

CITY OF ROCK RAPIDS

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

JUNE 30, 2007

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City of Rock Rapids

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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
Arnold Kwikkel	Airport Commissioner	June 1, 2009
Mike Cleveringa	Airport Commissioner	June 1, 2011
John Stillson	Airport Commissioner	June 1, 2013
Michael R. Austin	City Attorney	Indefinite (Appointed)

DE NOBLE & COMPANY PC

Certified Public Accountants

MEMBERS

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Rock Rapids, IA 51246

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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, 2007, 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, 2007, 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, 2007, 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 January 18, 2008 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 4 through 9 and 23 through 26 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 two fiscal years ended June 30, 2006 (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

De Noble & Company PC
Certified Public Accountants

January 18, 2008

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, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 16.5%, or \$431,096, from fiscal 2006 to fiscal 2007. Operating grants, contributions and restricted interest decreased \$289,871, capital grants, contributions and restricted interest increased \$141,627 (includes \$100,000 Utilities donation reported as a "special item"), property and other city tax increased \$138,762, and capital loan note proceeds increased \$346,000.
- Disbursements increased 18.5%, or \$426,969, in fiscal year 2007 from fiscal year 2006. Debt service and capital projects disbursements increased by \$68,828, and \$516,623, respectively. Public works and community and economic development decreased by \$46,209 and \$121,993, respectively.
- The City's total cash basis net assets from governmental activities increased 14.7%, or \$307,684, from June 30, 2006 to June 30, 2007. This increase is very similar to the prior fiscal year (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 Primary Government 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 and other city taxes, 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 \$2,090,057 to \$2,397,741. The analysis that follows focuses on changes in cash balances of the governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	Year Ending June 30,	
	2007	2006
Receipts:		
Program Receipts:		
Charges for Service	\$ 328,474	333,853
Operating Grants, Contributions and Restricted Interest	397,901	687,772
Capital Grants, Contributions and Restricted Interest	184,358	142,731
General Receipts:		
Property And Other City Tax	1,284,711	1,145,949
Tax Increment Financing	97,323	58,816
Local Option Sales Tax	174,219	147,827
Grants and Contributions Not Restricted		
To Specific Purpose	79,157	74,557
Unrestricted Investment Earnings	37,752	15,818
Capital Loan Note Proceeds	346,000	0
Other General Receipts	19,060	10,536
Total Receipts	2,948,955	2,617,859
Disbursements:		
Public Safety	208,849	205,274
Public Works	461,370	507,579
Culture And Recreation	512,154	515,733
Community And Economic Development	210,810	332,804
General Government	163,409	153,684
Debt Service	606,850	538,022
Capital Projects	577,829	61,206
Total Disbursements	2,741,271	2,314,302
Special Items (Receipt):		
Capital Grant (Rock Rapids Municipal Utilities)	100,000	0
Increase in Cash Basis Net Assets	307,684	303,557

Cash Basis Net Assets Beginning of Year	2,090,057	1,786,500
Cash Basis Net Assets End of Year	<u>\$ 2,397,741</u>	<u>2,090,057</u>

The City's total receipts for governmental activities increased by 16.5%, or \$431,096. The total cost of all programs and services increased by \$426,929, or 18.5%. The increase in receipts was mainly the result of the following: (1) an increase in property and other city tax; (2) capital grants, contributions and restricted interest increased due to contributions for the sanitary sewer and rec trail projects from the Rock Rapids Municipal Utilities (the sanitary sewer donation of \$100,00 is reported as a "special item") and playground equipment donations received; and (3) the issuance of capital loan note proceeds during fiscal year 2007 to finance the purchase of capital equipment. This increase in comparison to the previous fiscal year was partly offset by a decrease in operating grants, due mainly to the receipt of a federal CDBG economic development forgivable loan during the previous year. The increase in disbursements was mainly due to a sanitary sewer lining project, the purchase of debt financed capital equipment, and debt service payments. This increase in comparison to the previous fiscal year was partly offset by a decrease in CDBG funded economic development disbursements.

An increase in the regular taxable valuation, by approximately 8.9%, along with an increase in the tax levy on regular property, from \$21.46035 to \$21.94936, resulted in an increase in property tax and other city taxes of \$138,762 during fiscal year 2007.

