery of the Notes expresses the professional judgment of the attorneys rendering the opinion as to legal issues expressly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgment, or of the transaction on which the opinion is rendered, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

OFFICIAL STATEMENT AUTHORIZATION

This Official Statement has been authorized for distribution to prospective purchasers of the Notes. All statements, information, and statistics herein are believed to be correct but are not guaranteed by the consultants or by the City, and all expressions of opinion, whether or not so stated, are intended only as such. The auditors have not performed any additional review and have not consented to the inclusion of the excerpts from the financial statements and the 2015 Audit shown in **APPENDIX A**.

INVESTMENT RATING

The City has supplied certain information and material concerning the Notes and the City to the rating service shown on the cover page as part of its application for an investment rating on the Notes. Generally, such rating service bases its rating on such information and material, and also on such investigations, studies and assumptions that it may undertake independently. There is no assurance that such rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by such rating service if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the secondary market price of the Notes. An explanation of the significance of the investment rating may be obtained from the rating agency: Moody's Investors Service, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, telephone 212-553-1658.

UNDERWRITING

The Notes were offered for sale by the City at a public, competitive sale on Wednesday, May 18, 2016. The best bid submitted at the sale was submitted by _____ (the "Underwriter"). The City awarded the contract for sale of the Notes to the Underwriter at a price of $_____. The Underwriter has represented to the City that the Notes have been subsequently re-offered to the public initially at the yields or prices set forth in the Final Official Statement.

MUNICIPAL ADVISOR

The City has engaged Speer Financial, Inc. as Municipal Advisor (the "Municipal Advisor") in connection with the issuance and sale of the Notes. The Municipal Advisor will not participate in the underwriting of the Notes. The Municipal Advisor is a Registered Municipal Advisor in accordance with the rules of the Municipal Securities Board (the "MSRB"). The financial information included in the Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. The Municipal Advisor is not a firm of certified public accountants and does not serve in that capacity or provide accounting services in connection with the Notes. The Municipal Advisor is not obligated to undertake any independent verification of or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement, nor is the Municipal Advisor obligated by the City's continuing disclosure undertaking.

CERTIFICATION

We have examined this Official Statement dated May 4, 2016, for the $2,945,000* General Obligation Capital Loan Notes, Series 2016A, and, to the best of our knowledge and information, believe it to be true and correct and will provide to the purchaser(s) of the Notes at the time of delivery a certificate confirming to the purchaser(s) that to the best of our knowledge and belief information in the Official Statement was at the time of acceptance of the bid for the Notes and, including any addenda thereto, was at the time of delivery of the Notes true and correct in all material respects and does not include any untrue statement of a material fact, nor does it omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

/s/ **KELLY KORNEGOR**
City Clerk
CITY OF HIAWATHA
Linn County, Iowa

/s/ **BILL BENNETT**
Mayor
CITY OF HIAWATHA
Linn County, Iowa

**Subject to principal adjustment in accordance with the Official Terms of Offering.*

APPENDIX A

CITY OF HIAWATHA, IOWA

THE AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDING
JUNE 30, 2015

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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

Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE January 15, 2016

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Hiawatha, Iowa.

The City's receipts totaled $15,320,959 for the year ended June 30, 2015, a 5% increase over the prior year. The receipts included $5,195,386 of property tax, $1,979,524 from tax increment financing, $884,979 of local option sales tax, $1,782,566 from charges for service, $1,056,162 from operating grants, contributions and restricted interest, $58,844 from capital grants, contributions and restricted interest, $8,845 from unrestricted interest on investments, $3,884,424 of note proceeds, $389,297 from other general receipts and $80,932 of component unit transfers.

Disbursements for the year ended June 30, 2015 totaled $14,554,836, an 11.5% increase over the prior year, and included $3,325,908 for capital projects, $3,308,864 for debt service, $2,734,395 for public safety, $1,126,072 for general government, $1,205,000 for payment to refunding bond agent and $1,028,834 for culture and recreation. Also, disbursements for business type activities totaled $783,451.

A copy of the audit report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at http://auditor.iowa.gov/reports/1520-0545-B00F.pdf

# # #

CITY OF HIAWATHA

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

JUNE 30, 2015

1520-0545-B00F

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City of Hiawatha

Officials

Name	Title	Term Expires
Thomas A. Theis	Mayor	Jan 2016
Robert Rampulla	Mayor Pro tem	Jan 2018
Dennis Norton	Council Member	Jan 2016
Richard Olson	Council Member	Jan 2016
Robert Wheeler	Council Member	Jan 2016
Martin Bruns	Council Member	Jan 2018
Kimberly Downs	City Administrator	Indefinite
Cindy Kudrna	Finance Director	Indefinite
Kelly Kornegor	City Clerk	Indefinite
Mark Parmenter	City Attorney	Indefinite
Patrick White	Water Board Chairperson	Jan 2017
Gary Casady	Water Board Vice Chairperson	Jan 2020
Troy Anderson	Water Board Trustee	Jan 2016
Beverly Daws	Water Board Trustee	Jan 2018
Robert Hemera	Water Board Trustee	Jan 2022
Carl Ransford	Water Superintendent	Indefinite
Debra Larson	Billing Clerk	Indefinite
Sara Ries	Assistant Billing Clerk	Indefinite

City of Hiawatha

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Hiawatha, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Hiawatha as of June 30, 2015, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Emphasis of a Matter

As discussed in Note 4 to the financial statements, the City of Hiawatha adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hiawatha's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 7 through 12 and 34 through 41, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 20, 2015 on our consideration of the City of Hiawatha's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Hiawatha's internal control over financial reporting and compliance.

Mary Mosiman
MARY MOSIMAN, CPA
Auditor of State

Warren Jenkins
WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 20, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Hiawatha provides this management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- Receipts for the City's governmental activities increased 4.7%, or approximately $635,000, from fiscal year 2014 to fiscal year 2015. The City received approximately $1,200,000 more in debt proceeds in fiscal year 2015 than in fiscal year 2014, other general receipts increased approximately $218,000, primarily due to the City receiving approximately $269,000 in commercial/industrial tax replacement in fiscal year 2015, and tax increment financing increased approximately $254,000. Capital grants, contributions and restricted interest decreased approximately $1,097,000 due to the City receiving less RISE grant funds from the Iowa Department of Transportation and donations.

- Disbursements for the City's governmental activities increased 11.6%, or approximately $1,432,000, from fiscal year 2014 to fiscal year 2015. Disbursements for debt service increased approximately $251,000 and the City refunded $1,205,000 of general obligation notes in fiscal year 2015.

- The City's total cash basis net position increased 6.5%, or approximately $766,000, from June 30, 2014 to June 30, 2015. Of this amount, the net position of the governmental activities increased approximately $543,000 and the net position of the business type activities increased approximately $223,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

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

The Cash Basis Statement of Activities and Net Position is divided into the following activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax, debt proceeds and state and federal grants finance most of these activities.
- Business Type Activities include the sanitary sewer system. These activities are financed primarily by user charges.
- The Component Unit includes the Hiawatha Water Department, which accounts for the activities of the waterworks.

Fund Financial Statements

The City has three kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Urban Renewal Tax Increment, Local Option Sales Tax and Employee Benefits, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

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

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

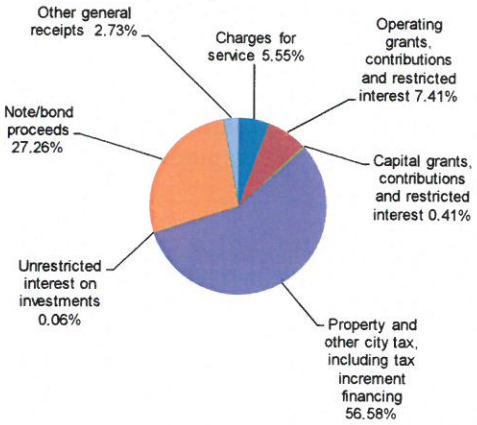
3) Fiduciary funds account for resources held for others. The Fiduciary funds consist of the Agency, Flexible Benefits and the Water Department Clearing Funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

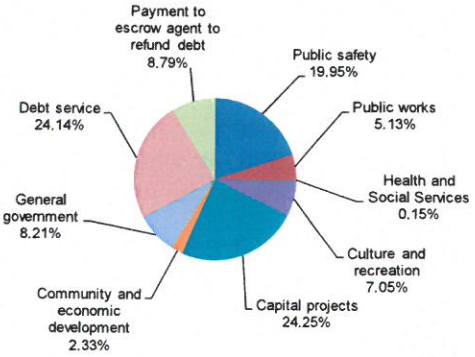
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased approximately $543,000 over a year ago, from $10,693,558 to $11,236,872. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service	$ 790,616	632,527
Operating grants, contributions and restricted interest	1,056,162	1,000,437
Capital grants, contributions and restricted interest	58,844	1,156,054
General receipts:		
Property and other city tax, including tax increment financing	8,059,889	7,971,616
Unrestricted interest on investments	8,135	7,551
Note/bond proceeds	3,884,424	2,673,188
Other general receipts	389,297	171,156
Total receipts	14,247,367	13,612,529
Disbursements:		
Public safety	2,734,395	2,442,144
Public works	703,335	660,902
Health and social services	20,000	20,000
Culture and recreation	1,028,834	966,848
Community and economic development	318,977	250,077
General government	1,126,072	1,082,634
Debt service	3,308,864	3,057,630
Capital projects	3,325,908	3,859,465
Payment to escrow agent to refund debt	1,205,000	-
Total disbursements	13,771,385	12,339,700
Change in cash basis net position before transfers	475,982	1,272,829
Transfers, net	67,332	66,627
Change in cash basis net position	543,314	1,339,456
Cash basis net position beginning of year	10,693,558	9,354,102
Cash basis net position end of year	$ 11,236,872	10,693,558

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities increased 4.7%, or approximately $635,000. The total cost of all programs and services increased approximately $1,432,000. The increase in receipts was primarily the result of an increase in the amount of note proceeds received in fiscal year 2015 compared to the amount of note proceeds received in fiscal year 2014 and the receipt of commercial/industrial tax replacement in fiscal year 2015, netted with a decrease of capital grants, contributions and restricted interest.

