

CITY OF ROCKFORD, IOWA  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2005

- Prepared By -

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CITY OF ROCKFORD, IOWA

TABLE OF CONTENTS

	<u>PAGE</u>
<u>OFFICIALS</u> . . . . .	1
<u>INDEPENDENT AUDITOR'S REPORT</u> . . . . .	2-3
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u> . . . . .	4-8
 <u>BASIC FINANCIAL STATEMENTS:</u>	
	<u>Exhibit</u>
Government-wide Financial Statement:	
Statement of Activities and Net Assets - Cash Basis . . . . .	A 9-12
Governmental Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash Balances . . . . .	B 13-14
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash Balances . . . . .	C 15-16
Notes to Financial Statements . . . . .	17-21
 <u>REQUIRED SUPPLEMENTARY INFORMATION:</u>	
Budgetary Comparison Schedule of Receipts, Disbursements and	
Changes in Balances - Budget and Actual (Cash Basis) -	
All Governmental Funds and Proprietary Funds . . . . .	22-23
Notes to Required Supplementary Information	
- Budgetary Reporting . . . . .	24
 <u>OTHER SUPPLEMENTARY INFORMATION:</u>	
	<u>Schedule</u>
Statement of Cash Receipts, Disbursements and Changes in	
Cash Balances - Nonmajor Governmental Funds . . . . .	1 25-26
Statement of Cash Receipts, Disbursements and Changes in	
Cash Balances - Nonmajor Proprietary Funds . . . . .	2 27-28
Schedule of Indebtedness . . . . .	3 29-30
 <u>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER</u>	
<u>FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS</u>	
<u>BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN</u>	
<u>ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</u> . . . . .	
	31-32
 <u>SCHEDULE OF FINDINGS</u> . . . . .	 33-34

CITY OF ROCKFORD, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Harry White	Mayor	January 2006
Scott Johnson	Mayor Pro tem	January 2008
Richard Messier	Council Member	January 2006
Sarah Winters	Council Member	January 2006
Ann Sullivan	Council Member	January 2008
David Peterson	Council Member	January 2008
Diane Marker	Clerk/Treasurer	June 30, 2005
Ramona Reiter	Clerk/Treasurer	Indefinite
Judith O'Donohoe	Attorney	Indefinite



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**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Rockford, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Rockford's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, I was unable to satisfy myself as to the distribution of the total fund balance at July 1, 2004.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to verify the distribution by fund of the total fund balance at July 1, 2004, as discussed in the preceding paragraph, 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, each major fund and the aggregate remaining fund information of the City of Rockford as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated December 21, 2005 on my consideration of the City of Rockford's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 22 through 24 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rockford's basic financial statements. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Larry Pump".

December 21, 2005

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Rockford 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, 2005. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2005 FINANCIAL HIGHLIGHTS**

Revenues of the City's governmental activities decreased 3%, or approximately \$10,000 from fiscal 2004 to fiscal 2005. Property tax decreased approximately \$17,000 and intergovernmental revenues increased approximately \$4,500.

Disbursements decreased 5%, or approximately \$17,000, in fiscal 2005 from fiscal 2004. Public works disbursements increased approximately \$12,000 while public safety and culture and recreation disbursements decreased approximately \$18,000 and \$8,200 respectively.

The City's total cash basis net assets decreased 1.2%, or approximately \$11,400, from June 30, 2004 to June 30, 2005. Of this amount, the assets of the governmental activities increased approximately \$10,000 and the assets of the business type activities decreased by approximately \$21,000.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

### **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, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

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

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

The Statement of Activities and Net Assets is divided into two kinds of activities:

Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include water, sewer system and electric. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax and 3) the Debt Service 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 statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and electric funds, considered to be major funds of the City.

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$244,000 to \$254,000. The analysis that follows focuses on the changes in cash balances for governmental activities.