The cost of all governmental activities this year was \$2,741,271, compared to \$2,314,302 last year. The amount taxpayers ultimately financed for these activities was only \$1,730,538, because some of the cost was paid by those who directly benefited from the programs (\$328,474) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$682,259). 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 \$2,397,741, an increase of \$307,684 above last year's total of \$2,090,057. 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 \$214,571, from \$608,586 to \$823,157 at June 30, 2007. This compares to a \$72,555 increase the prior fiscal year. The increase is due partly to the following: an increase in property and other city tax revenue in the amount of \$103,432; an increase in operating transfers from the Local Option Sales Tax Fund in the amount of \$20,000; contributions for new playground equipment in the amount of \$35,292 and an increase in donations from the Municipal Utilities. This increase in cash balance was partly offset by an increase in park disbursements in the amount of \$54,259 for new playground equipment.
- The Road Use Tax Fund cash balance increased by \$57,267, from \$437,830 to \$495,097 at June 30, 2007. This compares to a \$167,544 increase the prior fiscal year (which was larger than normal due to a \$90,000 operating transfer from the Local Option Sales Tax Fund). The increase

during the fiscal year is due primarily to cost control of public works activities. 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 \$1,892, from \$370,002 to \$371,894 at June 30, 2007. This compares to a \$95,110 increase the prior fiscal year (which was larger due to an inheritance received). Disbursements were kept in line with receipts during the current fiscal year.
- The Debt Service Fund cash balance increased \$11,466, from \$247,204 to \$258,670 at June 30, 2007. This compares to a \$40,706 increase the prior fiscal year. The increases are for the purpose of building up cash reserves in order to finance future long-term debt payments.
- The Capital Projects Fund cash balance decreased \$62,622 from \$265,180 to \$202,558 at June 30, 2007. This compares to a \$32,212 decrease the prior fiscal year. The decrease was due primarily to an increase in disbursements of \$516,623. This increase in disbursements was partly offset by contributions in the amount of \$120,000 from Rock Rapids Municipal Utilities and sale of general obligation capital loan notes in the amount of \$346,000. The main capital projects during the fiscal year were the completion of a sanitary sewer rehabilitation project and the purchase of capital equipment.

BUDGETARY HIGHLIGHTS

The City amended its portion of the certified budget twice during the year, April 10 and May 29, 2007. The amendments resulted in an increase of \$357,000 in total budgeted disbursements for the City only portion of the budget. Please see the Rock Rapids Municipal Utilities audit report for budget amendments that affected the Utilities portion of the City's budget.

Reasons for the increase in budgeted operating disbursements were identified as follows: (1) public works – sanitary sewer cleaning and televising; (2) culture & recreation – additional staffing, capital improvements, computers and children's programs for Library; purchase of playground equipment; improvements to camping facilities; (3) community & economic development – economic development related disbursements; (4) debt service – payment on additional debt incurred for purchase of equipment.

Actual receipts came in \$18,408 below budget for the City only portion of the certified budget. Significant variances in budget-to-actual receipts are as follows: (1) use of money and property came in \$96,104, or 166%, above budget. This is due to having greater cash reserves as well as earning higher interest rates than anticipated; (2) intergovernmental receipts came in \$166,031, or 22.5%, below budget. This is due to (a) having received during the fiscal year only a small portion of a budgeted grant (due to postponement of IDOT grant funded trail project), and (b) having budgeted for total receipts for Municipal Housing Agency, a separate legal entity, for which the City always includes an estimate for receipts and disbursements, but never any actual figures. These items were partly offset by a non-budgeted contribution from Municipal Utilities to assist with the sanitary sewer rehabilitation project.

Disbursements came in \$497,664, or 15.4%, below budget. All functions except capital projects came in below budget for the City only portion of the certified budget. Disbursements for capital projects exceeded budget by \$187,829, or 48.2%, due mainly to the debt-financed purchase of mobile equipment.

Other financing sources, net came in \$347,000 above the budget due mainly to not budgeting for the issuance of general obligation capital loan note proceeds for the purchase of mobile equipment. The net cash change for the fiscal year came in \$826,256 better than budgeted for the City only portion of the certified budget.

DEBT ADMINISTRATION

At June 30, 2007, the City had \$2,157,000 in notes, bonds and other long-term debt, compared to \$2,307,396 last year, as shown below:

Outstanding Debt at Year-End

TYPE OF DEBT	June 30,	
	2007	2006
General Obligation Notes and Bonds	\$ 1,571,000	\$ 1,595,000
Local Option Sales & Service Tax Revenue Bonds	226,000	279,000
Grant Anticipation Notes	360,000	400,000
Rescue Truck Lease	0	29,981
Skate Park Equipment Installment Purchase	0	3,415
Total Long Term Debt	<u>\$ 2,157,000</u>	<u>\$ 2,307,396</u>

The City Council issued \$346,000 in general obligation capital loan notes to finance the purchase of mobile equipment. This was done (1) to free up Road Use Tax funds for operating and maintenance expenditures, (2) to spread the tax burden among a broader tax base (including tax increment financing districts), and (3) to free up some of 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 \$1,797,000 (total debt of \$2,157,000 minus grant anticipation notes of \$360,000) is adequately below its constitutional debt limit of \$5,253,363.