The cost of all governmental activities this year was $12,566,385. However, as shown in the Cash Basis Statement of Activities and Net Position, the amount financed by taxes for these activities was $10,660,763, with the remainder paid for with user fees, grants, contributions, interest on investments, fund balances and bond proceeds.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service:		
Sewer	$ 991,950	915,467
General receipts:		
Unrestricted interest on investments	710	74
Total receipts	992,660	915,541
Disbursements:		
Sewer	783,451	717,391
Increase in cash basis net position before transfers	209,209	198,150
Transfers, net	13,600	10,600
Increase in cash basis net position	222,809	208,750
Cash basis net position beginning of year	1,118,449	909,699
Cash basis net position end of year	$ 1,341,258	1,118,449

The business type activities receipts for the fiscal year were $992,660 compared to $915,541 last year. Disbursements for the fiscal year increased 9.2% to $783,451. As a result of these items, the cash balance increased 19.9%, or $222,809, over the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Hiawatha completed the year, its governmental funds reported a combined fund balance of $11,236,872, an increase of approximately $543,000 over last year's total. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased $246,550 over the prior year to $1,574,871. Intergovernmental receipts increased approximately $169,000, $154,000 of which relates to commercial/industrial tax replacement receipts received for the first time in fiscal year 2015.

- The Special Revenue, Urban Renewal Tax Increment Fund had a cash balance of $129,408 at the end of the fiscal year, which represents a decrease of $76,566 from the previous year. The decrease was primarily the result of an increase in the amount transferred to the Debt Service Fund during the year to service debt issued for urban renewal purposes.

- The Special Revenue, Local Option Sales Tax Fund had a cash balance of $1,779,827 at the end of the fiscal year, which represents a decrease of $103,806 from the previous fiscal year. The decrease is due to the City receiving less local option sales tax receipts and transferring more to the Capital Projects Fund than in fiscal year 2014.

- The Special Revenue, Employee Benefits Fund had a cash balance of $190,972 at the end of the fiscal year, which represents a decrease of $189,417 from the previous fiscal year. The decrease is primarily due to an increase in the number of City employees and a decrease in property tax received.

- The Debt Service Fund cash balance increased $92,228 to $429,661 during the fiscal year. During the fiscal year, the City received approximately $72,000 in commercial/industrial tax replacement receipts and issued $1,205,000 of general obligation capital loan notes to refund $1,205,000 of outstanding notes.

- The Capital Projects Fund is a combination of several sub-funds, including the Projects Fund, the Library Project Fund, the Local Option Sales Tax (LOST) Projects Fund, the Equipment Reserve Fund and the Tax Increment Financing (TIF) Projects Fund. The June 30, 2015 total cash balance of the Capital Projects Fund was $6,631,320, an increase of $554,042 over the June 30, 2014 cash balance. This increase is primarily due to an increase of $315,500 of transfers in from other funds.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Sewer Fund cash balance increased $222,809 to $1,341,258 due to an increase in charges for service in fiscal year 2015 compared to fiscal year 2014.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 6, 2015 and resulted in an increase in budgeted disbursements of $864,500 for various capital projects and an increase of $1,436,740 for debt service.

The City's receipts were $48,452 less than budgeted, which is a less than 1% variance.

Total disbursements were $3,366,867 less than the final amended budget. Debt service disbursements were $1,458,902 less than budgeted as a result of the City budgeting for the payment of the refunded debt when it was reported as an other financing use. The capital projects function was $1,147,792 less than budgeted due to actual disbursements being less than anticipated.

During the year ended June 30, 2015, disbursements did not exceed the amount budgeted for any function.

DEBT ADMINISTRATION

At June 30, 2015, the City had $22,430,000 of general obligation notes and bonds outstanding, compared to $22,755,000 at the end of the last fiscal year.

The City has obtained a bond rating and has continued to obtain favorable rates comparable to between A and AAA ratings. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of $23,013,125, including $583,125 of TIF indebtedness, is below its constitutional debt limit of approximately $27,400,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Hiawatha's elected officials considered many factors when setting the fiscal year 2016 budget, tax rates and fees charged for various City activities. One of those factors is the economy. The City of Hiawatha is located in Linn County, Iowa. The County's unemployment rate in June 2015 was 3.7% versus 4.5% a year ago. This compares with the State's unemployment rate of 3.7% and the national rate of 5.3% percent.

The Consumer Price Index for urban consumers in June 2015 was .1% higher than the previous year.

These indicators were taken into account when adopting the budget for fiscal year 2016. Total projected receipts, including beginning balances available for appropriation in the budget, are $32,639,978. The City will use its resources to finance programs we currently offer and fund our capital improvements. Budgeted disbursements (not including transfers) are expected to decrease 5% to $16,967,066 from the final fiscal year 2015 budget. The City has added no major new programs to the fiscal year 2016 budget. However, it should be noted the most significant decrease is in the debt service function.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Finance Director Cindy Kudrna, 101 Emmons Street, Hiawatha, Iowa 52233-1697.

Basic Financial Statements

City of Hiawatha

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

		Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	$ 2,734,395	651,302	86,200	-
Public works	703,335	-	733,599	-
Health and social services	20,000	-	-	-
Culture and recreation	1,028,834	113,860	232,468	-
Community and economic development	318,977	9,083	-	-
General government	1,126,072	16,371	3,500	-
Debt service	3,308,864	-	395	-
Capital projects	3,325,908	-	-	58,844
Total governmental activities	12,566,385	790,616	1,056,162	58,844
Business type activities:				
Sewer	783,451	991,950	-	-
Total primary government	$ 13,349,836	1,782,566	1,056,162	58,844
Component unit:				
Hiawatha Water Department	$ 1,240,944	1,304,085	-	-
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Note proceeds, including premium of $164,424				
Payment to refunding bond agent				
Miscellaneous				
Primary government transfers				
Component unit transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Urban renewal purposes				
Debt service				
Streets				
Capital projects				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Hiawatha Water Department
(1,996,893)	-	(1,996,893)	
30,264	-	30,264	
(20,000)	-	(20,000)	
(682,506)	-	(682,506)	
(309,894)	-	(309,894)	
(1,106,201)	-	(1,106,201)	
(3,308,469)	-	(3,308,469)	
(3,267,064)	-	(3,267,064)	
(10,660,763)	-	(10,660,763)	
-	208,499	208,499	
(10,660,763)	208,499	(10,452,264)	
			63,141
3,630,019	-	3,630,019	-
1,565,367	-	1,565,367	-
1,979,524	-	1,979,524	-
884,979	-	884,979	-
8,135	710	8,845	4,195
3,884,424	-	3,884,424	-
(1,205,000)	-	(1,205,000)	-
389,297	-	389,297	-
7,500	(7,500)	-	-
59,832	21,100	80,932	(80,932)
11,204,077	14,310	11,218,387	(76,737)
543,314	222,809	766,123	(13,596)
10,693,558	1,118,449	11,812,007	805,033
$ 11,236,872	1,341,258	12,578,130	791,437
$ 129,408	-	129,408	-
429,661	-	429,661	-
407,592	-	407,592	-
5,641,678	-	5,641,678	-
2,064,020	-	2,064,020	203,319
2,564,513	1,341,258	3,905,771	588,118
$ 11,236,872	1,341,258	12,578,130	791,437

City of Hiawatha

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

As of and for the year ended June 30, 2015

		Special Revenue		
	General	Urban Renewal Tax Increment	Local Option Sales Tax	Employee Benefits
Receipts:				
Property tax	$ 2,812,693	-	-	793,347
Tax increment financing	-	1,979,524	-	-
Other city tax	18,832	-	884,979	5,147
Licenses and permits	246,189	-	-	-
Use of money and property	61,306	41	1,215	-
Intergovernmental	389,231	-	-	43,474
Charges for service	463,726	-	-	-
Special assessments	-	-	-	-
Miscellaneous	127,083	-	-	-
Total receipts	4,119,060	1,979,565	886,194	841,968
Disbursements:				
Operating:				
Public safety	1,931,341	-	-	687,852
Public works	76,260	-	-	-
Health and social services	20,000	-	-	-
Culture and recreation	778,390	-	-	173,984
Community and economic development	1,374	317,603	-	-
General government	931,420	-	-	169,549
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	3,738,785	317,603	-	1,031,385
Excess (deficiency) of receipts over (under) disbursements	380,275	1,661,962	886,194	(189,417)
Other financing sources (uses):				
Note proceeds, including premium of $164,424	-	-	-	-
Payment to refunding bond agent	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(162,725)	(1,738,528)	(990,000)	-
Component unit transfers in	-	-	-	-
Sale of property	29,000	-	-	-
Total other financing sources (uses)	(133,725)	(1,738,528)	(990,000)	-
Change in cash balances	246,550	(76,566)	(103,806)	(189,417)
Cash balances beginning of year	1,328,321	205,974	1,883,633	380,389
Cash balances end of year	$ 1,574,871	129,408	1,779,827	190,972
Cash Basis Fund Balances				
Restricted for:				
Urban renewal purposes	$ -	129,408	-	-
Debt service	-	-	-	-
Streets	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	1,779,827	190,972
Committed for equipment	-	-	-	-
Unassigned	1,574,871	-	-	-
Total cash basis fund balances	$ 1,574,871	129,408	1,779,827	190,972