**Changes in Cash Basis Net Assets of Governmental Activities**

(Expressed in Thousands)

	<u>Year ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 32	\$ 31
Operating grants, contributions and restricted interest	79	76
Capital grants, contributions and restricted interest	8	6
General receipts:		
Property tax	155	172
Local option sales tax	52	54
Unrestricted investment earnings	4	3
Other general receipts	10	8
Total receipts and transfers	<u>\$ 340</u>	<u>\$ 350</u>
Disbursements:		
Public safety	\$ 63	\$ 81
Public works	97	85
Culture and recreation	55	63
Community and economic development	1	-
General government	79	83
Debt service	35	35
Total disbursements	<u>\$ 330</u>	<u>\$ 347</u>
Increase in cash basis net assets	\$ 10	\$ 3
Cash basis net assets beginning of year	<u>244</u>	<u>241</u>
Cash basis net assets end of year	<u>\$ 254</u>	<u>\$ 244</u>

The City's total receipts for governmental activities decreased by 2.8%, or \$10,000. The total cost of all programs and services decreased by approximately \$17,000, or 4.8%, with no new programs added this year. The significant decrease in receipts and disbursements was due to the decrease in property tax receipts and public safety disbursements.

The cost of all governmental activities this year was \$330,000 compared to \$347,000 last year. However, as shown in the Statement of Activities and Net Assets on pages 9-12, the amount taxpayers ultimately financed for these activities was only \$211,000 because some of the cost was paid by those directly benefited from the programs (\$32,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$87,000). Overall, the City's governmental activities receipts, including governmental aid and fees for service, decreased in 2005 from approximately \$350,000 to approximately \$340,000. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$207,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

**Changes in Cash Basis Net Assets of Business Type Activities**  
(Expressed in Thousands)

	Year ended June 30,	
	2005	2004
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 104	\$ 98
Sewer	114	112
Electric	458	444
Other	30	40
General receipts:		
Unrestricted interest on investments	12	10
Other general receipts	15	48
Total receipts	\$ 733	\$ 752
Disbursements and transfers:		
Water	\$ 145	\$ 115
Sewer	78	89
Electric	493	479
Other	38	30
Total disbursements and transfers	\$ 754	\$ 713
Increase (decrease) in cash balance	\$ (21)	\$ 39
Cash basis net assets beginning of year	684	645
Cash basis net assets end of year	\$ 663	\$ 684

Total business type activities receipts for the fiscal year were \$733,000 compared to \$752,000 last year. This decrease was due primarily to the decrease in miscellaneous receipts. Total disbursements for the fiscal year increased by 5.7% to a total of \$754,000.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Rockford completed the year, its governmental funds reported a combined fund balance of \$253,515, an increase of \$9,577 above last year's total of \$243,938. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance decreased \$10,823 from the prior year to \$81,655. The decrease was due to an increase in general government disbursements.

The Road Use Tax Fund cash balance increased by \$5,896 to \$64,937 during the fiscal year. This increase was attributable to excess Road Use tax receipts over current year disbursements. The City intends to use this money to upgrade the condition of all City roads.

The LOST - General Fund cash balance increased by \$16,445 to \$59,415 during the fiscal year. This is due to note payments for the year being less than local option sales tax receipts.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The Water Fund cash balance decreased by \$44,019 to \$88,690. This is due to water tower repairs and new water main expenses.

The LOST - Water Fund and Water Reserve Fund cash balances increased by \$1,453 and \$4,148 respectively to \$113,916 and \$79,943. This is due to interest income and operating transfers.

The Sewer Rental Fund cash balance increased by \$38,864 to \$214,808. This is due to decreased operating expenses during the year.

The Electric Fund cash balance increased by \$18,729 to \$13,183, due to the payment on a generator and diesel engine repairs.

The Electric Savings Fund cash balance decreased by \$48,836 to \$68,559. This is due to an operating transfer out to the Electric Fund.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City did not amend its budget.

**DEBT ADMINISTRATION**

At June 30, 2005, the City had approximately \$250,000 in notes payable, compared to approximately \$346,000 last year, as shown below.