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 2008 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 46.0% of actual value for the 2007 fiscal year and decreases by 0.4%, to 45.6%, for the 2008 fiscal year. When combined with the elimination of the 99.1% rollback, and a return to 100% for commercial/industrial property, it results in a total increase of 1.3% 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 2008. In recent years, the City has worked to control tax rates by implementing certain structural changes and greater reliance on alternate sources of revenue. These changes have allowed the City to accumulate cash reserves, which along with the changes, has allowed the City to plan for a projected decrease of approximately \$93,000, or 7%, in property and other city tax revenues (excluding Local Option Sales Taxes). Although the 2008 fiscal year budget provides for a deficit of approximately \$193,000, the budget also allows the City to maintain an adequate cash reserve due to having accumulated surplus cash reserves in recent years.

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 3rd 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, 2007

	Disbursements	Charges for Service	Program Receipts	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental Activities:				
Public Safety	\$ 208,849	7,066	28,234	(173,549)
Public Works	461,370	201,867	214,446	(30,198)
Culture and Recreation	512,154	94,076	44,178	(338,607)
Community and Economic Development	210,810	5,303	58,366	(147,142)
General Government	163,409	15,597	23,145	(124,667)
Debt Service	606,850	4,565	29,532	(507,753)
Capital Projects	577,829	0	0	(508,622)
Total Governmental Activities	\$ 2,741,271	328,474	397,901	(1,830,538)

General Receipts:

Property and Other City Tax Levied for:

General Purposes	680,132
Employee Benefits	155,360
Debt Service	449,219
Tax Increment Financing	97,323
Local Option Sales Tax	174,219
Grants and Contributions not Restricted to Specific Purpose	79,157
Unrestricted Interest on Investments	37,752
Rents	9,358
Perpetual Cemetery Care - Sale of Lots	8,600

General Obligation Capital Loan Note Proceeds	346,000
Sale of Assets	1,000
Miscellaneous	102
Total General Receipts	2,038,222
Special Item:	
Capital Grant for Capital Project (Rock Rapids Municipal Utilities)	100,000
Change in Cash Basis Net Assets	307,684
Cash Basis Net Assets Beginning of Year	2,090,057
Cash Basis Net Assets End of Year	\$ 2,397,741
Cash Basis Net Assets	
Restricted:	
Road Use Tax (Streets)	\$ 495,097
Library Projects	371,894
Capital Projects	202,558
Debt Service	258,670
Other Purposes	213,005
Permanent Funds (Library Endowment & Cemetery Perpetual Care)	33,360
Unrestricted	823,157
Total Cash Basis Net Assets	\$ 2,397,741

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, 2007

	Special Revenue							Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
	General	Road Use Tax	Library Memorial Trust								
Receipts:											
Property Tax	\$ 678,396	0	0	0	448,120	0	154,960	0	1,281,476		
Tax Increment Financing	0	0	0	0	0	0	97,323	0	97,323		
Other City Tax	1,736	0	0	0	1,099	0	174,619	0	177,454		
Licenses and Permits	10,183	0	0	0	0	0	0	0	10,183		
Use of Money and Property	69,514	2,950	18,465	29,532	33,563	0	0	0	154,024		
Intergovernmental	221,821	214,446	0	0	33,444	0	0	0	469,711		
Charges for Service	254,122	0	0	0	0	0	0	0	254,122		
Special Assessments	0	0	0	4,565	0	0	0	0	4,565		
Miscellaneous	70,291	2,578	4,428	65,000	2,200	0	8,600	0	153,097		
Total Receipts	1,306,063	219,974	22,893	548,316	69,207	435,502	2,601,955				
Disbursements:											
Operating:											
Public Safety	183,438	0	0	0	0	0	25,411	0	208,849		
Public Works	266,776	162,707	0	0	0	0	31,887	0	461,370		
Culture and Recreation	459,475	0	21,001	0	0	0	31,678	0	512,154		
Community and Economic Development	122,589	0	0	0	0	0	88,221	0	210,810		
General Government	140,214	0	0	0	0	0	23,195	0	163,409		
Debt Service	0	0	0	606,850	0	0	0	0	606,850		
Capital Projects	0	0	0	0	577,829	0	0	0	577,829		
Total Disbursements	1,172,492	162,707	21,001	606,850	577,829	200,392	2,741,271				

