

**CITY OF ROCK RAPIDS**

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

**JUNE 30, 2006**

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## City of Rock Rapids

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
	(Before January 2006)	
Lawrence Lupkes	Mayor	January 1, 2006
Donald DeYong	Council Member	January 1, 2006
Rhonda Menning	Council Member	January 1, 2006
Marlene Bowers	Council Member	January 1, 2008
Gary Broesder	Council Member	January 1, 2008
Doug Herda	Council Member	January 1, 2008
Jordan Kordahl	City Administrator, Clerk and Treasurer	Indefinite
Linda Trei	Deputy City Clerk	Indefinite
Linda McCormack	Librarian	Indefinite
Trish Starrett	Library Trustee	July 1, 2005
Nancy DeJongh	Library Trustee	July 1, 2005
James Roeman	Library Trustee	July 1, 2007
Ben Brink	Library Trustee	July 1, 2007
Julie Metzger	Library Trustee	July 1, 2009
Rhoda Lange	Library Trustee	July 1, 2009
Michael Roetman	Library Trustee	July 1, 2009
John Stillson	Airport Commissioner	June 1, 2007
Arnold Kwikkel	Airport Commissioner	June 1, 2009
Mike Cleveringa	Airport Commissioner	June 1, 2011
Michael R. Austin	City Attorney	Indefinite (Appointed)

**City of Rock Rapids****Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Starting January 2006)		
Lawrence Lupkes	Mayor	January 1, 2008
Marlene Bowers	Council Member	January 1, 2008
Gary Broesder	Council Member	January 1, 2008
Doug Herda	Council Member	January 1, 2008
Carol Oliver	Council Member	January 1, 2010
Donald DeYong	Council Member	January 1, 2010
Jordan Kordahl	City Administrator, Clerk and Treasurer	Indefinite
Linda Trei	Deputy City Clerk	Indefinite
Linda McCormack	Librarian	Indefinite
James Roeman	Library Trustee	July 1, 2007
Ben Brink	Library Trustee	July 1, 2007
Julie Metzger	Library Trustee	July 1, 2009
Rhoda Lange	Library Trustee	July 1, 2009
Michael Roetman	Library Trustee	July 1, 2009
Trish Starrett	Library Trustee	July 1, 2011
Nancy DeJongh	Library Trustee	July 1, 2011
John Stillson	Airport Commissioner	June 1, 2007
Arnold Kwikkel	Airport Commissioner	June 1, 2009
Mike Cleveringa	Airport Commissioner	June 1, 2011
Michael R. Austin	City Attorney	Indefinite (Appointed)

## **Independent Auditor's Report**

To the Honorable Mayor and Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Rock Rapids, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City of Rock Rapids' management. 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 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. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these primary government 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.

The financial statements referred to above include only the primary government of the City of Rock Rapids, Iowa, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles prepared on the basis of accounting described in Note 1 require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Rock Rapids, Iowa, as of June 30, 2006, and the changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

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, each major fund and the aggregate remaining fund information for the primary government of the City of Rock Rapids, Iowa, as of June 30, 2006, 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*, we have also issued our report dated September 15, 2006 on our consideration of the City of Rock Rapids' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on 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 our audit.

Management's Discussion and Analysis and budgetary comparison information for the primary government on pages 5 through 11 and 25 through 28 are not required parts of the basic primary government financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise the City of Rock Rapids' basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the fiscal year ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those primary government financial statements which were prepared in conformity with an other comprehensive basis of accounting. Siebrecht Spitler & De Noble PC (Siebrecht Spitler & De Noble PC was formally dissolved and De Noble & Company PC is one of the two new companies that was formed directly from this dissolution) previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two fiscal years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those primary government financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic primary government financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic primary government financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic primary government financial statements taken as a whole.

De Noble & Company PC  
Certified Public Accounting Firm

September 15, 2006

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Rock Rapids 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, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2006 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 2.0%, or \$52,158, from fiscal year 2005 to fiscal year 2006. Operating grants, contributions and restricted interest increased \$264,517, and capital loan note proceeds decreased \$225,000.
- Disbursements increased 3.8%, or \$84,587, in fiscal year 2006 from fiscal year 2005. Public works, culture and recreation, community and economic development, and debt service disbursements increased by \$58,076, \$43,708, \$93,422, and \$54,911, respectively. Public safety and capital projects disbursements decreased by \$44,802 and \$122,228, respectively.
- The City's total cash basis net assets from governmental activities increased 17.0%, or \$303,557, from June 30, 2005 to June 30, 2006.

### 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 primary government 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 – Primary Government. 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 Statement tells how governmental services were financed in the short term as well as what remains for future spending. The Fund Financial Statement reports the City's operations in more detail than the government-wide statement by providing information about the most significant primary government funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic primary government 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 primary government 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 – Primary Government reports information which helps answer this question.

The Statement of Activities and Net Assets – Primary Government 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 – Primary Government consists only of governmental activities. Business type activities, consisting of electric, water, wastewater, gas and communications, are conducted by the Rock Rapids Municipal Utilities and reported separately. Business type activities are financed primarily by user charges. To obtain the financial information on the Municipal Utilities, please contact the Municipal Utilities office. A copy of the Municipal Utilities' audit report is available for the public's review.

Governmental activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax, intergovernmental revenues, local option sales taxes, charges for services and donations finance most of these activities.

### *Fund Financial Statements*

The primary government of the City of Rock Rapids uses governmental funds only. Proprietary funds are used to account for business type activities and, as noted above, are conducted by the Rock Rapids Municipal Utilities, which is reported separately.

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, Employee Benefits, Local Option Sales Tax, Urban Renewal Tax Increment and Library Memorial Trust; (3) the Debt Service Fund; (4) the Capital Projects Fund; and (5) the Permanent Funds, such as Library Endowment and Cemetery Perpetual Care.

The governmental fund primary government financial statement provides 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– Primary Government.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. Over the past year, the City's cash balance for primary government governmental activities increased from \$1,786,500 to \$2,090,057. The analysis that follows focuses on the changes in cash balances for governmental activities.

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

	<u>Year Ending June 30,</u>	
	<u>2006</u>	<u>2005</u>
Receipts:		
Program Receipts:		
Charges for Service	\$ 333,853	\$ 337,185
Operating Grants, Contributions and Restricted Interest	687,772	423,255
Capital Grants, Contributions and Restricted Interest	142,731	74,055
General Receipts:		
Property And Other City Tax	1,145,949	1,185,549
Tax Increment Financing	58,816	65,530
Local Option Sales Tax	147,827	146,064
Grants and Contributions Not Restricted		
To Specific Purpose	74,557	88,557
Unrestricted Investment Earnings	15,818	1,704
Capital Loan Note Proceeds	0	225,000
Other General Receipts	10,536	18,802
Total Receipts	<u>2,617,859</u>	<u>2,565,701</u>
Disbursements:		
Public Safety	205,274	250,076
Public Works	507,579	449,503
Culture And Recreation	515,733	472,025
Community And Economic Development	332,804	239,382
General Government	153,684	152,184
Debt Service	538,022	483,111
Capital Projects	61,206	183,434
Total Disbursements	<u>2,314,302</u>	<u>2,229,715</u>
Increase in Cash Basis Net Assets	303,557	335,986
Cash Basis Net Assets Beginning of Year	<u>1,786,500</u>	<u>1,450,514</u>
Cash Basis Net Assets End of Year	<u>\$ 2,090,057</u>	<u>\$ 1,786,500</u>

The City's total receipts for governmental activities increased by 2.0%, or \$52,158. The total cost of all programs and services increased by \$84,587, or 3.8%. The increase in receipts was partly the result of having received the following items during the current year: (1) Federal CDBG forgivable loan funding to provide a flow-through forgivable loan to a local business for economic development; (2) a large donation from an estate for the Library Memorial Fund. This increase in comparison to the previous fiscal year was partly offset by the issuance of general obligation capital loan notes during the previous fiscal year. The increase in disbursements was mainly due to higher costs for economic development activity, transit services, sanitary sewers, snow removal, library services, park costs and debt service payments. This increase in comparison to the previous fiscal year was partly offset by a decrease in capital projects disbursements from the previous year.