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
1,556,898	-	-	5,162,938
-	-	-	1,979,524
8,469	-	-	917,427
-	-	-	246,189
65	1,955	6	64,588
71,934	30,827	730,373	1,265,839
-	-	1,774	465,500
330	20,360	-	20,690
-	5,702	78,463	211,248
1,637,696	58,844	810,616	10,333,943
-	91,258	23,944	2,734,395
-	-	627,075	703,335
-	-	-	20,000
-	11,646	64,814	1,028,834
-	-	-	318,977
-	25,103	-	1,126,072
3,308,864	-	-	3,308,864
-	3,325,908	-	3,325,908
3,308,864	3,453,915	715,833	12,566,385
(1,671,168)	(3,395,071)	94,783	(2,232,442)
1,205,000	2,679,424	-	3,884,424
(1,205,000)	-	-	(1,205,000)
1,738,528	1,234,725	-	2,973,253
-	-	(74,500)	(2,965,753)
24,868	34,964	-	59,832
-	-	-	29,000
1,763,396	3,949,113	(74,500)	2,775,756
92,228	554,042	20,283	543,314
337,433	6,077,278	480,530	10,693,558
429,661	6,631,320	500,813	11,236,872
-	-	-	129,408
429,661	-	-	429,661
-	-	407,592	407,592
-	5,641,678	-	5,641,678
-	-	93,221	2,064,020
-	989,642	-	989,642
-	-	-	1,574,871
429,661	6,631,320	500,813	11,236,872

City of Hiawatha

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Fund

As of and for the year ended June 30, 2015

	Enterprise Sewer
Operating receipts:	
Charges for service	$ 991,950
Operating disbursements:	
Business type activities	783,451
Excess of operating receipts over operating disbursements	208,499
Non-operating receipts:	
Interest on investments	710
Excess of receipts over disbursements	209,209
Transfers:	
Component unit transfers in	21,100
Transfer out	(7,500)
Total net transfers	13,600
Change in cash balances	222,809
Cash balances beginning of year	1,118,449
Cash balances end of year	$ 1,341,258
Cash Basis Fund Balances	
Unrestricted	$ 1,341,258

See notes to financial statements.

City of Hiawatha

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

As of and for the year ended June 30, 2015

	Agency	
	Flexible Benefits	Water Department Clearing
Additions:		
Employee contributions	$ 4,644	-
Reimbursements from the Water Department	-	543,603
Total additions	4,644	543,603
Deductions:		
Medical reimbursements	4,615	-
Child care reimbursements	2,119	-
Payments made on behalf of the Water Department	-	551,343
Total deductions	6,734	551,343
Net change in cash balances	(2,090)	(7,740)
Cash balance beginning of year	3,531	(59,165)
Cash balance end of year	$ 1,441	(66,905)

See notes to financial statements.

(1) Summary of Significant Accounting Policies

The City of Hiawatha is a political subdivision of the State of Iowa located in Linn County. It was first incorporated in 1950 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

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

These financial statements present the City of Hiawatha (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Discretely Presented Component Unit

The Hiawatha Water Department is presented in a separate column to emphasize it is legally separate from the City, but is financially accountable to the City or its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

The Hiawatha Water Department was established to operate the City's waterworks facilities. The Water Department is governed by a five member Board of Trustees appointed by the Mayor and approved by the City Council. Title to all property of the Water Department is held in the name of the City. A financial benefit/burden relationship exists between the City and the Water Department in that the City is authorized by statute to issue general obligation debt for a City utility and may certify taxes for the payment of the debt. The Water Department is presented as a discretely presented component unit in these financial statements.

Blended Component Units – The Hiawatha Firefighters Association, Friends of the Hiawatha Public Library and Friends of Hiawatha Parks and Recreation are legally separate from the City but are so intertwined with the City they are, in substance, the same as the City. These component units are reported as part of the City and blended into the Special Revenue Funds of the City.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Linn County Assessor's Conference Board, City Assessor's Conference Board, Linn County Emergency Management Commission, Cedar Rapids/Linn County Solid Waste Agency and Linn County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

Fund Financial Statements – Separate financial statements are provided for governmental funds, the proprietary fund and the fiduciary funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

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

Special Revenue:

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

The Local Option Sales Tax Fund is used to account for local option sales tax collections authorized by referendum to be used for improvements related to the water and sewer systems, streets, public safety, parks and recreation.

The Employee Benefits Fund is used to account for the employee benefits tax levy used to fund pension and related employee benefits.

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

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

The City reports the following major proprietary fund:

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

Additionally, the City reports two fiduciary funds to account for assets held by the City as an agent for employee flexible benefit contributions and the related payments and a fund which acts as a clearing account for payments made by the City on behalf of the Water Department and the related reimbursements from the Water Department.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Supplementary Information.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 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 ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of $7,191,000 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation notes and bonds are as follows:

Year Ending June 30,	General Obligation Notes		General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 2,485,000	403,155	210,000	53,790	2,695,000	456,945
2017	2,250,000	368,427	210,000	49,590	2,460,000	418,017
2018	2,305,000	333,617	210,000	45,390	2,515,000	379,007
2019	1,940,000	290,699	215,000	41,190	2,155,000	331,889
2020	1,970,000	251,706	215,000	36,890	2,185,000	288,596
2021-2025	7,885,000	665,252	1,175,000	116,060	9,060,000	781,312
2026-2027	1,105,000	37,792	255,000	6,885	1,360,000	44,677
Total	$ 19,940,000	2,350,648	2,490,000	349,795	22,430,000	2,700,443

General Obligation Capital Loan Notes

On May 20, 2015, the City issued $3,720,000 of general obligation capital loan notes, Series 2015A. The notes were issued for the planning, acquisition and construction of a new park, planning and design of the fire station improvements, refunding $885,000 of general obligation capital loan notes issued November 1, 2007 and refunding $320,000 of general obligation capital loan notes issued April 1, 2008. The notes bear interest at 1.50% to 3.00% per annum and mature in varying annual amounts ranging from $205,000 to $605,000, with the final maturity due on June 1, 2027.

The City reduced its total debt service payments over the next three fiscal years by $21,667 and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of $21,165 on the refunding.

(4) Pension Plan

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 the 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 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, any time 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. Protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member's 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 percent for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50 percent for each month the member receives benefits before age 65.

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

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

Contributions - 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. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires 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. Protection occupation members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.90 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were $279,484.

Collective Net Pension Liability, Collective Pension Expense, Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled $699,133. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.017629 percent, which was a decrease of 0.006885 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City's collective pension expense, collective deferred outflows and collective deferred inflows totaled $97,873, $53,505 and $665,241, respectively.

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
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 1014 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 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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

Asset Class	Asset 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 7.5 percent. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' 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 IPERS' 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 (Asset) to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 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%)
City's proportionate share of the net pension liability (asset)	$ 2,216,626	$ 699,133	$ (504,997)

Pension Plan Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 47 active and 5 retired members in the plan. Retired participants must be age 65 or older and be a full-time employee of the City for 15 continuous years or, if under age 65, be a full-time employee of the City for 25 continuous years at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. For retirees under age 65, the City pays the same premium for the medical/prescription drug benefits as active employees. For retirees age 65 or older, the City pays a reduced premium for supplemental Medicare coverage and, as an added benefit, the single rate premium for a qualifying spouse for up to 3 years.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a month to month basis. The most recent active member monthly premiums for the City are $407 for single coverage, $770 for employee/children, $833 for employee/spouse and $1,248 for family coverage. The same monthly premiums apply to retirees under the age of 65. For retirees age 65 or older, the monthly premiums are $209 for supplemental Medicare coverage. For the year ended June 30, 2015, the City contributed $545,329 and plan members eligible for benefits contributed $12,887 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	$ 144,000
Sick leave	72,000
Total	$ 216,000

This liability has been computed based on rates of pay in effect at June 30, 2015.

(7) Construction Contracts

The City entered into various construction contracts during the year. Unpaid contract commitments as of June 30, 2015 totaled $260,390. The balance on these contracts will be paid as work on the projects progresses.

(8) Urban Renewal Project Rebate and Economic Development Agreements

Rebate Agreements

The City has 11 active tax increment financing agreements. The City agreed to assist in urban renewal projects by rebating incremental property tax paid by the participating companies with respect to the improvements set forth in the urban renewal plan. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated for a period of up to five years beginning with the tax year in which the property tax on the completed value of the improvements is first paid. The total amount to be rebated in fiscal year 2015 for the active tax increment financing agreements is not to exceed $473,025. The actual amount rebated during the year ended June 30, 2015 was $278,301.

Economic Development Agreements

On October 20, 2010, the City approved Resolution No. 10-247 pledging financial support of $10,000 per year for fiscal year 2011 through fiscal year 2016 to Priority One for services provided in attracting businesses to the metro area and assisting existing companies with expansion projects. The contribution is to be appropriated annually from the incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa and paid to Priority One in annual installments of $10,000.

On October 17, 2012, the City approved Resolution No. 12-246 pledging financial support of $10,000 for fiscal year 2014 to Entrepreneurial Development Center Inc. (EDC) for services provided to businesses. The contribution was appropriated from the incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa.

The above agreements are not general obligations of the City. However, the agreements are subject to the constitutional debt limitation of the City.