Excess (Deficiency) of Receipts Over (Under) Disbursements (Before Special Item)	133,571	57,267	1,892	(58,534)	(508,622)	235,110	(139,316)
Special Item: Receipt: Intergovernmental	0	0	0	0	100,000	0	100,000
Excess (Deficiency) of Receipts Over (Under) Disbursements (After Special Item)	133,571	57,267	1,892	(58,534)	(408,622)	235,110	(39,316)
Other Financing Sources (Uses): Sale of Capital Assets	1,000	0	0	0	0	0	1,000
Capital Loan Note Proceeds	0	0	0	0	346,000	0	346,000
Operating Transfers In	80,000	0	0	70,000	0	0	150,000
Operating Transfers Out	0	0	0	0	0	(150,000)	(150,000)
Total Other Financing Sources (Uses)	81,000	0	0	70,000	346,000	(150,000)	347,000
Net Change in Cash Balances	214,571	57,267	1,892	11,466	(62,622)	85,110	307,684
Cash Balances Beginning of Year	608,586	437,830	370,002	247,204	265,180	161,255	2,090,057
Cash Balances End of Year	\$ 823,157	495,097	371,894	258,670	202,558	246,365	2,397,741
Cash Basis Fund Balances							
Reserved for Debt Service	\$ 0	0	0	258,670	0	0	258,670
Unreserved:							
General Fund	823,157	0	0	0	0	0	823,157
Special Revenue Funds	0	495,097	371,894	0	0	213,005	1,079,996
Capital Projects Fund	0	0	0	0	202,558	0	202,558
Permanent Funds	0	0	0	0	0	33,360	33,360
Total Cash Basis Fund Balances	\$ 823,157	495,097	371,894	258,670	202,558	246,365	2,397,741

See Notes to Financial Statements.

City of Rock Rapids

Notes to Primary Government Financial Statements

June 30, 2007

(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, 2007, and the changes in cash basis financial position for the year then ended in conformity with the basis of accounting described here 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/Municipal Housing office.

The City of Rock Rapids received \$278,792 from the Rock Rapids Municipal Utilities during the fiscal year ended June 30, 2007 (\$273,512 is intergovernmental receipts and \$5,280 is charges for service). The intergovernmental receipts included a \$100,000 donation from the Rock Rapids Municipal Utilities reported as a "special item". The \$100,000 donation was received to assist the City with a sanitary sewer rehabilitation project. The Rock Rapids Municipal Housing Agency paid the City of Rock Rapids \$4,269 for payment in lieu of taxes (intergovernmental receipt) during the fiscal year ended June 30, 2007.

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, 2007, the City did not contribute any money to the Assessor, E911, Emergency Management, 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 Statement – 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/or construction of major capital equipment and 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.

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements for the City of Rock Rapids exceeded the final amended budget amount for the capital projects function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2007 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 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, general obligation bonds, grant anticipation capital loan notes, and local option sales & service tax revenue bonds 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
2008	\$ 241,000	48,991	70,000	15,683	45,000	19,453
2009	214,000	39,960	75,000	12,078	45,000	17,113
2010	221,000	32,024	75,000	8,178	50,000	14,727
2011	235,000	23,573	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	\$1,271,000	169,800	300,000	40,179	360,000	82,384

Year Ended June 30	Local Option Sales & Service Tax Revenue			
	Bonds		Total	
	Principal	Interest	Principal	Interest
2008	53,000	9,267	409,000	93,394
2009	58,000	7,897	392,000	77,048
2010	25,000	6,243	371,000	61,172
2011	30,000	4,905	395,000	44,771
2012	30,000	3,285	255,000	26,928
2013	30,000	1,650	225,000	15,617
2014	0	0	85,000	5,555
2015	0	0	25,000	1,125
Total	226,000	33,247	2,157,000	325,610

During the fiscal year ended June 30, 2007, the City, other than the installment purchase payable, issued \$346,000 in general obligation capital loan notes, redeemed principal on long-term debt of \$492,981, paid \$110,669 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, 2007.

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 now owns the rescue vehicle due to the end of the lease term has been reached. Lease payments were made through the Debt Service Fund for fiscal year ended June 30, 2007. All prior year lease payments were made through the General Fund, except for fiscal year ending June 30, 2006. The amount of lease payment under this agreement was \$31,480 (principal of \$29,981 and interest of \$1,499) during fiscal year ended June 30, 2007.