**Outstanding Debt at Year-End**  
(Expressed in Thousands)

	June 30,	
	2005	2004
Notes Payable	<u>\$ 250</u>	<u>\$ 346</u>

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 has no outstanding general obligation debt at June 30, 2005. Its constitutional debt limit is \$592,019.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City of Rockford elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy.

**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, Ramona Reiter, City Clerk, City of Rockford.

CITY OF ROCKFORD, IOWA  
 STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

	<u>Disbursements</u>	<u>Program Receipts</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<b>FUNCTIONS/PROGRAMS:</b>				
Governmental activities:				
Public Safety	\$ 63,269	\$ 12,637	\$ -	\$ -
Public works	97,560	-	75,952	-
Culture and recreation	55,067	7,386	2,631	-
Community and economic development	215	-	-	-
General government	78,963	12,093	-	8,055
Debt service	<u>35,102</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 330,176</u>	<u>\$ 32,116</u>	<u>\$ 78,583</u>	<u>\$ 8,055</u>
Business type activities:				
Water	\$ 145,424	\$ 104,110	\$ -	\$ -
Sewer	78,320	114,395	-	-
Electric	493,343	458,257	-	-
Other	<u>37,675</u>	<u>29,890</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$ 754,762</u>	<u>\$ 706,652</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$1,084,938</u>	<u>\$ 738,768</u>	<u>\$ 78,583</u>	<u>\$ 8,055</u>

(continued)

**Net (Disbursements) Receipts and  
Changes in Cash Basis Net Assets**

<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
\$ (50,632)	\$ -	\$ (50,632)
(21,608)	-	(21,608)
(45,050)	-	(45,050)
(215)	-	(215)
(58,815)	-	(58,815)
(35,102)	-	(35,102)
\$ (211,422)	\$ -	\$ (211,422)
\$ -	\$ (41,314)	\$ (41,314)
-	36,075	36,075
-	(35,086)	(35,086)
-	(7,785)	(7,785)
\$ -	\$ (48,110)	\$ (48,110)
\$ (211,422)	\$ (48,110)	\$ (259,532)

CITY OF ROCKFORD, IOWA  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

**General Receipts:**

Property tax levied for:  
    General purposes  
Local option sales tax  
Unrestricted interest on investments  
Miscellaneous

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:  
    Streets  
    Other purposes  
Unrestricted

**Total cash basis net assets**

*See Notes to Financial Statements.*

**Net (Disbursements) Receipts and  
Changes in Cash Basis Net Assets**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 154,425	\$ -	\$ 154,425
51,547	-	51,547
4,097	11,968	16,065
<u>10,930</u>	<u>15,150</u>	<u>26,080</u>
<u>\$ 220,999</u>	<u>\$ 27,118</u>	<u>\$ 248,117</u>
\$ 9,577	\$ (20,992)	\$ (11,415)
<u>243,938</u>	<u>684,204</u>	<u>928,142</u>
<b><u>\$ 253,515</u></b>	<b><u>\$ 663,212</u></b>	<b><u>\$ 916,727</u></b>
\$ 64,937	\$ -	\$ 64,937
21,264	222,899	244,163
<u>167,314</u>	<u>440,313</u>	<u>607,627</u>
<b><u>\$ 253,515</u></b>	<b><u>\$ 663,212</u></b>	<b><u>\$ 916,727</u></b>