The rebate and economic development agreements are subject to an annual appropriation and only the amount payable in the succeeding year is subject to the constitutional debt limitation.

(9) Sewer Maintenance Agreement

The City entered into an agreement with the City of Cedar Rapids to discharge all waste collected in its sanitary sewer system into the City of Cedar Rapids' interceptor for treatment. The City agreed to share the operation, maintenance and construction costs of the water pollution control facility of the City of Cedar Rapids. The City's share of the operation and maintenance costs for the year ended June 30, 2015 totaled $694,162.

(10) Industrial Development Revenue Bonds

The City has issued a total of $2,142,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which $752,867 is outstanding at June 30, 2015. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed and the bond principal and interest do not constitute liabilities of the City.

(11) Private College Revenue Bonds

The City has issued a total of $4,500,000 of private college revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which $3,484,536 is outstanding at June 30, 2015. The bonds and related interest are payable solely from revenues derived from the project to be financed and the bond principal and interests do not constitute liabilities of the City.

(12) Midwestern Disaster Area Revenue Bonds

The City has issued a total of $3,000,000 of Midwestern disaster area revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which $2,535,983 is outstanding at June 30, 2015. The bonds and related interest are payable solely from revenues derived from the project to be financed and the bond principal and interest do not constitute liabilities of the City.

(13) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general property and administrative expenses, reinsurance premiums, losses and loss expense for property risks estimated for the fiscal year, plus all or any portion of any deficiency in

capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2015 were $109,273.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to $350,000 per claim. Claims exceeding $350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to $250,000 each occurrence, each location. Property risks exceeding $250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of the risk-sharing protection provided by the City's risk-sharing agreement.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The City does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been disclosed in the City's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with crime, general liability, commercial auto, workers compensation and umbrella liability in the amount of $5,000 per occurrence, $2,000,000 per occurrence, $2,000,000 per occurrence, $1,000,000 per accident and $4,000,000 per occurrence, respectively. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(14) Solid Waste Agreement

On October 19, 1994, the City entered into a 28E Agreement with Cedar Rapids/Linn County Solid Waste Agency to be an associate member of the Agency. The Cedar Rapids/Linn County Solid Waste Agency was created under Chapter 28E of the Code of Iowa by the City of Cedar Rapids and Linn County to provide for the proper and efficient management and disposal of solid waste. The 28E Agreement between the City of Cedar Rapids and Linn County became fully operative on July 1, 1994 and shall continue until June 30, 2044. At termination, each member and associate member shall make such guarantees as are necessary to facilitate closure of all solid waste disposal sites. All solid waste fees are collected by private solid waste handlers who are licensed by the City.

(15) Interfund Transfers

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

Transfer to	Transfer From	Amount
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	$ 1,738,528
Capital Projects	General	162,725
	Special Revenue:	
	Local Option Sales Tax	990,000
	Road Use Tax	74,500
	Enterprise:	
	Sewer	7,500
		1,234,725
Total		$ 2,973,253
Transfers from Component Unit:		
Debt Service	Enterprise:	
	Water Operating	$ 24,868
Capital Projects	Water Operating	34,964
Enterprise:		
Sewer	Water Operating	21,100
Total		$ 80,932

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

(16) Water Department Clearing Fund

The City pays certain disbursements on behalf of the Hiawatha Water Department, a discrete component unit of the City. The Water Department reimburses the City each month for the prior month's disbursements. Since those disbursements are included in the Water Department's financial statement, the disbursements are already included in the Statement of Activities. To avoid double counting as disbursements, the Clearing Fund activity is recorded in an Agency Fund of the City. The nature of the City's Agency Fund results in a negative cash balance at the end of each month, which is cleared out by the receipt of the reimbursement from the Water Department in the following month.

City of Hiawatha

Other Information

City of Hiawatha

Budgetary Comparison Schedule
of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) – All Governmental Funds, Proprietary Fund
and Component Unit

Other Information

Year ended June 30, 2015

	Governmental Funds Actual	Proprietary Fund Actual	Component Unit Actual	Less Funds not Required to be Budgeted
Receipts:				
Property tax	$ 5,162,938	-	-	-
Tax increment financing	1,979,524	-	-	-
Other city tax	917,427	-	-	-
Licenses and permits	246,189	-	-	-
Use of money and property	64,588	710	4,195	5
Intergovernmental	1,265,839	-	-	-
Charges for service	465,500	991,950	2,157,893	1,003,431
Special assessments	20,690	-	-	-
Miscellaneous	211,248	-	138,142	63,606
Total receipts	10,333,943	992,660	2,300,230	1,067,042
Disbursements:				
Public safety	2,734,395	-	-	7,260
Public works	703,335	-	-	-
Health and social services	20,000	-	-	-
Culture and recreation	1,028,834	-	-	64,814
Community and economic development	318,977	-	-	-
General government	1,126,072	-	-	-
Debt service	3,308,864	-	-	-
Capital projects	3,325,908	-	-	-
Business type activities	-	783,451	2,232,894	991,950
Total disbursements	12,566,385	783,451	2,232,894	1,064,024
Excess (deficiency) of receipts over (under) disbursements	(2,232,442)	209,209	67,336	3,018
Other financing sources (uses), net	2,775,756	13,600	(80,932)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	543,314	222,809	(13,596)	3,018
Balances beginning of year	10,693,558	1,118,449	805,033	144,045
Balances end of year	$ 11,236,872	1,341,258	791,437	147,063

See accompanying independent auditor's report.

Total	Budgeted Amounts Original	Budgeted Amounts Final	Final to Total Variance
5,162,938	5,193,229	5,242,477	(79,539)
1,979,524	2,030,582	2,030,582	(51,058)
917,427	876,248	1,094,685	(177,258)
246,189	192,250	124,250	121,939
69,488	45,300	51,800	17,688
1,265,839	1,035,608	1,158,744	107,095
2,611,912	2,628,362	2,674,902	(62,990)
20,690	-	15,000	5,690
285,784	212,233	215,803	69,981
12,559,791	12,213,812	12,608,243	(48,452)
2,727,135	2,824,854	2,929,799	202,664
703,335	738,624	732,856	29,521
20,000	24,000	24,000	4,000
964,020	1,082,362	1,045,094	81,074
318,977	500,825	510,825	191,848
1,126,072	1,229,283	1,240,843	114,771
3,308,864	3,331,026	4,767,766	1,458,902
3,325,908	3,609,200	4,473,700	1,147,792
2,024,395	2,213,690	2,160,690	136,295
14,518,706	15,553,864	17,885,573	3,366,867
(1,958,915)	(3,340,052)	(5,277,330)	3,318,415
2,708,424	2,700,000	3,925,000	(1,216,576)
749,509	(640,052)	(1,352,330)	2,101,839
12,472,995	10,637,901	10,637,901	1,835,094
13,222,504	9,997,849	9,285,571	3,936,933

City of Hiawatha

Notes to Other Information – Budgetary Reporting

June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, including the discretely presented component unit and excluding the blended component units. However, the sewer and storm water fees collected by the Hiawatha Water Department and remitted to the City of Hiawatha have been deducted in the column "Less Funds not Required to be Budgeted" since these are intra agency transactions not required to be budgeted. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Enterprise Fund and the discretely presented component unit. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by $2,331,709. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements did not exceed the amounts budgeted.

City of Hiawatha

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Other Information

		2015
City's proportion of the net pension liability		0.017629%
City's proportionate share of the net pension liability	$	699
City's covered-employee payroll	$	2,729
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll		25.61%
Plan fiduciary net position as a percentage of the total pension liability		87.61%

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

See accompanying independent auditor's report.

City of Hiawatha

Schedule of City Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)

Other Information

	2015	2014	2013	2012
Statutorily required contribution	$ 279	257	235	137
Contributions in relation to the statutorily required contribution	(279)	(257)	(235)	(137)
Contribution deficiency (excess)	$ -	-	-	-
County's covered-employee payroll	$ 2,969	2,729	2,523	1,646
Contributions as a percentage of covered-employee payroll	9.40%	9.42%	9.31%	8.32%

See accompanying independent auditor's report.

2011	2010	2009
100	92	110
(100)	(92)	(110)
-	-	-
1,444	1,380	1,546
6.93%	6.67%	7.12%

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.

City of Hiawatha

Supplementary Information

City of Hiawatha

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

As of and for the year ended June 30, 2015

				Special Revenue
	Road Use Tax	Fire Department Trust	Police Forfeiture	K-9 Donations
Receipts:				
Use of money and property	$ -	1	-	-
Intergovernmental	730,373	-	-	-
Charges for service	-	-	1,774	-
Miscellaneous	-	1,547	-	13,310
Total receipts	730,373	1,548	1,774	13,310
Disbursements:				
Operating:				
Public safety	-	456	9,669	6,559
Public works	627,075	-	-	-
Culture and recreation	-	-	-	-
Total disbursements	627,075	456	9,669	6,559
Excess (deficiency) of receipts over (under) disbursements	103,298	1,092	(7,895)	6,751
Other financing uses:				
Transfers out	(74,500)	-	-	-
Change in cash balances	28,798	1,092	(7,895)	6,751
Cash balances beginning of year	378,794	13,555	15,641	16,334
Cash balances end of year	$ 407,592	14,647	7,746	23,085
Cash Basis Fund Balances				
Restricted for:				
Streets	$ 407,592	-	-	-
Other purposes	-	14,647	7,746	23,085
Total cash basis fund balances	$ 407,592	14,647	7,746	23,085

See accompanying independent auditor's report.