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. Payments under this agreement totaled \$3,415 in principal and \$52 in interest during the fiscal year ended June 30, 2007. This installment purchase payable was retired through the General Fund.

(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, 2007, 2006 and 2005 were \$26,773, \$25,608 and \$26,649, 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, 2007, primarily relating to the General and Road Use Tax Funds, is as follows:

Type of Benefit	Amount
Vacation	\$33,803
Sick Leave	12,452
Total	<u>\$46,255</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, 2007.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales Tax	\$ 80,000
Special Revenue: Debt Service	Special Revenue: Local Option Sales Tax	<u>70,000</u>
Total		<u>\$ 150,000</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, a political subdivision created in accordance with Chapter 28E of the Code of Iowa, for disposal of solid waste produced or generated from within the City. Payments under this agreement were \$11,536 for the fiscal year ended June 30, 2007.

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 \$1,866,468 as of June 30, 2007 and the portion of the liability that has been recognized by the Agency as of June 30, 2007 is \$947,591. The Agency has begun to accumulate resources to fund these costs. As of June 30, 2007, assets of \$1,315,329 are restricted for these purposes. The Agency has fully demonstrated financial assurance for closure and postclosure case costs as required by Chapter 111 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 a Rock Rapids business in August 2005. On November 7, 2006, on behalf of the Rock Rapids business the City was granted an extension until August 31, 2007

to have the Company fulfill its contractual obligations in order to have the \$200,000 loan forgiven. This conduit forgivable CEBA loan is not reported as a part of the City's long-term debt.

As of June 30, 2007, the business had not fulfilled its job creation requirements. As of the date of this audit report, the Company is deemed to be in default on the \$200,000 loan to the Iowa Department of Economic Development due to non-compliance with the note provisions. The City of Rock Rapids has assigned its right, title and interest in and to the executed loan agreement and promissory note to the Iowa Department of Economic Development.

(11) Commitments

In September 2006, the City entered into a contract for grading on the Island Park recreational trail in the amount of \$33,400. Work was started on the project as of June 30, 2007, but nothing had been paid.

In February 2007, the City approved to contribute a total of \$20,000 to Rock Rapids Kids Club during fiscal year ending June 30, 2007 and fiscal year ending June 30, 2008. A payment of \$10,000 was made in March 2007 from the General Fund. The remaining amount of \$10,000 is to be paid during fiscal year ending June 30, 2008.

In April 2007, the City entered into a contract to construct a recreational trail in Island Park in the amount of \$200,840. As of June 30, 2007, no work had been done on the project and no payments made on the contract.

(12) Subsequent Events

Events that have occurred subsequent to June 30, 2007 include the following:

- a. In July 2007, the City contributed \$10,000 to Rock Rapids Kids Club from the General Fund. This payment satisfied the City's February 2007 commitment.
- b. In July 2007, the City approved an additional \$4,424 to be added to the contract to construct a recreational trail in Island Park due to extra bridge work necessary. This change order increases the contract to \$205,264.
- c. In August 2007, grading work was completed on the Island Park recreational trail project. Total payment was made on the contract in the amount of \$36,446 (including \$3,046 in approved change orders) in September 2007 from the Capital Projects Fund. This payment satisfied the contract for grading work entered into in September 2006.
- d. In September 2007, work was started on the contract to construct a recreational trail in Island Park and a payment in the amount of \$69,311 was made from the Capital Projects Fund.
- e. In September 2007, the City acted as a flow-through for a \$50,000 payment made by the Rock Rapids Municipal Utilities to the Rock Rapids Development Corporation for the purpose of economic development. The \$50,00 receipt and disbursement was recorded in the General Fund.

- f. In November 2007, the City approved early redemption of the 1997 capital loan notes (Mill Pond drainage) in the amount of \$30,000 plus interest. This debt was satisfied from the Debt Service Fund.
- g. Between July 2007 and December 2007, the Library approved payments from the Library Memorial Fund for various construction and improvement projects totaling \$71,903.
- h. In December 2007, the City paid \$125,075 from the Capital Projects Fund on the contract to construct a recreational trail in Island Park.