Although the taxable valuation increased by approximately 2.8%, a decrease of the tax levy rate on regular property from \$22.69899 to \$21.46035 resulted in decreased property tax and other city taxes of \$39,600 during fiscal year 2006.

The cost of all governmental activities this year was \$2,314,302, compared to \$2,229,715 last year. The amount taxpayers ultimately financed for these activities was only \$1,149,946 because some of the cost was paid by those who directly benefited from the programs (\$333,853) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$830,503). The City paid for the remaining "public benefit" portion of governmental activities with other receipts such as property taxes, tax increment financing, local option sales tax, general entitlements, unrestricted investment earnings and other miscellaneous revenues.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Rock Rapids completed the year, its primary government governmental funds reported a combined cash balance of \$2,090,057, an increase of \$303,557 above last year's total of \$1,786,500. 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 by \$72,555, from \$536,031 to \$608,586 at June 30, 2006. This increase is due primarily to an operating transfer of \$60,000 from the Local Option Sales Tax Fund during the current year. Also contributing to this increase was the elimination of the annual expenditure of \$31,480 for the fire truck lease. This elimination of the fire truck lease was done by moving the obligation to the Debt Service Fund starting with the 2006 fiscal year.
- The Road Use Tax Fund cash balance increased by \$167,544, from \$270,286 to \$437,830 at June 30, 2006. This increase is due primarily to a transfer of \$90,000 from the Local Option Sales Tax Fund and keeping public works costs down. The City intends to use this money to continue funding street department operations, street maintenance programs and replacement of equipment.
- The Library Memorial Trust Fund cash balance increased \$95,110, from \$274,892 to \$370,002 at June 30, 2006. The increase is due to a large inheritance from a private estate for the Library. The increase for this donation was partly offset by the cost of capital improvements at the Library during the 2006 fiscal year.

- The Debt Service Fund cash balance increased \$40,706, from the \$206,498 to \$247,204 at June 30, 2006. This was due to an excess of tax receipts over actual debt disbursements for the purpose of building up cash reserves in order to finance future long-term debt payments.
- The Capital Projects Fund cash balance decreased \$32,212 from \$297,392 to \$265,180 at June 30, 2006. The decrease was due to ongoing activity on the recreation trail construction project and the sanitary sewer rehabilitation project.

## **BUDGETARY HIGHLIGHTS**

The City amended its portion of the certified budget twice during the year, May 9 and May 30, 2006. The amendments resulted in (1) an increase of \$200,000 in budgeted receipts; and (2) an increase of \$490,000 in budgeted disbursements. This resulted in a net increase of \$290,000 in total budgeted disbursements. Please see the Rock Rapids Municipal Utilities audit report for budget amendments that affected the Utilities portion of the City's budget.

The reason for the increase in budgeted receipts was to include a Federal CDBG flow-through loan for a local business for economic development purposes. Reasons for the increase in budgeted operating disbursements were identified as follows: (1) Public Safety – cost increases in repairs, insurance and misc; grant funded hazard mitigation plan. (2) Public Works – sewer televising; cost increases in fuel. (3) Culture & Recreation – park improvements; purchase of skate park; purchase of mower; operating cost increases; capital improvements to library, including new parking lot, east entrance and new carpet. (4) Community & Economic Development – transfer of Federal CDBG flow-through loan; cost increases in tree dump maintenance. (5) General Government – cost increases in office operations; union negotiations. (6) Debt Service – contingencies.

Actual receipts came in \$125,660 below budget for the City only portion of the certified budget. Significant variances in budget-to-actual receipts are as follows: (1) Intergovernmental receipts came in \$225,460, or 26%, below budget. This is due to having budgeted for, but not received during the fiscal year, a grant (due to postponement of IDOT grant funded trail project) and a contribution from Municipal Utilities for the Trail Project (due to scheduling delays). (2) Charges for services receipts came in \$117,370, or 33%, below budget. This is due to having budgeted for (a) receipts for Municipal Housing, a separate legal entity, for which the City included an estimate for receipts and disbursements, but never included any actual figures, and (b) additional Airport charges, much of which was actually shown as use of money and property (rental income). (3) Miscellaneous receipts came in \$161,929, or 141%, above budget. This is due to having received donations for a new skate park and an estate donation to the Library Memorial Fund, neither of which were included in the budget.

Disbursements came in \$753,440 below budget (all functions came in below budget for the City only portion of the certified budget); the net cash change for the fiscal year came in \$627,780 better than budgeted for the City only portion of the certified budget.

## **DEBT ADMINISTRATION**

At June 30, 2006, the City had \$2,307,405 in notes, bonds and other long-term debt, compared to \$2,725,534 last year, as shown below:

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Outstanding Debt at Year-End

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<u>TYPE OF DEBT</u>	<u>June 30,</u>	
	<u>2006</u>	<u>2005</u>
General Obligation Notes and Bonds	\$ 1,595,000	\$ 1,900,000
Local Option Sales & Service Tax Revenue Bonds	279,000	327,000
Grant Anticipation Notes	400,000	440,000
Rescue Truck Lease	29,981	58,534
Skate Park Equipment Installment Purchase	<u>3,415</u>	<u>0</u>
Total Long Term Debt	<u>\$ 2,307,396</u>	<u>\$ 2,725,534</u>

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The City entered into an installment purchase contract for skate park equipment for \$10,000 during the fiscal year. The outstanding balance of \$3,415 on June 30, 2006 for the skate park equipment is included in the debt listing.

The City Council transferred the obligation for the rescue truck lease from the General Fund to the Debt Service Fund. This was done to spread the tax burden among a broader tax base (including tax increment financing districts) and to free up the general tax levy with respect to levy limitation.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,907,396 (total debt of \$2,307,396 minus grant anticipation notes of \$400,000) is adequately below its constitutional debt limit of \$4,632,220.

More detailed information about the City's long-term debt is presented in Note 3 to the financial statements.

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

The elected and appointed officials and citizens of the City of Rock Rapids considered many factors when setting the fiscal year 2007 budget, tax rates and fees that will be charged for various City activities. Among these factors is the growing disparity between the tax obligations of residential and commercial/industrial property.