Hiawatha Firefighters Association	Friends of the Hiawatha Public Library	Friends of Hiawatha Parks and Recreation	Total
-	5	-	6
-	-	-	730,373
-	-	-	1,774
9,274	15,058	39,274	78,463
9,274	15,063	39,274	810,616
7,260	-	-	23,944
-	-	-	627,075
-	13,821	50,993	64,814
7,260	13,821	50,993	715,833
2,014	1,242	(11,719)	94,783
-	-	-	(74,500)
2,014	1,242	(11,719)	20,283
5,115	14,543	36,548	480,530
7,129	15,785	24,829	500,813
-	-	-	407,592
7,129	15,785	24,829	93,221
7,129	15,785	24,829	500,813

City of Hiawatha

Schedule of Indebtedness

Year ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Capital loan note series 2007	Nov 1, 2007	3.45-3.75 %	$ 2,600,000
Capital loan note series 2008	Apr 1, 2008	2.40-3.80	2,100,000
Capital loan note series 2009A	Apr 1, 2009	1.60-4.05	2,250,000
Capital loan note series 2010B	Jun 15, 2010	1.00-3.40	3,140,000
Capital loan note series 2011A (Refunding)	May 18, 2011	1.00-3.65	3,605,000
Capital loan note series 2011B	Dec 21, 2011	0.40-2.35	1,795,000
Capital loan note series 2012A	Apr 4, 2012	0.35-2.10	2,855,000
Capital loan note series 2012B (Refunding)	Apr 4, 2012	0.70-3.00	955,000
Capital loan note series 2013A	May 1, 2013	0.30-1.85	3,880,000
Capital loan note series 2013B (Refunding)	May 1, 2013	0.30-1.90	4,545,000
Capital loan note series 2013C	May 1, 2013	0.50-2.85	1,060,000
Capital loan note series 2015A	May 20, 2015	1.50-3.00	3,720,000
Total			
General obligation bonds:			
Series 2014A	May 1, 2014	2.00-2.70 %	$ 2,650,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
1,160,000	-	1,160,000	-	42,935
435,000	-	435,000	-	15,955
1,315,000	-	190,000	1,125,000	48,258
2,205,000	-	250,000	1,955,000	61,185
2,605,000	-	445,000	2,160,000	69,345
650,000	-	135,000	515,000	11,292
1,955,000	-	455,000	1,500,000	21,950
820,000	-	75,000	745,000	18,020
3,700,000	-	325,000	3,375,000	42,455
4,220,000	-	330,000	3,890,000	50,795
1,040,000	-	85,000	955,000	18,835
-	3,720,000	-	3,720,000	-
$ 20,105,000	3,720,000	3,885,000	19,940,000	401,025
2,650,000	-	160,000	2,490,000	61,739

City of Hiawatha

Note and Bond Maturities

June 30, 2015

	General Obligation Notes							
	Capital Loan Note Series 2009A		Capital Loan Note Series 2010B		Capital Loan Note Series 2011A		Capital Loan Note Series 2011B	
Year	Issued Apr 1, 2009		Issued June 15, 2010		Issued May 18, 2011		Issued Dec 21, 2011	
Ending June 30,	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2016	3.35%	$ 200,000	2.15%	$ 250,000	1.80%	$ 170,000	1.40%	$ 60,000
2017	3.55	220,000	2.50	260,000	2.10	170,000	1.40	60,000
2018	3.80	230,000	2.75	270,000	2.35	175,000	1.85	60,000
2019	4.00	240,000	3.00	275,000	2.60	180,000	1.85	65,000
2020	4.05	235,000	3.05	290,000	2.85	185,000	2.15	65,000
2021		-	3.25	300,000	3.00	195,000	2.15	65,000
2022		-	3.40	310,000	3.15	200,000	2.35	70,000
2023		-		-	3.20	215,000	2.35	70,000
2024		-		-	3.30	220,000		-
2025		-		-	3.40	225,000		-
2026		-		-	3.65	225,000		-
2027		-		-		-		-
Total		$ 1,125,000		$ 1,955,000		$ 2,160,000		$ 515,000

	General Obligation Notes				
	Capital Loan Note Series 2013C		Capital Loan Note Series 2015A		
Year	Issued May 1 ,2013		Issued May 20, 2015		
Ending June 30,	Interest Rates	Amount	Interest Rates	Amount	Total
2016	0.90%	$ 85,000	1.50%	$ 520,000	2,485,000
2017	0.90	85,000	1.50	600,000	2,250,000
2018	1.50	90,000	2.00	605,000	2,305,000
2019	1.50	95,000	2.00	205,000	1,940,000
2020	1.75	95,000	2.50	210,000	1,970,000
2021	2.00	100,000	2.50	210,000	1,775,000
2022	2.25	100,000	2.75	215,000	1,815,000
2023	2.50	100,000	2.75	220,000	1,525,000
2024	2.70	100,000	2.75	225,000	1,490,000
2025	2.85	105,000	3.00	225,000	1,280,000
2026		-	3.00	240,000	860,000
2027		-	3.00	245,000	245,000
Total		$ 955,000		$ 3,720,000	$ 19,940,000

See accompanying independent auditor's report.

General Obligation Notes							
Capital Loan Note Series 2012A		Capital Loan Note Series 2012B		Capital Loan Note Series 2013A		Capital Loan Note Series 2013B	
Issued Apr 4, 2012		Issued Apr 4, 2012		Issued May 1 2013		Issued May 1, 2013	
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
0.75%	$ 470,000	1.15%	$ 75,000	0.50 %	$ 325,000	0.50%	$ 330,000
0.90	120,000	1.70	75,000	0.60	325,000	0.60	335,000
1.10	120,000	1.70	80,000	0,80	335,000	0,80	340,000
1.25	125,000	2.20	80,000	0.95	335,000	0.95	340,000
1.45	125,000	2.20	80,000	1.10	340,000	1.10	345,000
1.65	130,000	2.70	85,000	1.30	340,000	1.30	350,000
1.80	135,000	2.70	85,000	1.50	340,000	1.50	360,000
1.95	135,000	3.00	90,000	1.70	345,000	1.60	360,000
2.10	140,000	3.00	95,000	1.80	345,000	1.70	365,000
	-		-	1.85	345,000	1.80	380,000
	-		-		-	1.90	385,000
	-		-		-		-
	$ 1,500,000		$ 745,000		$ 3,375,000		$ 3,890,000

General Obligation Bonds	
Issued May 1, 2014	
Interest Rates	Amount
2.00%	$ 210,000
2.00	210,000
2.00	210,000
2.00	215,000
2.00	215,000
2.00	225,000
2.00	225,000
2.00	235,000
2.00	240,000
2.00	250,000
2.00	255,000
2.00	-
	$ 2,490,000

City of Hiawatha

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

For the Last Ten Years

		2015	2014	2013	2012
Receipts:					
Property tax	$	5,162,938	5,225,654	4,669,303	4,672,857
Tax increment financing		1,979,524	1,725,842	2,037,467	2,200,459
Other city tax		917,427	1,020,120	993,405	997,117
Licenses and permits		246,189	211,064	217,390	219,117
Use of money and property		64,588	53,638	49,955	54,952
Intergovernmental		1,265,839	1,893,520	1,143,168	1,962,305
Charges for service		465,500	359,124	384,090	280,317
Special assessments		20,690	127,213	54,050	8,308
Miscellaneous		211,248	319,066	262,714	202,516
Total	$	10,333,943	10,935,241	9,811,542	10,597,948
Disbursements:					
Operating:					
Public safety	$	2,734,395	2,442,144	2,298,698	2,125,619
Public works		703,335	660,902	672,815	694,613
Health and social services		20,000	20,000	14,500	19,500
Culture and recreation		1,028,834	966,848	908,408	839,416
Community and economic development		318,977	250,077	453,642	503,720
General government		1,126,072	1,082,634	934,634	959,966
Debt service		3,308,864	3,057,630	2,845,514	3,468,756
Capital projects		3,325,908	3,859,465	3,515,993	4,580,163
Total	$	12,566,385	12,339,700	11,644,204	13,191,753

See accompanying independent auditor's report.

2011	2010	2009	2008	2007	2006
4,623,136	4,175,612	4,119,235	3,298,664	2,962,630	2,823,023
1,803,156	1,692,261	1,423,388	1,487,473	1,259,141	1,074,664
951,205	821,051	100,012	115,909	110,527	95,052
221,051	177,440	168,355	169,797	165,811	148,478
53,244	46,271	77,454	245,308	480,339	227,022
965,976	823,947	727,027	674,455	846,729	1,361,067
368,643	264,839	284,154	203,131	155,341	135,417
16,150	799	840	1,001	978	985
201,039	185,149	136,804	177,807	125,004	122,790
9,203,600	8,187,369	7,037,269	6,373,545	6,106,500	5,988,498
2,242,129	2,125,802	1,886,866	1,735,730	1,559,729	1,491,960
673,193	643,619	512,414	611,525	556,117	564,141
18,500	4,050	13,850	-	-	-
861,197	868,640	750,906	670,286	613,194	575,425
360,720	137,352	79,856	278,561	238,221	232,505
1,039,325	986,466	817,429	772,037	810,410	785,661
3,759,876	3,352,349	3,058,406	3,359,489	2,087,763	1,721,654
6,073,153	1,268,989	2,439,920	7,246,612	5,739,313	3,033,380
15,028,093	9,387,267	9,559,647	14,674,240	11,604,747	8,404,726

City of Hiawatha

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Hiawatha, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 20, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Hiawatha's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hiawatha's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Hiawatha's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Hiawatha's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings as item (A), we consider to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Hiawatha's Response to the Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Hiawatha during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Mary Mosiman
MARY MOSIMAN, CPA
Auditor of State

Warren G. Jenkins
WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 20, 2015

City of Hiawatha

Schedule of Findings

Year ended June 30, 2015

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

(A) Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. For the Hiawatha Firefighters Association, Friends of the Hiawatha Public Library and Friends of Hiawatha Parks and Recreation, bank reconciliations were not performed on a monthly basis and reviewed by an independent person. Generally, one individual has control over collecting, depositing and reconciling and preparing, signing and mailing checks for which no compensating controls exist and pre-numbered receipts to record donations and other miscellaneous receipts are not used.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Currently available staff, including elected officials or other City employees, should be utilized to provide additional control through a review of financial transactions and reconciliations. In addition, pre-numbered receipts should be used for donations and other miscellaneous receipts.