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, 2007

	Governmental		Final	Final to Actual Variance
	Funds Actual	Budgeted Amounts Original		
Receipts:				
Property Tax	\$ 1,281,476	1,283,575	1,283,575	(2,099)
Tax Increment Financing Collections	97,323	95,660	95,660	1,663
Other City Tax	177,454	140,724	140,724	36,730
Licenses and Permits	10,183	8,400	8,400	1,783
Use of Money and Property	154,024	57,920	57,920	96,104
Intergovernmental	569,711	735,742	735,742	(166,031)
Charges for Service	254,122	234,942	234,942	19,180
Special Assessments	4,565	3,000	3,000	1,565
Miscellaneous	153,097	160,400	160,400	(7,303)
Total Receipts	<u>2,701,955</u>	<u>2,720,363</u>	<u>2,720,363</u>	<u>(18,408)</u>
Disbursements:				
Public Safety	208,849	288,283	288,283	79,434
Public Works	461,370	773,994	783,994	322,624
Health and Social Services	0	1,000	1,000	1,000
Culture and Recreation	512,154	452,843	609,843	97,689
Community and Economic Development	210,810	256,052	356,052	145,242
General Government	163,409	190,258	190,258	26,849
Debt Service	606,850	529,505	619,505	12,655
Capital Projects	577,829	390,000	390,000	(187,829)
Total Disbursements	<u>2,741,271</u>	<u>2,881,935</u>	<u>3,238,935</u>	<u>497,664</u>
Deficiency of Receipts Under Disbursements	(39,316)	(161,572)	(518,572)	479,256
Other Financing Sources, Net	<u>347,000</u>	<u>0</u>	<u>0</u>	<u>347,000</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses				
	307,684	(161,572)	(518,572)	826,256
Balances Beginning of Year	<u>2,090,057</u>	<u>1,733,978</u>	<u>2,090,057</u>	<u>0</u>
Balances End of Year	<u>\$ 2,397,741</u>	<u>1,572,406</u>	<u>1,571,485</u>	<u>826,256</u>

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, 2007

- 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 \$4,195,098 in receipts (charges for service), \$4,012,928 in disbursements (business type/enterprises), balance beginning of year of \$2,844,911 and balance end of year of \$3,027,081. The amounts that were removed for the Rock Rapids Municipal Utilities from the final amended budget included \$4,195,098 in receipts (charges for service), \$4,552,682 in disbursements (business type/enterprises), balance beginning of year of \$3,767,346 and balance end of year of \$3,409,762.

City of Rock Rapids

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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 \$896,754 (\$357,000 for the City of Rock Rapids and \$539,754 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, 2007, disbursements exceeded the amounts budgeted in the capital projects function (all of which is the City only portion of the certified 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, 2007

	Employee Benefits	Special Local Option Sales Tax	Revenue Urban Renewal Tax Increment
Receipts:			
Property Tax	\$ 154,960	0	0
Tax Increment Financing	0	0	97,323
Other City Tax	400	174,219	0
Miscellaneous	0	0	0
Total Receipts	155,360	174,219	97,323
Disbursements:			
Operating:			
Public Safety	25,411	0	0
Public Works	31,887	0	0
Culture and Recreation	31,378	0	0
Community and Economic Development	5,594	0	82,627
General Government	23,195	0	0
Total Disbursements	117,465	0	82,627
Excess of Receipts Over Disbursements	37,895	174,219	14,696
Other Financing Uses:			
Operating Transfers Out	0	(150,000)	0
Net Change in Cash Balances	37,895	24,219	14,696
Cash Balances Beginning of Year	103,626	25,859	6,710
Cash Balances End of Year	\$ 141,521	50,078	21,406
Cash Basis Fund Balances			
Unreserved:			
Special Revenue Funds	\$ 141,521	50,078	21,406
Permanent Funds	0	0	0
Total Cash Basis Fund Balances	\$ 141,521	50,078	21,406

See Accompanying Independent Auditor's Report.

Permanent		
Library Endowment	Cemetery Perpetual Care	Total
0	0	154,960
0	0	97,323
0	0	174,619
0	8,600	8,600
0	8,600	435,502

0	0	25,411
0	0	31,887
0	300	31,678
0	0	88,221
0	0	23,195
0	300	200,392

0	8,300	235,110
0	0	(150,000)

0	8,300	85,110
2,000	23,060	161,255
2,000	31,360	246,365

0	0	213,005
2,000	31,360	33,360
2,000	31,360	246,365

City of Rock Rapids
Statement of Indebtedness - Primary Government
Year Ended June 30, 2007