Under the rollback factor, residential property was taxed at 48.0% of actual value for the 2006 fiscal year and decreases by 2.0%, to 46.0%, for the 2007 fiscal year. Although this is partly offset by a rollback for commercial/industrial property from 100% to 99.1%, it still results in a net increase of 1.1% in the disparity between the two classes of property.

The resulting disproportionate share of taxes levied on commercial and industrial property adds to the challenges of competing with bordering states in economic development activities. As a remedy, a freezing of the residential rollback factor, coupled with a decrease in the commercial/industrial rollback factor, would bring the latter closer to the rates applicable to residential property.

These indicators were taken into account when adopting the budget for fiscal year 2007. In recent years, the City has worked to control tax rates by implementing certain structural changes and greater reliance on alternate sources of revenue. This has allowed the City to plan for a balanced budget in the 2007 fiscal year with a projected increase of approximately \$138,000, or 12%, in property and other city tax revenues. The budget for fiscal year 2007 allows the City to maintain an adequate cash reserve.

## **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 Jordan Kordahl, City Administrator, 310 South 3<sup>rd</sup> Avenue, Rock Rapids, Iowa 51246.

**City of Rock Rapids**  
**Basic Primary Government Financial Statements**

City of Rock Rapids

Statement of Activities and Net Assets – Cash Basis  
Primary Government

As of and for the Year Ended June 30, 2006

	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest	Governmental Activities
<b>Functions/Programs:</b>					
Governmental Activities:					
Public Safety	\$ 205,274	8,706	25,549	0	( 171,019)
Public Works	507,579	201,030	215,426	34,937	( 56,186)
Culture and Recreation	515,733	100,643	173,481	13,800	( 227,809)
Community and Economic Development	332,804	4,286	233,178	0	( 95,340)
General Government	153,684	15,774	19,553	0	( 118,357)
Debt Service	538,022	3,414	20,585	65,000	( 449,023)
Capital Projects	61,206	0	0	28,994	( 32,212)
<b>Total Governmental Activities</b>	<b>\$ 2,314,302</b>	<b>333,853</b>	<b>687,772</b>	<b>142,731</b>	<b>( 1,149,946)</b>
<b>General Receipts:</b>					
Property and Other City Tax Levied for:					
General Purposes					576,700
Employee Benefits					154,520
Tax Increment Financing					58,816
Debt Service					414,729
Local Option Sales Tax					147,827
Grants and Contributions not Restricted to Specific Purpose					74,557
Unrestricted Interest on Investments					15,818
Rents					6,767

Perpetual Cemetery Care - Sale of Lots	3,200
Miscellaneous	569
	<hr/>
Total General Receipts	1,453,503
	<hr/>
Change in Cash Basis Net Assets	303,557
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Cash Basis Net Assets Beginning of Year	1,786,500
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Cash Basis Net Assets End of Year	\$ 2,090,057
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**Cash Basis Net Assets**

Restricted:

Road Use Tax (Streets)	\$ 437,830
Library Projects	370,002
Capital Projects	265,180
Debt Service	247,204
Other Purposes	136,195
Permanent Funds (Library Endowment & Cemetery Perpetual Care)	25,060
Unrestricted	608,586
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<b>Total Cash Basis Net Assets</b>	<b>\$ 2,090,057</b>
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See Notes to Financial Statements.

City of Rock Rapids

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

As of and for the Year Ended June 30, 2006

	Special Revenue						Total
	General	Road Use Tax	Library Memorial Trust	Debt Service	Capital Projects	Nonmajor Governmental Funds	
Receipts:							
Property Tax	\$ 575,241	0	0	413,710	0	154,127	1,143,078
Tax Increment Financing	0	0	0	0	0	58,816	58,816
Other City Tax	1,459	0	0	1,019	0	148,220	150,698
Licenses and Permits	10,309	0	0	0	0	0	10,309
Use of Money and Property	59,072	2,950	10,058	20,585	17,709	37	110,411
Intergovernmental	415,706	215,426	0	0	0	0	631,132
Charges for Service	232,992	0	0	0	0	0	232,992
Special Assessments	0	0	0	3,414	0	0	3,414
Miscellaneous	48,145	7,464	141,915	65,000	11,285	3,200	277,009
Total Receipts	1,342,924	225,840	151,973	503,728	28,994	364,400	2,617,859
Disbursements:							
Operating:							
Public Safety	178,587	0	0	0	0	26,687	205,274
Public Works	328,131	148,296	0	0	0	31,152	507,579
Culture and Recreation	426,854	0	56,863	0	0	32,016	515,733
Community and Economic Development	266,918	0	0	0	0	65,886	332,804
General Government	129,879	0	0	0	0	23,805	153,684
Debt Service	0	0	0	538,022	0	0	538,022
Capital Projects	0	0	0	0	61,206	0	61,206
Total Disbursements	1,330,369	148,296	56,863	538,022	61,206	179,546	2,314,302

Excess (Deficiency) of Receipts Over (Under) Disbursements	12,555	77,544	95,110	( 34,294)	( 32,212)	184,854	303,557
Other Financing Sources (Uses):							
Operating Transfers In	60,000	90,000	0	75,000	0	0	225,000
Operating Transfers Out	0	0	0	0	0	( 225,000)	( 225,000)
Total Other Financing Sources (Uses)	60,000	90,000	0	75,000	0	( 225,000)	0
Net Change in Cash Balances	72,555	167,544	95,110	40,706	( 32,212)	( 40,146)	303,557
Cash Balances Beginning of Year	536,031	270,286	274,892	206,498	297,392	201,401	1,786,500
Cash Balances End of Year	\$ 608,586	437,830	370,002	247,204	265,180	161,255	2,090,057
<b>Cash Basis Fund Balances</b>							
Reserved for Debt Service	\$ 0	0	0	247,204	0	0	247,204
Unreserved:							
General Fund	608,586	0	0	0	0	0	608,586
Special Revenue Funds	0	437,830	370,002	0	0	136,195	944,027
Capital Projects Fund	0	0	0	0	265,180	0	265,180
Permanent Funds	0	0	0	0	0	25,060	25,060
Total Cash Basis Fund Balances	\$ 608,586	437,830	370,002	247,204	265,180	161,255	2,090,057

See Notes to Financial Statements.

# City of Rock Rapids

## Notes to Financial Statements

June 30, 2006

### (1) Summary of Significant Accounting Policies

The City of Rock Rapids is a political subdivision of the State of Iowa located in Lyon County. It was first incorporated in 1885 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, culture and recreation, community and economic development, and general government services.

#### A. Reporting Entity

For financial reporting purposes, the City of Rock Rapids has included all funds, organizations, agencies, boards, commissions, and authorities of the primary government. 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 Rock Rapids (the primary government). As noted in the Independent Auditor's Report, the component units discussed below are not included in the financial statements. The primary government financial statements, because they do not include the financial data of component units of the City of Rock Rapids, do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Rock Rapids, Iowa, as of June 30, 2006, and the changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Component Units – If it were not for the City of Rock Rapids preparing financial statements of the primary government only, the Rock Rapids Municipal Utilities and the Rock Rapids Municipal Housing Agency would be included as part of the City's reporting entity because of the significance of each organization's operational or financial relationship with the City. The Rock Rapids Municipal Utilities and the Rock Rapids Municipal Housing Agency would be presented as discretely presented component units in a separate column in the Statement of Activities and Net Assets – Cash Basis to emphasize that each is legally separate from the City, but are financially accountable to the City, or whose relationships with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete.