CITY OF ROCKFORD, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Special Road Use Tax</u>
<b>RECEIPTS:</b>		
Property tax	\$ 113,588	\$ -
Other city tax	-	-
Use of money and property	6,152	-
Licenses and permits	1,103	-
Intergovernmental	23,294	75,952
Charges for service	7,386	-
Miscellaneous	19,894	-
Total receipts	<u>\$ 171,417</u>	<u>\$ 75,952</u>
<b>DISBURSEMENTS:</b>		
Public safety	\$ 63,269	\$ -
Public works	15,564	70,056
Culture and recreation	40,858	-
Community and economic development	215	-
General government	65,380	-
Debt service	-	-
Total disbursements	<u>\$ 185,286</u>	<u>\$ 70,056</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (13,869)</u>	<u>\$ 5,896</u>
Other financing sources (uses):		
Operating transfers in	\$ 3,046	\$ -
Operating transfers out	-	-
Total other financing sources (uses)	<u>\$ 3,046</u>	<u>\$ -</u>
Net change in cash balances	\$ (10,823)	\$ 5,896
Cash balances beginning of year	<u>92,478</u>	<u>59,041</u>
<b>Cash balances end of year</b>	<b><u>\$ 81,655</u></b>	<b><u>\$ 64,937</u></b>
<b>Cash Basis Fund Balances:</b>		
Unreserved:		
General fund	\$ 81,655	\$ -
Special revenue funds	-	64,937
Total Cash Basis Fund Balances	<u>\$ 81,655</u>	<u>\$ 64,937</u>

*See Notes to Financial Statements.*

<u>Revenue</u> <u>LOST-</u> <u>General</u>	<u>Other</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u>
\$ -	\$ 40,837	\$ 154,425
51,547	-	51,547
-	-	6,152
-	-	1,103
-	-	99,246
-	-	7,386
-	-	19,894
<u>\$ 51,547</u>	<u>\$ 40,837</u>	<u>\$ 339,753</u>
\$ -	\$ -	\$ 63,269
-	11,940	97,560
-	14,209	55,067
-	-	215
-	13,583	78,963
35,102	-	35,102
<u>\$ 35,102</u>	<u>\$ 39,732</u>	<u>\$ 330,176</u>
<u>\$ 16,445</u>	<u>\$ 1,105</u>	<u>\$ 9,577</u>
\$ -	\$ -	\$ 3,046
-	(3,046)	(3,046)
<u>\$ -</u>	<u>\$ (3,046)</u>	<u>\$ -</u>
\$ 16,445	\$ (1,941)	\$ 9,577
42,970	49,449	243,938
<u><b>\$ 59,415</b></u>	<u><b>\$ 47,508</b></u>	<u><b>\$ 253,515</b></u>
\$ -	\$ -	\$ 81,655
59,415	47,508	171,860
<u>\$ 59,415</u>	<u>\$ 47,508</u>	<u>\$ 253,515</u>

CITY OF ROCKFORD, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>LOST- Water</u>	<u>Water Reserve</u>
Operating receipts:			
Charges for service	\$ 104,110	\$ -	\$ -
Miscellaneous	-	-	-
Total operating receipts	<u>\$ 104,110</u>	<u>\$ -</u>	<u>\$ -</u>
Operating disbursements:			
Business type activities	<u>145,424</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>\$ (41,314)</u>	<u>\$ -</u>	<u>\$ -</u>
Non-operating receipts (disbursements):			
Interest on investments	\$ 2,695	\$ 1,453	\$ 1,148
Debt service	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating receipts (disbursements)	<u>\$ 2,695</u>	<u>\$ 1,453</u>	<u>\$ 1,148</u>
Excess (deficiency) of receipts over (under)disbursements	<u>\$ (38,619)</u>	<u>\$ 1,453</u>	<u>\$ 1,148</u>
Other financing sources (uses):			
Operating transfer in	\$ -	\$ -	\$ 3,000
Operating transfer out	<u>(5,400)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>\$ (5,400)</u>	<u>\$ -</u>	<u>\$ 3,000</u>
Net change in cash balances	\$ (44,019)	\$ 1,453	\$ 4,148
Cash balances beginning of year	<u>132,709</u>	<u>112,463</u>	<u>75,795</u>
<b>Cash balances end of year</b>	<b><u>\$ 88,690</u></b>	<b><u>\$ 113,916</u></b>	<b><u>\$ 79,943</u></b>
<b>Cash Basis Fund Balances:</b>			
Reserved	\$ -	\$ -	\$ 79,943
Unreserved	<u>88,690</u>	<u>113,916</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 88,690</u>	<u>\$ 113,916</u>	<u>\$ 79,943</u>