Response – The City will be reviewing the operating procedures with component units to try to establish better internal controls.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Findings Related to Required Statutory Reporting:

(1) Certified Budget – Disbursements during the year ended June 30, 2015 did not exceed the amounts budgeted.

(2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

(3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

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

(5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

(6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

(7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

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

City of Hiawatha

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Melissa E. Janssen, CPA, Staff Auditor
Colton L. Barton, Assistant Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State

APPENDIX B

DESCRIBING BOOK-ENTRY ONLY ISSUANCE

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Notes (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to any Tender/Remarketing Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to any Tender/Remarketing Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to any Tender/Remarketing Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

APPENDIX C

DRAFT FORM OF LEGAL OPINION

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(draft)

We hereby certify that we have examined a certified transcript of the proceedings of the City Council and acts of administrative officers of the City of Hiawatha, State of Iowa (the "Issuer"), relating to the issuance of General Obligation Capital Loan Notes, Series 2016A, by said City, dated June 15, 2016, in the denomination of $5,000 or multiples thereof, in the aggregate amount of $_____ (the "Notes").

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion as bond counsel.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the resolution authorizing the Loan Agreement and issuance of the Notes (the "Resolution") and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination and in reliance upon the certified proceedings and other certifications described above, we are of the opinion, under existing law, as follows:

1. The Issuer is duly created and validly existing as a body corporate and politic and political subdivision of the State of Iowa with the corporate power to adopt and perform the Resolution and Loan Agreement and issue the Notes.

2. The Loan Agreement and Notes are valid and binding general obligations of the Issuer.

3. All taxable property in the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the Notes. Taxes have been levied by the Resolution for the payment of the Notes and the Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Notes to the extent the necessary funds are not provided from other sources.

4. Interest on the Notes is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Notes in order that the interest

thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Notes.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or other offering material relating to the Notes. Further, we express no opinion regarding tax consequences arising with respect to the Notes other than as expressly set forth herein.

The rights of the owners of the Notes and the enforceability of the Notes are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,
01230838-1\10575-139

APPENDIX D

DRAFT FORM OF

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Hiawatha, State of Iowa (the "Issuer"), in connection with the issuance of $_____ General Obligation Capital Loan Notes, Series 2016A (the "Notes") dated June 15, 2016. The Notes are being issued pursuant to a Resolution of the Issuer approved on June 1, 2016 (the "Resolution"). The Issuer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders and Beneficial Owners of the Notes and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Financial Information" shall mean financial information or operating data of the type included in the final Official Statement, provided at least annually by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Notes (including persons holding Notes through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Notes for federal income tax purposes.

"Business Day" shall mean a day other than a Saturday or a Sunday or a day on which banks in Iowa are authorized or required by law to close.

"Dissemination Agent" shall mean the Issuer or any Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Holders" shall mean the registered holders of the Notes, as recorded in the registration books of the Registrar.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"Municipal Securities Rulemaking Board" or "MSRB" shall mean the Municipal Securities Rulemaking Board, 1300 I Street NW, Suite 1000, Washington, DC 20005.

"National Repository" shall mean the MSRB's Electronic Municipal Market Access website, a/k/a "EMMA" (emma.msrb.org).

"Official Statement" shall mean the Issuer's Official Statement for the Notes, dated _____, 2016.

"Participating Underwriter" shall mean any of the original underwriters of the Notes required to comply with the Rule in connection with offering of the Notes.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Iowa.

Section 3. Provision of Annual Financial Information.

a) The Issuer shall, or shall cause the Dissemination Agent to, not later than two hundred seventy (270) days after the end of the Issuer's fiscal year (presently June 30th), commencing with information for the 2015/2016 fiscal year, provide to the National Repository an Annual Financial Information filing consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Financial Information filing must be submitted in such format as is required by the MSRB (currently in "searchable PDF" format). The Annual Financial Information filing may be submitted as a single document or as separate documents comprising a package. The Annual Financial Information filing may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Financial Information filing and later than the date required above for the filing of the Annual Financial Information if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

b) If the Issuer is unable to provide to the National Repository the Annual Financial Information by the date required in subsection (a), the Issuer shall send a notice to the Municipal Securities Rulemaking Board, if any, in substantially the form attached as Exhibit A.

c) The Dissemination Agent shall:

i. each year file Annual Financial Information with the National Repository; and

ii. (if the Dissemination Agent is other than the Issuer), file a report with the Issuer certifying that the Annual Financial Information has been filed pursuant to this Disclosure Certificate, stating the date it was filed.

Section 4. Content of Annual Financial Information. The Issuer's Annual Financial Information filing shall contain or incorporate by reference the following:

a) The last available audited financial statements of the Issuer for the prior fiscal year. The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. If the Issuer's audited financial statements for the preceding years are not available by the time Annual Financial Information is required to be filed pursuant to Section 3(a), the Annual Financial Information filing shall contain unaudited financial statements of the type included in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Financial Information when they become available.

b) A table, schedule or other information prepared as of the end of the preceding fiscal year, of the type contained in the final Official Statement under the captions "Debt Information", "Financial Information", and "Property Tax Information".

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been filed with the National Repository. The Issuer shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

a) Pursuant to the provisions of this Section, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes in a timely manner not later than 10 Business Days after the day of the occurrence of the event:

i. Principal and interest payment delinquencies;

ii. Non-payment related defaults, if material;

iii. Unscheduled draws on debt service reserves reflecting financial difficulties;

iv. Unscheduled draws on credit enhancements relating to the Notes reflecting financial difficulties;

v. Substitution of credit or liquidity providers, or their failure to perform;

vi. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Series Notes, or material events affecting the tax-exempt status of the Notes;

vii. Modifications to rights of Holders of the Notes, if material;

viii. Note calls (excluding sinking fund mandatory redemptions), if material, and tender offers;

ix. Defeasances of the Notes;

x. Release, substitution, or sale of property securing repayment of the Notes, if material;

xi. Rating changes on the Notes;

xii. Bankruptcy, insolvency, receivership or similar event of the Issuer;

xiii. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

xiv. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

b) Whenever the Issuer obtains the knowledge of the occurrence of a Listed Event, the Issuer shall determine if the occurrence is subject to notice only if material, and if so shall as soon as possible determine if such event would be material under applicable federal securities laws.

c) If the Issuer determines that knowledge of the occurrence of a Listed Event is not subject to materiality, or determines such occurrence is subject to materiality and would be material under applicable federal securities laws, the Issuer shall promptly, but not later than 10 Business Days after the occurrence of the event, file a notice of such occurrence with the Municipal Securities Rulemaking Board through the filing with the National Repository.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Notes or upon the Issuer's receipt of an opinion of nationally recognized bond counsel to the effect that, because of legislative action or final judicial action or administrative actions or proceedings, the failure of the Issuer to comply with the terms hereof will not cause Participating Underwriters to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended.

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Issuer.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

a) If the amendment or waiver relates to the provisions of Section 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Notes, or the type of business conducted;

b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

c) The amendment or waiver either (i) is approved by the Holders of the Notes in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Notes.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Financial Information filing, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Financial Information filing or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Financial Information filing or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Financial Information filing or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. Direct, indirect, consequential and punitive damages shall not be recoverable by any person for any default hereunder and are hereby waived to the extent permitted by law. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

Date: _____ day of _____, 2016.

CITY OF HIAWATHA, STATE OF IOWA

By: _____
Mayor

ATTEST:

By: _____
City Clerk

EXHIBIT A

NOTICE TO NATIONAL REPOSITORY OF FAILURE TO FILE ANNUAL FINANCIAL INFORMATION

Name of Issuer: City of Hiawatha, Iowa.

Name of Note Issue: $_____ General Obligation Capital Loan Notes, Series 2016A

Dated Date of Issue: June 15, 2016

NOTICE IS HEREBY GIVEN that the Issuer has not provided Annual Financial Information with respect to the above-named Notes as required by Section 3 of the Continuing Disclosure Certificate delivered by the Issuer in connection with the Notes. The Issuer anticipates that the Annual Financial Information will be filed by _____.

Dated: _____ day of _____, 20___.

CITY OF HIAWATHA, STATE OF IOWA

By: _____
Its: _____

01230837-1\10575-139

OFFICIAL BID FORM

City of Hiawatha
101 Emmons Street
Hiawatha, IA 52233-1697

May 18, 2015
Speer Financial, Inc.
Facsimile: (319) 291-8628
or (319) 393-1574

Council Members:

For the $2,945,000* General Obligation Capital Loan Notes, Series 2016A (the "Notes"), of the City of Hiawatha, Linn County, Iowa, (the "City") as described in the annexed Official Terms of Offering, which is expressly made a part of this bid, we will pay you $_____ (no less than $2,921,440). The Notes are to bear interest at the following respective rates (each a multiple of 1/8 or 1/100 of 1%) for the Notes of each designated maturity.