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	\$ 30,000	0	30,000	0	1,500	0
Mill Pond Drainage	August 1, 1997	5.00%	275,000	60,000	0	30,000	30,000	3,000	0
Street and Parking Lot Improvements	May 1, 2001	4.50-5.00%	475,000	195,000	0	65,000	130,000	9,175	0
Street and Waste Water Improvements and Drainage Project	May 1, 2003	2.55-3.75%	1,025,000	740,000	0	95,000	645,000	23,982	0
Storm Sewer, Drainage and Street Projects	August 8, 2004	3.00-4.50%	225,000	205,000	0	20,000	185,000	8,058	0
Capital Equipment	July 12, 2006	4.35%	346,000	0	346,000	65,000	281,000	13,337	0
Total			\$ 1,230,000	\$ 1,230,000	346,000	305,000	1,271,000	59,052	0
General Obligation Bonds:									
Swimming Pool Improvements	October 1, 2000	5.10-5.30%	\$ 650,000	365,000	0	65,000	300,000	18,998	0
Grant Anticipation Capital Loan Notes:									
Forster Community Building	June 1, 1998	5.10-5.55%	\$ 670,000	400,000	0	40,000	360,000	21,492	0
Local Option Sales & Service Tax Revenue Bonds:									
Forster Community Building	June 1, 1998	5.05-5.50%	\$ 290,000	180,000	0	20,000	160,000	9,628	0
Forster Community Building	Dec. 22, 1998	*1%	330,000	99,000	0	33,000	66,000	0	0
Total			\$ 279,000	\$ 279,000	0	53,000	226,000	9,628	0
Capital Lease:									
Fire Equipment (Rescue Vehicle)	June 20, 2002	5.00%	\$ 136,290	\$ 29,981	0	29,981	0	1,499	0
Installment Purchase:									
Skate Park Equipment	October 1, 2005	7.55%	\$ 10,000	3,415	0	3,415	0	52	0

*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
Bond and Note Maturities – Primary Government
June 30, 2007

General Obligation Capital Loan Notes												
Street and Wastewater												
Mill Pond Drainage			Street and Parking Lot Improvements			Storm Sewer Project			Capital Equipment			
Year Ended June 30,	Issued Aug. 1, 1997	Issued May 1, 2001	Issued May 1, 2003	Issued Aug. 10, 2004	Issued July 12, 2006	Interest Rates	Amounts	Interest Rates	Amounts	Interest Rates	Amounts	Total
2008	\$ 30,000	\$ 25,000	\$ 100,000	\$ 20,000	\$ 66,000	5.00%	4.60%	2.85%	3.30%	4.35%	\$ 20,000	\$ 241,000
2009	0	25,000	100,000	20,000	69,000	4.70%	3.05%	3.55%	3.55%	4.35%	20,000	214,000
2010	0	25,000	105,000	20,000	71,000	4.80%	3.25%	3.75%	3.75%	4.35%	20,000	221,000
2011	0	25,000	110,000	25,000	75,000	4.90%	3.45%	4.00%	4.00%	4.35%	25,000	235,000
2012	0	30,000	115,000	25,000	170,000	5.00%	3.60%	4.15%	4.15%		25,000	170,000
2013	0	0	115,000	25,000	140,000		3.75%	4.30%	4.30%		25,000	140,000
2014	0	0	0	25,000	25,000		0	4.40%	4.40%		25,000	25,000
2015	0	0	0	25,000	25,000		0	4.50%	4.50%		25,000	25,000
	<u>\$ 30,000</u>	<u>\$ 130,000</u>	<u>\$ 645,000</u>	<u>\$ 185,000</u>	<u>\$ 281,000</u>							<u>\$ 1,271,000</u>

General Obligation Capital Loan Notes												
Local Option Sales & Service Tax Revenue Bonds												
Swimming Pool Improvements			Forster Community Building			Forster Community Building			Forster Community Building			
Year Ending June 30,	Issued Oct. 1, 2000	Issued June 1, 1998	Issued June 1, 1998	Issued June 1, 1998	Issued Dec. 22, 1998	Interest Rates	Amounts	Interest Rates	Amounts	Interest Rates	Amounts	Total
2008	\$ 70,000	\$ 45,000	\$ 45,000	\$ 20,000	\$ 33,000	5.15%	5.20%	5.20%	*1.00%	*1.00%	\$ 33,000	\$ 53,000
2009	75,000	45,000	45,000	25,000	33,000	5.20%	5.30%	5.30%	*1.00%	*1.00%	33,000	58,000
2010	75,000	50,000	50,000	25,000	0	5.25%	5.35%	5.35%			0	25,000
2011	80,000	50,000	50,000	30,000	0	5.30%	5.40%	5.40%			0	30,000
2012	0	55,000	55,000	30,000	0		5.45%	5.45%			0	30,000
2013	0	55,000	55,000	30,000	0		5.50%	5.50%			0	30,000
2014	0	60,000	60,000	0	0		5.55%				0	0
	<u>\$ 300,000</u>	<u>\$ 360,000</u>	<u>\$ 360,000</u>	<u>\$ 160,000</u>	<u>\$ 66,000</u>							<u>\$ 226,000</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 Five Years