The Municipal Utilities is governed by a three-member board appointed by the Mayor and approved by the City Council and the Municipal Utilities operating budget is approved by the City Council. To obtain the financial information on the Municipal Utilities, please contact the

Municipal Utilities' office. A copy of the Municipal Utilities' audit report is available for the public's review. The Rock Rapids Municipal Housing Agency is governed by a five-member board appointed by the Mayor and City Council and the City has the ability to impose its will on the Housing Agency by influencing the programs, projects, activities and level of services performed/provided by the Housing Agency. To obtain financial information on the Housing Agency, please contact the Community Affairs Corporation.

The City of Rock Rapids received \$141,011 from the Rock Rapids Municipal Utilities during the fiscal year ended June 30, 2006 (\$116,011 in contributions and \$25,000 in a forgivable loan to the Rock Rapids Development Corporation which flowed through the City of Rock Rapids). The Rock Rapids Municipal Housing Agency did not disburse to the City of Rock Rapids any payment in lieu of taxes during the fiscal year ended June 30, 2006.

Jointly Governed Organizations – The City also 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: Lyon County Assessor's Conference Board, Lyon County Joint E911 Service Board, Lyon County Emergency Management Commission, the Northwest Iowa Area Solid Waste Agency, the Lyon County Economic Development Consortium, and the Hazardous Material Response Commission (HAZMAT). During the fiscal year ended June 30, 2006, the City did not contribute any money to the Assessor, E911, Emergency Management, the Economic Development Consortium and HAZMAT. Please see Note 9 for the amount paid to the Northwest Iowa Area Solid Waste Agency.

## B. Basis of Presentation

Government-Wide Financial Statements - The Statement of Activities and Net Assets – Primary Government reports information on all of the nonfiduciary activities of the City's primary government. For the most part, the effect of interfund activity has been removed from this statement. This financial statement reports governmental activities which are supported to a significant extent by tax and intergovernmental revenues.

The Statement of Activities and Net Assets – Primary Government presents the City's primary government 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 – Primary Government 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 Statement – A separate financial statement is provided for the primary government governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statement. 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 Library Memorial Trust Fund is used to account for library projects financed by donations and investment income.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation, local option sales and service tax, grant anticipation and capital lease long-term debt.

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

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

The City of Rock Rapids maintains its financial records on the basis of cash receipts and disbursements and the primary government 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 primary government financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

#### D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements for the City of Rock Rapids did not exceed the final amended budget amount for any function of the City only portion of the certified budget. However, disbursements in the business type activities function, which are included for the Rock Rapids Municipal Utilities, exceeded the amount budgeted as part of the City of Rock Rapids' adopted budget.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2006 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 and its written investment policy 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 of Rock Rapids Library held U.S. Government E Bonds (\$1,956 carrying amount) from July 1, 2005 until all the U.S. Government E Bonds were cashed in on April 5, 2006.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**(3) Notes, Bonds, Capital Lease Payable and Installment Purchase Payable**

Annual debt service/loan/lease payment requirements to maturity for general obligation capital loan notes, the general obligation bonds, the grant anticipation capital loan notes, local option sales & service tax revenue bonds, the capital lease (for a rescue vehicle for the fire department) and the installment purchase (skate park equipment) are as follows:

Year Ended June 30	General Obligation Capital Loan Notes		General Obligation Bonds		Grant Anticipation Capital Loan Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 240,000	45,715	65,000	18,998	40,000	21,492
2008	175,000	36,768	70,000	15,683	45,000	19,453
2009	145,000	30,607	75,000	12,078	45,000	17,113
2010	150,000	25,672	75,000	8,178	50,000	14,727
2011	160,000	20,310	80,000	4,240	50,000	12,053
2012	170,000	14,290	0	0	55,000	9,353
2013	140,000	7,612	0	0	55,000	6,355
2014	25,000	2,225	0	0	60,000	3,330
2015	25,000	1,125	0	0	0	0
Total	\$1,230,000	184,324	365,000	59,177	400,000	103,876

Year Ended June 30	Local Option Sales & Service Tax Revenue Bonds		Capital Lease		Installment Purchase		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2007	53,000	10,618	29,981	1,499	3,415	52	431,396
2008	53,000	9,267	0	0	0	0	343,000	81,171
2009	58,000	7,897	0	0	0	0	323,000	67,695
2010	25,000	6,243	0	0	0	0	300,000	54,820
2011	30,000	4,905	0	0	0	0	320,000	41,508
2012	30,000	3,285	0	0	0	0	255,000	26,928
2013	30,000	1,650	0	0	0	0	225,000	15,617
2014	0	0	0	0	0	0	85,000	5,555
2015	0	0	0	0	0	0	25,000	1,125
<b>Total</b>	<b>279,000</b>	<b>43,865</b>	<b>29,981</b>	<b>1,499</b>	<b>3,415</b>	<b>52</b>	<b>2,307,396</b>	<b>392,793</b>

During the fiscal year ended June 30, 2006, the City entered into an installment purchase agreement with Street Jam Industries to finance a portion of the purchase price of skate park equipment. The amount financed under this agreement was \$10,000 for one year. Since no cash was actually received on this installment purchase, the \$10,000 installment purchase financing is not included on Exhibit A or B of the primary government financial statements as an other financing source. Payments under this agreement totaled \$6,585 in principal and \$348 in interest during the fiscal year ended June 30, 2006. This installment purchase payable is being retired through the General Fund.

During the fiscal year ended June 30, 2006, the City, other than the installment purchase payable, redeemed principal on long-term debt of \$421,553, paid \$113,269 in interest on the long-term debt and paid \$3,200 in note/bond fees. The general obligation capital loan notes, general obligation bonds, grant anticipation capital loan note, local option sales & service tax revenue bonds and capital lease payable were redeemed through the Debt Service Fund in the fiscal year ended June 30, 2006.

The grant anticipation capital loan notes are to be repaid from an annual contribution in a minimum amount of \$65,000 to the City of Rock Rapids from the Trustees of the James W. and Ella B. Forster Charitable Trust.

There were no specific resolutions that were noted providing for the issuance of the local option sales & service tax revenue bonds.

On June 20, 2002, the City of Rock Rapids entered into a capital lease purchase agreement to acquire through lease a rescue vehicle for the fire department. The City of Rock Rapids will own the rescue vehicle at the end of the lease term. Lease payments were made through the Debt Service Fund for fiscal year ended June 30, 2006. All prior year lease payments were made through the General Fund. The amount of lease payment under this agreement was \$31,480 (principal of \$28,553 and interest of \$2,927) during fiscal year ended June 30, 2006.

**(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 statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$25,608, \$26,649 and \$27,132, respectively, equal to the required contributions for each year.

**(5) 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 termination payments payable to employees at June 30, 2006, primarily relating to the General and Road Use Tax Funds, is as follows:

Type of Benefit	Amount
Vacation	\$30,891
Sick Leave	13,054
Total	<u>\$43,945</u>

All of an employee's vacation is paid upon retirement, termination or death. If an employee has ten or more years of service with the City, 15% of sick leave is paid upon retirement, termination or death. The amount of sick leave reported above only includes sick leave hours for employees that have attained the ten years or more of service requirement.