*See Notes to Financial Statements.*

<u>Sewer Rental</u>	<u>Electric</u>	<u>Electric Savings</u>	<u>Other Nonmajor Enterprise Funds</u>	<u>Total</u>
\$ 114,395	\$ 458,257	\$ -	\$ 29,890	\$ 706,652
1,043	3,152	-	10,955	15,150
<u>\$ 115,438</u>	<u>\$ 461,409</u>	<u>\$ -</u>	<u>\$ 40,845</u>	<u>\$ 721,802</u>
<u>78,320</u>	<u>415,889</u>	<u>-</u>	<u>37,675</u>	<u>677,308</u>
<u>\$ 37,118</u>	<u>\$ 45,520</u>	<u>\$ -</u>	<u>\$ 3,170</u>	<u>\$ 44,494</u>
\$ 4,146	\$ 663	\$ 1,164	\$ 699	\$ 11,968
<u>-</u>	<u>(77,454)</u>	<u>-</u>	<u>-</u>	<u>(77,454)</u>
<u>\$ 4,146</u>	<u>\$ (76,791)</u>	<u>\$ 1,164</u>	<u>\$ 699</u>	<u>\$ (65,486)</u>
<u>\$ 41,264</u>	<u>\$ (31,271)</u>	<u>\$ 1,164</u>	<u>\$ 3,869</u>	<u>\$ (20,992)</u>
\$ -	\$ 50,000	\$ -	\$ 4,800	\$ 57,800
<u>(2,400)</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>	<u>(57,800)</u>
<u>\$ (2,400)</u>	<u>\$ 50,000</u>	<u>\$ (50,000)</u>	<u>\$ 4,800</u>	<u>\$ -</u>
\$ 38,864	\$ 18,729	\$ (48,836)	\$ 8,669	\$ (20,992)
<u>175,944</u>	<u>(5,546)</u>	<u>117,395</u>	<u>75,444</u>	<u>684,204</u>
<u><b>\$ 214,808</b></u>	<u><b>\$ 13,183</b></u>	<u><b>\$ 68,559</b></u>	<u><b>\$ 84,113</b></u>	<u><b>\$ 663,212</b></u>
\$ -	\$ -	\$ 68,559	\$ 74,397	\$ 222,899
<u>214,808</u>	<u>13,183</u>	<u>-</u>	<u>9,716</u>	<u>440,313</u>
<u>\$ 214,808</u>	<u>\$ 13,183</u>	<u>\$ 68,559</u>	<u>\$ 84,113</u>	<u>\$ 663,212</u>

CITY OF ROCKFORD, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

(1) Summary of Significant Accounting Policies

The City of Rockford is a political subdivision of the State of Iowa located in Floyd County. It was first incorporated in 1878 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 services. The City also provides water, sewer and electric utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Rockford 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. The City has no component unit which meets the Governmental Accounting Standards Board Criteria.

Jointly Governed Organizations - The City participates in a jointly governed organization that provides goods or services to the citizenry of the City but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating government. City officials are members of the Floyd County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

CITY OF ROCKFORD, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

(1) Summary of Significant Accounting Policies - continued

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The LOST - General Fund is used to account for local option sales tax receipts and disbursements.

CITY OF ROCKFORD, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

(1) Summary of Significant Accounting Policies - continued

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The LOST - Water Fund accounts for local option sales tax revenues reserved for the City's water system expenditures.

The Water Reserve Fund accounts for moneys reserved for future water system capital projects.

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

The Electric Fund accounts for the operation and maintenance of the City's electric utilities.

The Electric Savings Fund accounts for moneys reserved for future electric plant capital projects.

C. Measurement Focus and Basis of Accounting

The City of Rockford 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.