AMOUNTS* AND MATURITIES - JUNE 1

$350,000	2017	_____%	$120,000	2022	_____%	$145,000	2027	_____%
345,000	2018	_____%	125,000	2023	_____%	150,000	2028	_____%
355,000	2019	_____%	130,000	2024	_____%	155,000	2029	_____%
345,000	2020	_____%	135,000	2025	_____%	160,000	2030	_____%
120,000	2021	_____%	140,000	2026	_____%	170,000	2031	_____%

Any consecutive maturities may be aggregated into term notes at the option of the bidder, in which case the mandatory redemption provisions shall be on the same schedule as above.

Maturities: _____ ***Term Maturity*** _____ ***Maturities:*** _____ ***Term Maturity*** _____

Maturities: _____ ***Term Maturity*** _____ ***Maturities:*** _____ ***Term Maturity*** _____

The Notes are to be executed and delivered to us in accordance with the terms of this bid accompanied by the approving legal opinion of Ahlers & Cooney, P.C., Des Moines, Iowa. The City will pay for the legal opinion. **The Purchaser agrees to apply for CUSIP** numbers and pay the fee charged by the CUSIP Service Bureau and will accept the Notes with the CUSIP numbers as entered on the Notes.

As evidence of our good faith, if we are the winning bidder, we will wire transfer the amount of **TWO PERCENT OF PAR** (the "Deposit") **WITHIN TWO HOURS** after the bid opening time to the City's good faith bank and under the terms provided in the Official Terms of Offering for the Notes. Alternatively, we have wire transferred or enclosed herewith a check payable to the City in the amount of the Deposit under the terms provided in the Official Terms of Offering for the Notes.

Attached hereto is a list of members of our account on whose behalf this bid is made.

Form of Deposit (Check One)

Prior to Bid Opening:
Certified/Cashier's Check [ ]
Wire Transfer [ ]

Within TWO Hours of Bid Opening:
Wire Transfer [ ]

Amount: $58,900

Account Manager Information

Underwriter/Bank_____

Address _____

Authorized Rep_____

City _____ State/Zip _____

Direct Phone (_____)_____

FAX Number (_____)_____

E-Mail Address _____

Bidders Option Insurance

We have purchased insurance from:

Name of Insurer
(Please fill in)

_____

Premium: _____

Maturities: (Check One)

[__] _____**Years**

[__] **All**

The foregoing bid was accepted and the Notes sold by resolution of the City on May 18, 2016, and receipt is hereby acknowledged of the good faith Deposit which is being held in accordance with the terms of the annexed Official Terms of Offering.

CITY OF HIAWATHA, IOWA

ATTEST:

_____ *City Clerk*

_____ *Mayor*

**Subject to change.*

----------NOT PART OF THE BID----------
(Calculation of net interest cost)

Gross Interest	$
Less Premium/Plus Discount	$
True Interest Cost	$
True Interest Rate	%
TOTAL NOTE YEARS	19,420.47
AVERAGE LIFE	6.594 years

OFFICIAL TERMS OF OFFERING

$2,945,000*
CITY OF HIAWATHA, IOWA
Linn County, Iowa
General Obligation Capital Loan Notes, Series 2016A

The City of Hiawatha, Linn County, Iowa, (the "City"), will receive electronic bids on the SpeerAuction ("SpeerAuction") website address "www.SpeerAuction.com" for its $2,945,000* General Obligation Capital Loan Notes, Series 2016A (the "Notes"), on an all or none basis between 10:30 A.M. and 11:00 A.M., C.D.T., Wednesday, May 18, 2016. To bid electronically, bidders must have: (1) completed the registration form on the SpeerAuction website, and (2) requested and received admission to the City's sale (as described below). The City will also receive sealed bids for the Notes, on an all or none basis, in the office of the City Clerk, 101 Emmons Street, Hiawatha, Iowa, until 11:00 A.M., C.D.T., Wednesday, May 18, 2016. The City will also receive facsimile bids at (319) 291-8628 or (319) 393-1574 for the Notes, on an all or none basis, until 11:00 A.M., C.D.T., Wednesday, May 18, 2016. Upon receipt, facsimile bids will be sealed and treated as a sealed bids, and along with all other sealed bids will be publicly opened and, together with any electronic bids, read.

Award will be made or all bids rejected at a meeting of the City on that date. The City reserves the right to reject all bids, to reject any bid proposal not conforming to this Official Terms of Offering, and to waive any irregularity or informality with respect to any bid. Additionally, the City reserves the right to modify or amend this Official Terms of Offering; however, any such modification or amendment shall not be made less than twenty-four (24) hours prior to the date and time for receipt of bids on the Notes and any such modification or amendment will be announced on the Amendments Page of the SpeerAuction webpage and through *Thomson Municipal News*.

The Notes are general obligations payable as to both principal and interest from ad valorem taxes levied against all taxable property of the City without limitation as to rate or amount, all except as limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws relating to the enforcement of creditors' rights generally and except that enforcement by equitable and similar remedies, such as mandamus, is subject to the exercise of judicial discretion.

The Notes will be in fully registered form in the denominations of $5,000 and integral multiples thereof in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments on the Notes will be paid. Individual purchases will be in book-entry form only. Interest on each Notes shall be paid by check or draft of the Note Registrar to the person in whose name such Note is registered at the close of business on the fifteenth day of the month next preceding an interest payment date. The principal of the Notes shall be payable in lawful money of the United States of America at the principal office maintained for the purpose by the Note Registrar in Des Moines, Iowa. Semiannual interest is due June 1 and December 1 of each year, commencing June 1, 2017 and is payable by Bankers Trust Company, Des Moines, Iowa (the "Note Registrar"). The Notes are dated the date of delivery (expected to be on or about June 15, 2016).

AMOUNTS* AND MATURITIES - JUNE 1

$350,000	2017	$120,000	2022	$145,000	2027
345,000	2018	125,000	2023	150,000	2028
355,000	2019	130,000	2024	155,000	2029
345,000	2020	135,000	2025	160,000	2030
120,000	2021	140,000	2026	170,000	2031

Any consecutive maturities may be aggregated into term notes at the option of the bidder, in which case the mandatory redemption provisions shall be on the same schedule as above.

**ADJUSTMENTS TO PRINCIPAL AMOUNT AFTER DETERMINATION OF BEST BID.* *The aggregate principal amount of the Notes, and each scheduled maturity thereof, are subject to increase or reduction by the City or its designee after the determination of the Winning Bidder. The City may increase or decrease each maturity in increments of $5,000, but the total amount to be issued will not exceed $2,990,000. Interest rates specified by the Winning Bidder for each maturity will not change. Final adjustments shall be in the sole discretion of the City.*

The dollar amount of the purchase price proposed by the Winning Bidder will be changed if the aggregate principal amount of the Notes is adjusted as described above. Any change in the principal amount of any maturity of the Notes will be made while maintaining, as closely as possible, the Winning Bidder's net compensation, calculated as a percentage of bond principal. The Winning Bidder may not withdraw or modify its bid as a result of any post-bid adjustment. Any adjustment shall be conclusive, and shall be binding upon the Winning Bidder.

The Notes due June 1, 2017 - 2024, inclusive, are non-callable. The Notes due June 1, 2025 – 2031, inclusive, are callable in whole or in part on any date on or after June 1, 2024, at a price of par and accrued interest. If less than all the Notes are called, they shall be redeemed in any order of maturity as determined by the City and within any maturity by lot.

Method of Bidding Electronically

Notwithstanding the fact that the City permits receiving bids electronically using SpeerAuction, all bidders must have a signed, but uncompleted, Official Bid Form delivered to Speer Financial, Inc., Suite 608, 531 Commercial Street, Waterloo, Iowa, (319) 291-8628 or (319) 393-1574 facsimile, prior to the close of bidding to which a printout of the electronic bid will be attached and delivered to the City.

All-or-none bids must be submitted via the internet address www.SpeerAuction.com. The use of SpeerAuction shall be at the bidder's risk and expense and the City shall have no liability with respect thereto, including (without limitation) liability with respect to incomplete, late arriving and non-arriving bids.

To bid via the SpeerAuction webpage, bidders must first visit the SpeerAuction webpage where, if they have not previously registered with either SpeerAuction, Grant Street Group (the "Auction Administrator") or any other website administered by the Auction Administrator, they may register and then request admission to bid on the Notes. Bidders will be notified prior to the scheduled bidding time of their eligibility to bid. Only registered broker-dealers and dealer banks with DTC clearing arrangements will be eligible to bid electronically.

The "Rules" of the SpeerAuction bidding process may be viewed on the SpeerAuction webpage and are incorporated herein by reference. Bidders must comply with the Rules of SpeerAuction in addition to the requirements of the City's Official Terms of Offering. In the event the Rules of SpeerAuction and this Official Terms of Offering conflict, this Official Terms of Offering shall be controlling.

All electronic bids must be submitted on the SpeerAuction webpage. Electronic bidders may change and submit bids as many times as they choose during the sale period but may not delete a submitted bid. The last bid submitted by an electronic bidder before the deadline for receipt of bids will be compared to all other final bids to determine the winning bidder. During the bidding, no bidder will see any other bidder's bid nor the status of their bid relative to other bids (e.g., whether their bid is a leading bid). The electronic bidder bears all risk of transmission failure. Any questions regarding bidding on the SpeerAuction website should be directed to Grant Street Group at (412) 391-5555 x 370.