This liability has been computed based on rates of pay in effect at June 30, 2006.

**(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales Tax	<u>\$ 60,000</u>
Special Revenue:	Special Revenue:	

Road Use Tax	Local Option Sales Tax	90,000
Debt Service	Local Option Sales Tax	<u>75,000</u>
		<u>165,000</u>
Total		<u>\$ 225,000</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 of Rock Rapids 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 have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Employee Health Insurance Coverage**

The City of Rock Rapids provides group health insurance coverage for eligible employees through Wellmark Blue Cross and Blue Shield of Iowa. The City assumes liability for claims against the insurance deductible of up to \$250 under an individual policy and \$500 for a family policy. The City's expense for insurance premiums and any deductibles paid for health insurance coverage is accounted for in the appropriate fund.

**(9) Intergovernmental Agreement**

The City has entered into an agreement with the Northwest Iowa Area Solid Waste Agency, in accordance with Chapter 28E of the Code of Iowa, for disposal of solid waste from within the City. Payments under this agreement were \$12,063 for the fiscal year ended June 30, 2006.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The closure and postclosure costs to the Agency have been estimated at \$1,821,025 as of June 30, 2006 and the portion of the liability that has been recognized by the Agency as of June 30, 2006 is \$896,505. The Agency has begun to accumulate resources to fund these costs. As of June 30, 2006, deposits of \$1,254,884 are restricted for these purposes. The Agency has fully demonstrated financial assurance for closure and postclosure case costs as required by Chapter 111.6(8) of the Iowa Administrative Code. No estimate has been made as to the possibility of any future assessments to the City.

**(10) Conduit Community Development Block Grant (CDBG)**

The City of Rock Rapids is acting as a conduit agent for a CDBG loan between a local business in Rock Rapids and the Iowa Department of Economic Development. The award date for this CDBG loan agreement was September 8, 2004. The terms of the loan include a forgivable portion in the amount of

\$200,000 with a zero percent interest rate, and an additional \$6,000 to be paid to Northwest Iowa Planning and Development Commission for administrative costs. The forgivable portion of the loan is dependent upon the business attaining certain requirements relating to job creation. This loan was received by the City and passed through to Cargo Body Products USA, LLC in August 2005. As of June 30, 2006 and the date of this audit report, the business has not fulfilled its job creation requirements. On November 7, 2006, the City, on behalf of Cargo Body Products USA, LLC, was granted a one-year extension until August 31, 2007 to have the Company fulfill its contractual obligations in order to have the loan forgiven. This conduit forgivable CEBA loan is not reported as a part of the City's long-term debt.

**(11) Commitments**

In August 2003, the Rock Rapids Municipal Utilities committed \$20,000 to the City of Rock Rapids for the Recreation Trail Project. The amount committed is expected to be issued to the City of Rock Rapids during the fiscal year ended June 30, 2007.

In June 2006, the City approved the issuance of \$346,000 in general obligation notes and the levying of a property tax to pay for these general obligation notes. The notes are being issued for the purpose of purchasing several pieces of equipment.

**(12) Subsequent Events**

Events that have occurred subsequent to June 30, 2006 include the following:

- a. In July 2006, the Airport received a \$12,600 grant from the Iowa Department of Transportation to assist with the installing of a self-fueling credit card system. The grant was receipted into the General Fund.
- b. In July 2006, the City issued \$346,000 in general obligation notes. The City received \$342,500 in proceeds, net of \$3,500 in general obligation notes issuance costs. The note proceeds went into the Capital Projects Fund.
- c. In August 2006, the City entered into an agreement with Ziegler, Inc. to purchase a 2006 Cat 924G wheel loader for \$76,542. The funding for this equipment was provided by the Capital Projects Fund.
- d. In September 2006, the City entered into agreements to purchase a Case DV201 roller for \$26,750 and a Sullair 185 air compressor for \$10,250. The funding for this equipment was provided by the Capital Projects Fund.

**City of Rock Rapids**  
**Required Supplementary Information**

City of Rock Rapids

Budgetary Comparison Schedule of  
Receipts, Disbursements and Changes in Balances –  
Budget and Actual (Cash Basis) – All Governmental Funds  
Primary Government

Required Supplementary Information

Year Ended June 30, 2006

	Governmental		Final	Final to Actual Variance
	Funds Actual	Budgeted Amounts Original		
<b>Receipts:</b>				
Property Tax	\$ 1,143,078	1,147,791	1,147,788	( 4,710)
Tax Increment Financing Collections	58,816	66,630	66,630	( 7,814)
Other City Tax	150,698	131,866	131,867	18,831
Licenses and Permits	10,309	6,000	6,000	4,309
Use of Money and Property	110,411	66,200	66,200	44,211
Intergovernmental	631,132	656,592	856,592	( 225,460)
Charges for Service	232,992	350,362	350,362	( 117,370)
Special Assessments	3,414	3,000	3,000	414
Miscellaneous	277,009	115,080	115,080	161,929
<b>Total Receipts</b>	<b>2,617,859</b>	<b>2,543,521</b>	<b>2,743,519</b>	<b>( 125,660)</b>
<b>Disbursements:</b>				
Public Safety	205,274	272,340	282,340	77,066
Public Works	507,579	668,618	718,618	211,039
Health and Social Services	0	300	300	300
Culture and Recreation	515,733	424,470	599,470	83,737
Community and Economic Development	332,804	276,180	486,180	153,376
General Government	153,684	172,490	197,490	43,806
Debt Service	538,022	539,344	559,344	21,322
Capital Projects	61,206	224,000	224,000	162,794
<b>Total Disbursements</b>	<b>2,314,302</b>	<b>2,577,742</b>	<b>3,067,742</b>	<b>753,440</b>
Excess (Deficiency) of Receipts Over (Under) Disbursements	303,557	( 34,221)	( 324,223)	627,780
Balances Beginning of Year	1,786,500	1,638,734	1,638,734	147,766
Balances End of Year	\$ 2,090,057	1,604,513	1,314,511	775,546

City of Rock Rapids

Budgetary Comparison Schedule of  
Receipts, Disbursements and Changes in Balances—  
Budget and Actual (Cash Basis) – All Governmental Funds  
Primary Government

Required Supplementary Information

Year Ended June 30, 2006

- Note: These figures do not reflect amounts included in the City's legally adopted budget for the Rock Rapids Municipal Utilities, which is a component unit that was audited separately. The amounts that were removed for the Rock Rapids Municipal Utilities from the original budget included \$3,343,615 in receipts (charges for service), \$3,367,243 in disbursements (business type/enterprises), balance beginning of year of \$2,196,695 and balance end of year of \$2,173,067. The amounts that were removed for the Rock Rapids Municipal Utilities from the final amended budget included \$3,343,615 in receipts (charges for service), \$3,562,228 in disbursements (business type/enterprises), balance beginning of year of \$2,196,695 and balance end of year of \$1,978,082.

See Accompanying Independent Auditor's Report.