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information

(2) Cash and Investments

The City's deposits in banks at June 30, 2005 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

CITY OF ROCKFORD, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

(2) **Cash and Investments** - continued

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Category 1, which means the investments are insured or registered or the securities are held by the City or its agent in the City's name.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

(3) **Notes Payable**

The building loan is payable in principal and interest of \$2,925.21 due in monthly installments, at an interest rate of 5.85%, with the final payment due April 15, 2013.

The electric utility loan is payable in principal and interest of \$4,076.55 due in monthly installments, at an interest rate of 5.50%, with the final payment due February 12, 2007.

(4) **Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. Contribution requirements are established by State statute. The City's contribution to IPERS for the year ended June 30, 2005 was \$12,702, which was equal to the required contribution for the year.

(5) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, comp time and sick leave hours for subsequent use. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable, comp time payable, and sick leave payable to employees at June 30, 2005, primarily relating to the General Fund is \$8,813.

This liability has been computed based on rates of pay in effect at June 30, 2005.

CITY OF ROCKFORD, IOWA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2005

(6) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Emergency	\$ 3,046
Enterprise: Water Tower Maintenance	Enterprise: Water	2,400
Water Reserve	Water	3,000
Electric	Electric Savings	50,000
Sewer Reserve	Sewer Rental	<u>2,400</u>
Total		<u>\$ 60,846</u>

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

(7) **Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceed commercial insurance coverage during the past year.

Required Supplementary Information

CITY OF ROCKFORD, IOWA  
 BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS  
 AND CHANGES IN BALANCES  
 BUDGET AND ACTUAL (CASH BASIS) - ALL  
 GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2005

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Less Funds Not Required To Be Budgeted</u>
<b>RECEIPTS:</b>			
Property tax	\$ 154,425	\$ -	\$ -
Other city tax	51,547	-	-
Use of money and property	6,152	11,968	-
Licenses and permits	1,103	-	-
Intergovernmental	99,246	-	-
Charges for service	7,386	706,652	-
Miscellaneous	19,894	15,150	-
Total receipts	<u>\$ 339,753</u>	<u>\$ 733,770</u>	<u>\$ -</u>
<b>DISBURSEMENTS:</b>			
Public safety	\$ 63,269	\$ -	\$ -
Public works	97,560	-	-
Culture and recreation	55,067	-	-
Community and economic development	215	-	-
General government	78,963	-	-
Debt Service	35,102	-	-
Business type activities	-	754,762	-
Total disbursements	<u>\$ 330,176</u>	<u>\$ 754,762</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 9,577	\$ (20,992)	\$ -
Balance beginning of year	<u>243,938</u>	<u>684,204</u>	<u>-</u>
<b>Balance end of year</b>	<u><b>\$ 253,515</b></u>	<u><b>\$ 663,212</b></u>	<u><b>\$ -</b></u>

*See Accompanying Independent Auditor's Report.*

<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 154,425	\$ 155,215	\$ 155,215	\$ (790)
51,547	54,705	54,705	(3,158)
18,120	12,013	12,013	6,107
1,103	605	605	498
99,246	109,164	109,164	(9,918)
714,038	900,350	900,350	(186,312)
35,044	10,400	10,400	24,644
<u>\$1,073,523</u>	<u>\$1,242,452</u>	<u>\$1,242,452</u>	<u>\$(168,929)</u>
\$ 63,269	\$ 64,685	\$ 64,685	\$ 1,416
97,560	127,781	127,781	30,221
55,067	58,202	58,202	3,135
215	2,000	2,000	1,785
78,963	87,912	87,912	8,949
35,102	35,102	35,102	-
754,762	862,550	862,550	107,788
<u>\$1,084,938</u>	<u>\$1,238,232</u>	<u>\$1,238,232</u>	<u>\$ 153,294</u>
\$ (11,415)	\$ 4,220	\$ 4,220	\$ (15,635)
<u>928,142</u>	<u>327,576</u>	<u>327,576</u>	<u>600,566</u>
<u>\$ 916,727</u>	<u>\$ 331,796</u>	<u>\$ 331,796</u>	<u>\$ 584,931</u>

**CITY OF ROCKFORD, IOWA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING**  
**JUNE 30, 2005**

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and nonprogram. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. 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, the budget was not amended.