Each bidder shall be solely responsible for making necessary arrangements to access SpeerAuction for purposes of submitting its internet bid in a timely manner and in compliance with the requirements of the Terms of Offering. The City is permitting bidders to use the services of the SpeerAuction solely as a communication mechanism to conduct the internet bidding and the SpeerAuction is not an agent of the City. Provisions of the Notice of Sale, Terms of Offering or Official Bid Form shall control in the event of conflict with information provided by the Internet Bid System.

Electronic Facsimile Bidding: Bids may be submitted via facsimile at (319) 291-8628. Electronic facsimile bids will be sealed and treated as sealed bids. Neither the City nor its agents will assume liability for the inability of the bidder to reach the above named fax numbers prior to the time of sale specified above. Transmissions received after the deadline will be rejected. Bidders electing to submit bids via facsimile transmission bear full and complete responsibility for the transmission of such bid. Neither the City nor its agents will assume responsibility for the inability of the bidder to reach the above specified fax number prior to the time of sale. Time of receipt shall be the time recorded by the person receiving facsimile and shall be conclusive.

Bidding Parameters and Award of the Notes

All interest rates must be in multiples of one-eighth or one one-hundredth of one percent (1/8 or 1/100 of 1%), and not more than one rate for a single maturity shall be specified. The rates bid shall be in non-descending order. The differential between the highest rate bid and the lowest rate bid shall not exceed five percent (5%). All bids must be for all of the Notes and must be for not less than $2,921,440.

Award of the Notes: The Notes will be awarded on the basis of true interest cost, determined in the following manner. True interest cost shall be computed by determining the annual interest rate (compounded semi-annually) necessary to discount the debt service payments on the Notes from the payment dates thereof to the dated date and to the bid price. For the purpose of calculating true interest cost, the Notes shall be deemed to become due in the principal amounts and at the times set forth in the table of maturities set forth above. In the event two or more qualifying bids produce the identical lowest true interest cost, the winning bid shall be the bid that was submitted first in time on the SpeerAuction webpage or if all such bids are not submitted electronically, the winning bid shall be determined by lot.

The Notes will be awarded to the bidder complying with the terms of this Official Terms of Offering whose bid produces the lowest true interest cost rate to the City as determined by the City's Municipal Advisor, which determination shall be conclusive and binding on all bidders; provided, that the City reserves the right to reject all bids or any non-conforming bid and reserves the right to waive any informality in any bid. Electronic bidders should verify the accuracy of their final bids and compare them to the winning bids reported on the SpeerAuction Observation Page immediately after the bidding.

The premium or discount, if any, is subject to pro rata adjustment if the maturity amounts of the Notes are changed, allowing the same dollar amount of profit per $1,000 bond as bid.

The true interest cost of each electronic bid will be computed by SpeerAuction and reported on the Observation Page of the SpeerAuction webpage immediately following the date and time for receipt of bids. These true interest costs are subject to verification by the City's Municipal Advisor, will be posted for information purposes only and will not signify an actual award of any bid or an official declaration of the winning bid. The City or its Municipal Advisor will notify the bidder to whom the Notes will be awarded, if and when such award is made.

The winning bidder will be required to make the standard filings and maintain the appropriate records routinely required pursuant to MSRB Rules G-8, G-11 and G-36. The winning bidder will be required to pay the standard MSRB charge for Notes purchased. In addition, the winning bidder who is a member of the Securities Industry and Financial Markets Association ("SIFMA") will be required to pay SIFMA's standard charge per Note.

The winning purchaser will be required to certify to the City immediately after the opening of bids: (i) the initial public offering price of each maturity of the Notes (not including bond houses and brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Notes (not less than 10% of each maturity) were sold to the public; or (ii) if less than 10% of any maturity has been sold, the price for that maturity determined as of the time of the sale based upon the reasonably expected initial offering price to the public; and (iii) that the initial public offering price does not exceed their fair market value of the Notes on the sale date. The winning purchaser will be required to provide a certificate satisfactory to Bond Counsel and the City at closing confirming the information required by this paragraph.

Good Faith Deposit and Other Matters

The winning bidder is required to a wire transfer from a solvent bank or trust company to the City's good faith bank the amount of **TWO PERCENT OF PAR** (the "Deposit") **WITHIN TWO HOURS** after the bid opening time as evidence of the good faith of the bidder. Alternatively, a bidder may submit its Deposit upon or prior to the submission of its bid in the form of a certified or cashier's check on, or a wire transfer from, a solvent bank or trust company for **TWO PERCENT OF PAR** payable to the Treasurer of the City. The City reserves the right to award the Notes to a winning bidder whose wire transfer is initiated but not received within such two hour time period provided that such winning bidder's federal wire reference number has been received. In the event the Deposit is not received as provided above, the City may award the Notes to the bidder submitting the next best bid provided such bidder agrees to such award.

If a wire transfer is used for the Deposit, it must be sent according to the following wire instructions:

Amalgamated Bank of Chicago
Corporate Trust
One West Monroe
Chicago, IL 60603
ABA # 071003405
Credit To: 3281 Speer Bidding Escrow
RE: [name of bidder] bid for the City of Hiawatha, Iowa,
$2,945,000* General Obligation Capital Loan Notes, Series 2016A

If the wire shall arrive in such account prior to the date and time of the sale of the Notes. Contemporaneously with such wire transfer, the prospective purchaser shall send an email to biddingescrow@aboc.com with the following information: (1) indication that a wire transfer has been made, (2) the amount of the wire transfer, (3) the issue to which it applies, and (4) the return wire instructions if such prospective purchaser is not awarded the Notes. The City and any prospective purchaser who chooses to wire the Deposit hereby agree irrevocably that Speer Financial, Inc. ("Speer") shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: (i) if the bid is not accepted, Speer shall, at its expense, promptly return the Deposit amount to the unsuccessful prospective purchaser; (ii) if the bid is accepted, the Deposit shall be forwarded to the City, (iii) Speer shall bear all costs of maintaining the escrow account and returning the funds to the prospective purchaser; (iv) Speer shall not be an insurer of the Deposit amount and shall have no liability except if it willfully fails to perform, or recklessly disregards, its duties specified herein; and (v) income earned on the Deposit, if any, shall be retained by Speer.

The City covenants and agrees to enter into a written agreement, certificate or contract, constituting an undertaking (the "Undertaking") to provide ongoing disclosure about the City for the benefit of the beneficial owners of the Notes on or before the date of delivery of the Notes as required under Section (b)(5) of Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. The Undertaking shall be as described in the Official Statement, with such changes as may be agreed in writing by the Underwriter.

The Underwriter's obligation to purchase the Notes shall be conditioned upon the City delivering the Undertaking on or before the date of delivery of the Notes.

The Notes will be delivered to the successful purchaser against full payment in immediately available funds as soon as they can be prepared and executed, which is expected to be on or about June 15, 2016. Should delivery be delayed beyond sixty (60) days from the date of sale for any reason beyond the control of the City except failure of performance by the purchaser, the City may cancel the award or the purchaser may withdraw the good faith deposit and thereafter the purchaser's interest in and liability for the Notes will cease.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts, and interest rates of the Notes, and any other information required by law or deemed appropriate by the City, shall constitute a "Final Official Statement" of the City with respect to the Notes, as that term is defined in the Rule. By awarding the Notes to any underwriter or underwriting syndicate, the City agrees that, no more than seven (7) business days after the date of such award, it shall provide, without cost to the senior managing underwriter of the syndicate to which the Notes are awarded, up to 50 copies of the Final Official Statement to permit each "Participating Underwriter" (as that term is defined in the Rule) to comply with the provisions of such Rule. The City shall treat the senior managing underwriter of the syndicate to which the Notes are awarded as its designated agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter executing and delivering an Official Bid Form with respect to the Notes agrees thereby that if its bid is accepted by the City it shall enter into a contractual relationship with all Participating Underwriters of the Notes for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

By submission of its bid, the senior managing underwriter of the successful purchaser agrees to supply all necessary pricing information and any Participating Underwriter identification necessary to complete the Official Statement within 24 hours after award of the Notes. Additional copies of the Final Official Statement may be obtained by Participating Underwriters from the printer at cost.

The City will, at its expense, deliver the Notes to the purchaser in New York, New York (or arrange for "FAST" delivery) through the facilities of DTC and will pay for the bond attorney's opinion. At the time of closing, the City will also furnish to the purchaser the following documents, each dated as of the date of delivery of the Notes: (1) the legal opinion of Ahlers & Cooney, P.C., Des Moines, Iowa, that the Notes are lawful and enforceable obligations of the City in accordance with their terms; (2) the opinion of said attorneys that the interest on the Notes is exempt from federal income taxes as and to the extent set forth in the Official Statement for the Notes; and (3) a no litigation certificate by the City.

The City intends to designate the Notes as "qualified tax-exempt obligations" pursuant to the small issuer exception provided by Section 265(b) (3) of the Internal Revenue Code of 1986, as amended.

The City has authorized the printing and distribution of an Official Statement containing pertinent information relative to the City and the Notes. Copies of such Official Statement or additional information may be obtained from Ms. Cindy Kudrna, Finance Director, City of Hiawatha, 101 Emmons Street, Hiawatha, Iowa 52233-1697 or an electronic copy of this Official Statement is available from the www.speerfinancial.com website under "Official Statement Sales/Competitive Calendar" or from the Registered Municipal Advisor to the City, Speer Financial, Inc., 531 Commercial Street, Suite 608, Waterloo, Iowa 50701 (telephone (319) 291-2077 and One North LaSalle Street, Suite 4100, Chicago, Illinois 60602 (telephone (312) 346-3700).

/s/ CINDY KUDRNA
Finance Director
CITY OF HIAWATHA
Linn County, Iowa