## City of Rock Rapids

### Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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 (which there are none) and Fiduciary Funds (which there are none). The City's adopted budget includes the Rock Rapids Municipal Utilities, which is a legally separate component unit. 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. 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 non-program. 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 Permanent Funds and any 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, two budget amendments increased overall budgeted disbursements by \$684,985 (\$490,000 for the City of Rock Rapids and \$194,985 for the Rock Rapids Municipal Utilities). The budget amendments are reflected in the final budgeted amounts.

The Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds – Primary Government does not reflect the amounts included in the City's budget for the Rock Rapids Municipal Utilities. Please see the Rock Rapids Municipal Utilities audit report for information concerning budget to actual figures for the Municipal Utilities.

During the year ended June 30, 2006, disbursements did not exceed the final amended budget amount for any function of the City only portion of the certified budget. However, disbursements in the business type activities function, which are included for the Rock Rapids Municipal Utilities, exceeded the amount budgeted as part of the City of Rock Rapids' adopted budget.

**City of Rock Rapids**  
**Other Supplementary Information**

City of Rock Rapids  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds  
Primary Government  
As of and for the Year Ended June 30, 2006

	Special Revenue		
	Employee Benefits	Local Option Sales Tax	Urban Renewal Tax Increment
<b>Receipts:</b>			
Property Tax	\$ 154,127	0	0
Tax Increment Financing	0	0	58,816
Other City Tax	393	147,827	0
Use of Money and Property	0	0	0
Miscellaneous	0	0	0
Total Receipts	<u>154,520</u>	<u>147,827</u>	<u>58,816</u>
<b>Disbursements:</b>			
<b>Operating:</b>			
Public Safety	26,687	0	0
Public Works	31,152	0	0
Culture and Recreation	30,547	0	0
Community and Economic Development	7,070	0	58,816
General Government	23,805	0	0
Total Disbursements:	<u>119,261</u>	<u>0</u>	<u>58,816</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	35,259	147,827	0
<b>Other Financing Uses:</b>			
Operating Transfers Out	0	( 225,000)	0
Net Change in Cash Balances	35,259	( 77,173)	0
Cash Balances Beginning of Year	68,367	103,032	6,710
Cash Balances End of Year	<u>\$ 103,626</u>	<u>25,859</u>	<u>6,710</u>
<b>Cash Basis Fund Balances</b>			
<b>Unreserved:</b>			
Special Revenue Funds	\$ 103,626	25,859	6,710
Permanent Funds	0	0	0
Total Cash Basis Fund Balances	<u>\$ 103,626</u>	<u>25,859</u>	<u>6,710</u>

See Accompanying Independent Auditor's Report.

Library Building Trust	Permanent		Total
	Library Endowment	Cemetery Perpetual Care	
0	0	0	154,127
0	0	0	58,816
0	0	0	148,220
37	0	0	37
0	0	3,200	3,200
37	0	3,200	364,400
0	0	0	26,687
0	0	0	31,152
1,469	0	0	32,016
0	0	0	65,886
0	0	0	23,805
1,469	0	0	179,546
( 1,432)	0	3,200	184,854
0	0	0	( 225,000)
( 1,432)	0	3,200	( 40,146)
1,432	2,000	19,860	201,401
0	2,000	23,060	161,255
0	0	0	136,195
0	2,000	23,060	25,060
0	2,000	23,060	161,255

City of Rock Rapids  
Statement of Indebtedness - Primary Government  
Year Ended June 30, 2006

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Capital Loan Notes:									
CL Drainage	August 13, 1996	5.00%	\$ 300,000	\$ 60,000	0	30,000	30,000	3,000	0
Mill Pond Drainage	August 1, 1997	5.00%	275,000	90,000	0	30,000	60,000	4,470	0
Street and Parking Lot Improvements	May 1, 2001	4.50-5.00%	475,000	260,000	0	65,000	195,000	12,035	0
Street and Waste Water Improvements and Drainage Project	May 1, 2003	2.55-3.75%	1,025,000	835,000	0	95,000	740,000	26,073	0
Storm Sewer, Drainage and Street Projects	August 8, 2004	3.00-4.50%	225,000	225,000	0	20,000	205,000	8,587	0
<b>Total</b>				<b>\$ 1,470,000</b>	<b>0</b>	<b>240,000</b>	<b>1,230,000</b>	<b>54,165</b>	<b>0</b>
General Obligation Bonds:									
Swimming Pool Improvements	October 1, 2000	5.10-5.30%	\$ 650,000	\$ 430,000	0	65,000	365,000	22,280	0
Grant Anticipation Capital Loan Notes:									
Forster Community Building	June 1, 1998	5.10-5.55%	\$ 670,000	\$ 440,000	0	40,000	400,000	23,512	0
Local Option Sales & Service Tax Revenue Bonds:									
Forster Community Building	June 1, 1998	5.05-5.50%	\$ 290,000	\$ 195,000	0	15,000	180,000	10,385	0
Forster Community Building	Dec. 22, 1998	*1%	330,000	132,000	0	33,000	99,000	0	0
<b>Total</b>				<b>\$ 327,000</b>	<b>0</b>	<b>48,000</b>	<b>279,000</b>	<b>10,385</b>	<b>0</b>

Capital Lease:										
Fire Equipment (Rescue Vehicle)	June 20, 2002	5.00%	\$ 136,290	\$ 58,534	0	28,553	29,981	2,927	0	
<hr/>										
Installment Purchase:										
Skate Park Equipment	October 1, 2005	7.55%	\$ 10,000	\$ 0	**10,000	6,585	3,415	348	0	
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\*This is an optional interest rate that may or may not be charged at the discretion of the lender.

\*\*No cash was actually received on this installment purchase. Therefore, this \$10,000 issuance is not included as an other financing source on Exhibit A or B of the primary government financial statements.

See Accompanying Independent Auditor's Report.

City of Rock Rapids  
Bond and Note Maturities – Primary Government  
June 30, 2006

General Obligation Capital Loan Notes

Year Ended June 30,	CL Drainage		Mill Pond Drainage		Street and Parking Lot Improvements		Street and Wastewater Improvements and Drainage Project		Storm Sewer Project		Total
	Issued Aug. 13, 1996		Issued Aug. 1, 1997		Issued May 1, 2001		Issued May 1, 2003		Issued Aug. 10, 2004		
	Interest Rates	Amounts	Interest Rates	Amounts	Interest Rates	Amounts	Interest Rates	Amounts	Interest Rates	Amounts	
2007	5.00%	\$ 30,000	5.00%	\$ 30,000	4.50%	\$ 65,000	2.55%	\$ 95,000	3.00%	\$ 20,000	\$ 240,000
2008		0	5.00%	30,000	4.60%	25,000	2.85%	100,000	3.30%	20,000	175,000
2009		0		0	4.70%	25,000	3.05%	100,000	3.55%	20,000	145,000
2010		0		0	4.80%	25,000	3.25%	105,000	3.75%	20,000	150,000
2011		0		0	4.90%	25,000	3.45%	110,000	4.00%	25,000	160,000
2012		0		0	5.00%	30,000	3.60%	115,000	4.15%	25,000	170,000
2013		0		0		0	3.75%	115,000	4.30%	25,000	140,000
2014		0		0		0		0	4.40%	25,000	25,000
2015		0		0		0		0	4.50%	25,000	25,000
		<u>\$ 30,000</u>		<u>\$ 60,000</u>		<u>\$ 195,000</u>		<u>\$ 740,000</u>		<u>\$ 205,000</u>	<u>\$ 1,230,000</u>