During the year ended June 30, 2005, the amounts budgeted were not exceeded.

Other Supplementary Information

CITY OF ROCKFORD, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

	<b>Special Revenue</b>	
	<b>LOST - Parks</b>	<b>Emergency</b>
<b>RECEIPTS:</b>		
Property tax	\$ -	\$ 3,117
<b>DISBURSEMENTS:</b>		
Public works	\$ -	\$ -
Culture and recreation	3,186	-
General government	-	-
Total disbursements	\$ 3,186	\$ -
Excess (deficiency) of receipts over (under) disbursements	\$ (3,186)	\$ 3,117
Other financing sources (uses):		
Operating transfers out	-	(3,046)
Net change in cash balances	\$ (3,186)	\$ 71
Cash balances beginning of year	29,430	4,294
<b>Cash balances end of year</b>	<b>\$ 26,244</b>	<b>\$ 4,365</b>
<b>Cash Basis Fund Balances:</b>		
Unreserved:		
Special revenue funds	\$ 26,244	\$ 4,365

*See Accompanying Independent Auditor's Report.*

<u>Employee Benefits</u>	<u>Total</u>
\$ 37,720	\$ 40,837
\$ 11,940	\$ 11,940
11,023	14,209
13,583	13,583
<u>\$ 36,546</u>	<u>\$ 39,732</u>
\$ 1,174	\$ 1,105
<u>-</u>	<u>(3,046)</u>
\$ 1,174	\$ (1,941)
15,725	49,449
<u><b>\$ 16,899</b></u>	<u><b>\$ 47,508</b></u>
<u>\$ 16,899</u>	<u>\$ 47,508</u>

CITY OF ROCKFORD, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES  
NONMAJOR PROPRIETARY FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

	<b>E N T E R P R I S E</b>		
	<b>Water Tower Maintenance</b>	<b>Water Meter Deposit</b>	<b>Sewer Reserve</b>
Operating receipts:			
Charges for service	\$ -	\$ -	\$ -
Miscellaneous	-	1,600	-
Total operating receipts	\$ -	\$ 1,600	\$ -
Operating disbursements:			
Business type activities	-	1,915	-
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ -	\$ (315)	\$ -
Non-operating receipts (disbursements):			
Interest on investments	195	-	504
Excess (deficiency) of receipts over (under) disbursements	\$ 195	\$ (315)	\$ 504
Other financing sources:			
Operating transfer in	2,400	-	2,400
Net change in cash balances	\$ 2,595	\$ (315)	\$ 2,904
Cash balances beginning of year	15,248	4,820	33,255
<b>Cash balances end of year</b>	<b><u>\$ 17,843</u></b>	<b><u>\$ 4,505</u></b>	<b><u>\$ 36,159</u></b>
<b>Cash Basis Fund Balances:</b>			
Reserved	\$ 17,843	\$ -	\$ 36,159
Unreserved	-	4,505	-
Total cash basis fund balances	\$ 17,843	\$ 4,505	\$ 36,159

*See Accompanying Independent Auditor's Report*

F U N D S				
<u>Solid Waste</u>	<u>Utility Collections</u>	<u>Electric Meter Deposit</u>	<u>Green City Energy</u>	<u>Total</u>
\$ 29,890	\$ -	\$ -	\$ -	\$ 29,890
-	455	8,900	-	10,955
<u>\$ 29,890</u>	<u>\$ 455</u>	<u>\$ 8,900</u>	<u>\$ -</u>	<u>\$ 40,845</u>
<u>28,960</u>	<u>-</u>	<u>6,800</u>	<u>-</u>	<u>37,675</u>
\$ 930	\$ 455	\$ 2,100	\$ -	\$ 3,170
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>699</u>
\$ 930	\$ 455	\$ 2,100	\$ -	\$ 3,869
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,800</u>
\$ 930	\$ 455	\$ 2,100	\$ -	\$ 8,669
<u>1,846</u>	<u>1,825</u>	<u>18,295</u>	<u>155</u>	<u>75,444</u>
<b><u>\$ 2,776</u></b>	<b><u>\$ 2,280</u></b>	<b><u>\$ 20,395</u></b>	<b><u>\$ 155</u></b>	<b><u>\$ 84,113</u></b>
\$ -	\$ -	\$ 20,395	\$ -	\$ 74,397
<u>2,776</u>	<u>2,280</u>	<u>-</u>	<u>155</u>	<u>9,716</u>
<u>\$ 2,776</u>	<u>\$ 2,280</u>	<u>\$ 20,395</u>	<u>\$ 155</u>	<u>\$ 84,113</u>

CITY OF ROCKFORD, IOWA  
 SCHEDULE OF INDEBTEDNESS  
 YEAR ENDED JUNE 30, 2005

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
Notes Payable:			
Building Loan	01/05/98	5.85%	\$ 350,000
Electric Utility	02/10/99	5.50	550,000
<b>Total indebtedness</b>			

*See Accompanying Independent Auditor's Report.*

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$243,645	\$ -	\$ 21,407	\$222,238	\$ 13,695	\$ -
<u>102,296</u>	<u>-</u>	<u>74,246</u>	<u>28,050</u>	<u>3,208</u>	<u>-</u>
<u><b>\$345,941</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 95,653</b></u>	<u><b>\$250,288</b></u>	<u><b>\$ 16,903</b></u>	<u><b>\$ -</b></u>



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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:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Rockford, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated December 21, 2005. My report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed a qualified opinion since I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2004. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Rockford's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the City of Rockford's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe items II-A-05 and II-B-05 are material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Rockford's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my 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.

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

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



December 21, 2005

CITY OF ROCKFORD, IOWA  
Schedule of Findings  
Year Ended June 30, 2005

**Part I: Summary of the Independent Auditor's Results:**

- (a) A qualified opinion was issued on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, since I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2004.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

II-A-05     Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that one person has control over most of the accounting and banking functions.

Recommendation - I realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and make changes to improve internal control where possible.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

II-B-05     Countersignature of Checks - I noted some checks are prepared and signed by one individual.

Recommendation - Checks should be prepared and signed by one individual and then the supporting documentation should be made available along with the check to a second independent individual for review and countersignature.

Response - We will investigate the alternatives.

Conclusion - Response accepted.

II-C-05     Prenumbered Receipts - Receipts are not always written for the money collected, and the receipts are not prenumbered.

Recommendation - Prenumbered receipts should be issued at the time of collection to provide additional control over the proper collection and recording of all money. Further, we recommend that these receipts be reconciled with timely deposits, with the reconciliations being reviewed periodically by an independent person.

CITY OF ROCKFORD, IOWA  
Schedule of Findings  
Year Ended June 30, 2005

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

Response - Prenumbered receipts will be obtained and used properly.

Conclusion - Response accepted.

II-D-05      Centralized Bookkeeping - The Librarian maintains separate accounting records pertaining to some of their operations. These transactions and the resulting balances are not recorded in the Clerk's records. Chapter 384.20 of the code of Iowa states in part that "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose".

Recommendation - For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be recorded in the Clerk's records.

Response - We will look into this.

Conclusion - Response accepted.

**Part III: Findings and Questioned Costs for Federal Awards:**

Not applicable

**Part IV: Other Findings Related to Statutory Reporting:**

IV-A-05      Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

IV-B-05      Certified Budget - Disbursements during the year ended June 30, 2005, did not exceed the amounts budgeted.

IV-C-05      Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-05      Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-E-05      Business Transactions - No business transactions between the City and City officials or employees were noted.

IV-F-05      Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-G-05      Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-H-05      Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

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