Year Ending June 30,	General Obligation Bonds		Grant Anticipation Capital Loan Notes		Local Option Sales & Service Tax Revenue Bonds				
	Swimming Pool Improvements		Forster Community Building		Forster Community Building		Forster Community Building		Total
	Issued Oct. 1, 2000		Issued June 1, 1998		Issued June 1, 1998		Issued Dec. 22, 1998		
Interest Rates	Amounts	Interest Rates	Amounts	Interest Rates	Amounts	Interest Rates	Amounts		
2007	5.10%	\$ 65,000	5.10%	\$ 40,000	5.10%	\$ 20,000	*1.00%	\$ 33,000	\$ 53,000
2008	5.15%	70,000	5.20%	45,000	5.20%	20,000	*1.00%	33,000	53,000
2009	5.20%	75,000	5.30%	45,000	5.30%	25,000	*1.00%	33,000	58,000
2010	5.25%	75,000	5.35%	50,000	5.35%	25,000		0	25,000
2011	5.30%	80,000	5.40%	50,000	5.40%	30,000		0	30,000

2012	0	5.45%	55,000	5.45%	30,000	0	30,000
2013	0	5.50%	55,000	5.50%	30,000	0	30,000
2014	0	5.55%	60,000		0	0	0
Total	<u>\$ 365,000</u>		<u>\$ 400,000</u>		<u>\$ 180,000</u>	<u>\$ 99,000</u>	<u>\$ 279,000</u>

Year Ending June 30,	<u>Capital Lease</u>		<u>Installment Purchase</u>	
	<u>Fire Equipment (Rescue Vehicle)</u>		<u>Skate Park Equipment</u>	
	<u>Issued June 20, 2002</u>		<u>Issued October 1, 2005</u>	
	Interest		Interest	
	Rates	Amounts	Rates	Amounts
2007	5.00%	<u>\$ 29,981</u>	7.55%	<u>\$ 3,415</u>

\* This is an optional interest rate that may or may not be charged at the discretion of the lender.

See Accompanying Independent Auditor's Report.

City of Rock Rapids  
 Schedule of Receipts by Source and Disbursements by Function –  
 All Governmental Funds  
 Primary Government

For the Last Four Years

	2006	2005	2004	2003
<b>Receipts:</b>				
Property Tax	\$ 1,143,078	1,181,996	1,188,762	1,004,626
Tax Increment Financing Collections	58,816	65,530	59,727	25
Other City Tax	150,698	149,617	136,968	139,648
Licenses and Permits	10,309	10,032	7,618	7,680
Use of Money and Property	110,411	67,482	52,561	55,240
Intergovernmental	631,132	502,983	722,305	459,510
Charges for Service	232,992	229,100	224,826	206,317
Special Assessments	3,414	3,915	25,120	107,964
Miscellaneous	277,009	123,193	185,300	236,677
<b>Total Receipts</b>	<b>\$ 2,617,859</b>	<b>2,333,848</b>	<b>2,603,187</b>	<b>2,217,687</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public Safety	\$ 205,274	250,076	242,243	224,089
Public Works	507,579	449,503	601,982	412,233
Culture and Recreation	515,733	472,025	384,414	336,579
Community and Economic Development	332,804	239,382	370,103	58,903
General Government	153,684	152,184	206,552	559,428
Debt Service	538,022	483,111	515,759	1,046,698
Capital Projects	61,206	183,434	95,876	616,287
<b>Total Disbursements</b>	<b>\$ 2,314,302</b>	<b>2,229,715</b>	<b>2,416,929</b>	<b>3,254,217</b>

See Accompanying Independent Auditor's Report.

**City of Rock Rapids**

**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***

**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 the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Rock Rapids, Iowa, as of and for the year ended June 30, 2006, and have issued our report thereon dated September 15, 2006. Our report expressed an unqualified opinion on the primary government financial statements which were prepared in conformity with an other comprehensive basis of accounting. However, the financial statements referred to above include only the primary government of the City of Rock Rapids, Iowa, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles prepared on the basis of accounting described in Note 1 require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Rock Rapids, Iowa, as of June 30, 2006, and the changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Rock Rapids' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Rock Rapids' ability to record, process, summarize and report financial data consistent with the assertions of management in the primary government financial statements. Reportable conditions are described in 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 primary government 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. Our 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, of the reportable conditions described above, we believe items 06-A, E, F, G, H and L are material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Rock Rapids' primary government 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*. However, we noted certain immaterial instances of non-compliance or other matters that are also described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the primary government 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.

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 Rock Rapids, Iowa and other parties to whom the City of Rock Rapids, Iowa may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Rock Rapids 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.

De Noble & Company PC  
Certified Public Accounting Firm

September 15, 2006

**City of Rock Rapids**  
Schedule of Findings  
Year Ended June 30, 2006

**Findings Related to the Primary Government Financial Statements:**

**REPORTABLE CONDITIONS:**

06-A 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. We noted that the handling of cash and numerous recordkeeping functions are not entirely separated among employees.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. An independent person could be used to regularly approve time sheets, check paychecks for accuracy, verify vacation and sick leave, examine employee expense reimbursements, periodically examine investments, review invoices and review the financial records.

Response – We will investigate the options we have within economic constraints.

Conclusion – Response acknowledged. The City could segregate duties to the extent possible with existing personnel, Rock Rapids Municipal Utilities personnel and also through utilizing administrative personnel to provide additional control through review of financial transactions and reports.

06-B Records of Accounts – The Library and Airport Boards maintain the accounting records pertaining to the operations of the library and the airport. 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 – The financial activity and balances of the Library and Airport Boards are subjected to annual audit and are handled by responsible individuals. No irregularities and only minor errors have ever been detected. If the Library and Airport Boards are willing and able to provide their services for no remuneration, the City Clerk will continue to review the Library and Airport Boards' reports that are provided on a monthly basis as a form of control.

Conclusion – Response acknowledged. The City of Rock Rapids is aware of our recommendation.

**City of Rock Rapids**  
Schedule of Findings  
Year Ended June 30, 2006

- 06-C Capital Assets/Inventory Records – A complete record of capital assets/inventory is not maintained.
- Recommendation – To facilitate the proper insurance, maintenance and safeguarding of these assets, such records should be established. A reconciliation of all property, equipment and inventory should be taken by an independent person at least once a year and compared against capital assets/inventory records.
- Response – We will work on implementing this recommendation.
- Conclusion – Response accepted. Please do make an effort to work on this.
- 06-D Employee Handbook – The City police department personnel earn vacation time on a different schedule than other City employees. The City police department personnel’s normal work day and week is for more hours than other City employees. These issues are not addressed in the City’s employee handbook.
- Recommendation – The City should amend its vacation policy to properly include the correct vacation policy for the police department in the employee handbook. The City should also define the number of hours in a normal work day and week for the police department personnel.
- Response – The City will work on updating the employee handbook for this.
- Conclusion – Response accepted.
- 06-E Countersignature of Checks/Stamped Signatures – The City frequently uses a signature stamp on the checks it writes, but the signature stamps are not under the strict control of the individual whose name is on the signature stamp. The City normally requires dual check signers, but we noted at least a couple of checks with only one signer.
- Recommendation – In order to provide an additional level of control, checks should be signed by one individual, and then the supporting vouchers and invoices should be made available along with the checks to the second individual for review and countersignature. Signature stamps, if and when used, should be used only by the individual stamping his/her signature, the stamp should be locked up when not in use and under the control of the individual whose name is on the stamp.
- Response – The City will consider this recommendation and attempt to implement this.
- Conclusion – Response accepted. As having dual check signers adds an important additional control, we strongly recommend that the City does consider this. Procedures could be established to account for the situation when it is not feasible to have two check signers. It is important the signature stamps are controlled by the individual whose name is listed.

**City of Rock Rapids**  
Schedule of Findings  
Year Ended June 30, 2006

06-F Off-Site Storage of Manual Records – Some manual records maybe should be duplicated and the copies stored at an off-site location.

Recommendation – Sensitive manual records should be evaluated for needed protection and stored at an off-site location.

Response – We will attempt to evaluate the manual records for what may need to be stored off-site.

Conclusion – Response accepted. Please do attempt to evaluate the manual records.

06-G Payroll Time Sheets/Time Cards – The City does not have a uniform policy on time sheets or time cards for all employees. Payroll time sheets/time cards are not always being signed/formally approved by the employee's supervisor.

Recommendation – The City should consider the need to require all City personnel to prepare daily time sheets or time cards. Payroll time sheets or time cards should be signed by the employee's supervisor to attest to the accuracy of hours worked.

Response – We will address this payroll issue in order to get this properly resolved.

Conclusion – Response accepted. It is important that this issue be addressed.

06-H Job Rotations – Financial personnel's duties are not always rotated for a period of time each fiscal year.

Recommendation – The City should consider the need for financial personnel to annually take a minimum amount of vacation time and each person's duties should be done by another employee when a person is on vacation. The City needs to have individuals who are trained in an employee's position in case of an emergency to provide backup support.

Response – We will continue to work toward being able to rotate duties within economic constraints. We attempt to minimize any potential problems in this area through supervisory review of job duties.

Conclusion – Response acknowledged. Please attempt to rotate financial personnel's duties on a regular basis.

06-I Vehicle Usage/Fuel Test – For the majority of the year, the City did not compare and review/analyze vehicle mileage to fuel consumption.

Recommendation – The City should establish procedures to test vehicle usage in relation to fuel consumption. Mileage logs could be kept and tested against the fuel charged to a vehicle. Requisitions for each vehicle could be maintained and filed separately and then the requisitions

**City of Rock Rapids**  
Schedule of Findings  
Year Ended June 30, 2006

could be reviewed for reasonableness. Mileage logs being maintained should be reviewed/analyzed and differences noted should be investigated.

Response – We are working to implement this recommendation completely.

Conclusion – Response accepted. Please do monitor vehicle usage in relation to fuel consumption on a regular basis and research variations noted.

06-J Credit Cards – The City did not have in place a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges for most of the fiscal year.

Recommendation – The City should follow the newly passed formal written policy regulating the use of City credit cards.

Response – We will follow our formal written credit card policy.

Conclusion – Response accepted.

06-K Library's Personnel Policy – The City of Rock Rapids Library's "personnel rules and regulations policy" is not up-to-date with some of the current policies being followed.

Recommendation – The City of Rock Rapids Library should update the "personnel rules and regulations policy" to correspond with the current policies being followed. The City's attorney should review the revised policy for any legal issues before the revised policy is formally adopted.

Response – The Library is working on updating its "personnel rules and regulations policy".

Conclusion – Response accepted.

06-L Information Systems – During our review of internal control, the existing control activities in the City's computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the City's computer based systems were noted:

The City does not have written policies that require:

- password protection on all computers (including the Airport and Library).
- passwords should be safeguarded and not easily available when computers are unattended.

**City of Rock Rapids**  
Schedule of Findings  
Year Ended June 30, 2006

- password length to be set at a minimum of at least six characters and require use of multiple characters on the keyboard.
- automatic log-off provisions when left unattended for a period of time. Upon log-off, the user should have to again enter a password to re-access information.

Recommendation – Written policies should be developed addressing the above information system issues in order to improve the control over computer based systems.

Response – We will work on implementing these computer related policies.

Conclusion – Response accepted.

06-M Debt Service Cash Reserves – The City has been showing increasing cash reserves in the Debt Service Fund.

Recommendation – The City should evaluate the economic benefits of early retiring callable long-term debt since the City has the cash reserves to do so.

Response – The City will evaluate the benefits of early retirement of callable long-term debt.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**City of Rock Rapids**  
Schedule of Findings  
Year Ended June 30, 2006

**Other Findings Related to Statutory Reporting:**

- 06-1      Certified Budget – Disbursements during the fiscal year ended June 30, 2006 did not exceed the amount budgeted in any of the functions for the City of Rock Rapids only portion of the certified budget. However, disbursements in the business type activities function, which are included for the Rock Rapids Municipal Utilities, exceeded the amount budgeted as part of the City of Rock Rapids’ adopted budget. Please see the Rock Rapids Municipal Utilities audit report for the reportable comment made concerning this certified budget non-compliance.
- 06-2      Questionable Disbursements – We did not note any disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- 06-3      Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted. However, please see finding related to the primary government financial statements 06-J for a possibly related comment.
- 06-4      Business Transactions – No business transactions between the City and City officials or employees were noted.
- 06-5      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 that the coverage is adequate for current operations.
- 06-6      Council and Board Minutes – No transactions were found that we believe should have been approved in the Council, Airport or Library minutes but were not.
- 06-7      Deposits and Investments – The City complied with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s written investment policy except for the investment policy has not been reviewed timely by the City as required in the written investment policy.
- Recommendation – The City should review and update the City’s written investment policy as stated in section 12 (investment policy review and amendment) of this policy.
- Response – We will review our investment policy and update as deemed needed.
- Conclusion – Response accepted.

**City of Rock Rapids**  
Schedule of Findings  
Year Ended June 30, 2006

06-8      Compilation of Ordinances – The City’s Code of Ordinances is updated annually by putting in new ordinances and amendments to ordinances, but the index is not being updated.

Recommendation – In order to be in full compliance with Iowa Code Section 380.8, the City’s Code of Ordinances index should be updated annually.

Response – The process of updating the index is being worked on.

Conclusion – Response accepted.

06-9      Installment Purchase – The City entered into an installment purchase for part of the purchase price of skate park equipment, but did not provide public notice of the meeting to approve the installment purchase agreement.

Recommendation – The City should comply with all provisions of Iowa Code Section 364.4 before entering into installment purchases. The City should consult with legal counsel regarding this issue.

Response – We will comply with this in the future. We will consult with our City attorney regarding this.

Conclusion – Response accepted.

**City of Rock Rapids**

Staff

This audit was performed by:

David De Noble, CPA, Senior Auditor  
Carmen Austin, CPA, Senior Auditor  
James Fisher, CPA, Assistant Auditor  
Jerry Stubbe, Assistant Auditor

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