	2007	2006	2005	2004	2003
Receipts:					
Property Tax	\$ 1,281,476	1,143,078	1,181,996	1,188,762	1,004,626
Tax Increment Financing Collections	97,323	58,816	65,530	59,727	25
Other City Tax	177,454	150,698	149,617	136,968	139,648
Licenses and Permits	10,183	10,309	10,032	7,618	7,680
Use of Money and Property	154,024	110,411	67,482	52,561	55,240
Intergovernmental*	569,711	631,132	502,983	722,305	559,510
Charges for Service	254,122	232,992	229,100	224,826	206,317
Special Assessments	4,565	3,414	3,915	25,120	107,964
Miscellaneous	153,097	277,009	123,193	185,300	136,677
Total Receipts	\$ 2,701,955	2,617,859	2,333,848	2,603,187	2,217,687
Disbursements:					
Operating:					
Public Safety	\$ 208,849	205,274	250,076	242,243	224,089
Public Works	461,370	507,579	449,503	601,982	412,233
Culture and Recreation	512,154	515,733	472,025	384,414	336,579
Community and Economic Development	210,810	332,804	239,382	370,103	58,903
General Government**	163,409	153,684	152,184	206,552	559,428
Debt Service	606,850	538,022	483,111	515,759	1,046,698
Capital Projects	577,829	61,206	183,434	95,876	616,287
Total Disbursements	\$ 2,741,271	2,314,302	2,229,715	2,416,929	3,254,217

*Intergovernmental includes a \$100,000 donation in both 2007 and 2003 from the Rock Rapids Municipal Utilities that were reported as "special items".

**General government includes a \$277,300 donation in 2003 to the Rock Rapids Municipal Utilities that was reported as a "special item".

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***

DE NOBLE & COMPANY PC

Certified Public Accountants

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

To the Honorable Mayor and Members of the City Council:

We have audited 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, 2007, which collectively comprise the City's basic primary government financial statements listed in the table of contents, and have issued our report thereon dated January 18, 2008. Our report expressed unqualified opinions 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, 2007, 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the primary government financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Rock Rapids' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Rock Rapids' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Rock Rapids' ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a

remote likelihood a misstatement of the City of Rock Rapids' financial statements that is more than inconsequential will not be prevented or detected by the City of Rock Rapids' internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the primary government financial statements will not be prevented or detected by the City of Rock Rapids' internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 07-A, E, F, G, H and J 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, 2007 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.

The City of Rock Rapids' responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Rock Rapids' responses and, accordingly, we express no opinion on them.

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 may report. 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

De Noble & Company PC
Certified Public Accountants

City of Rock Rapids
Schedule of Findings
Year Ended June 30, 2007

Findings Related to the Primary Government Financial Statements:

SIGNIFICANT DEFICIENCIES:

07-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 and segregate duties to the extent possible with existing personnel.

Conclusion – Response acknowledged. The City could consider segregating duties to the extent possible by using Rock Rapids Municipal Utilities personnel and administrative personnel to provide additional control through review of financial transactions and reports.

07-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 Board is willing and able to provide their services for no remuneration, the City Clerk will continue to review the Library Board's reports that are provided on a monthly basis as a form of control. Currently the City is in the process of assuming responsibility of the Airport's records.

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

City of Rock Rapids
Schedule of Findings
Year Ended June 30, 2007

07-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 – The administrative office and public works department will begin compiling a complete record of capital assets/inventory.

Conclusion – Response accepted. Please do make an effort to work on this.

07-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. The City is following the union policy for comp time for non-union 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 define the number of hours in a normal work day and week for the police department personnel. The City should establish a comp time policy in the employee handbook for its non-union employees if comp time is to be approved.

Response – The City will update the employee handbook to bring policies into compliance with auditor's recommendations concerning hours of work, vacation benefits and comp time.

Conclusion – Response accepted.

07-E 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 evaluate the manual records for what may need to be stored off-site.

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

07-F 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.

City of Rock Rapids
Schedule of Findings
Year Ended June 30, 2007

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 update our payroll procedures and the employee handbook to address the issue of time sheets and time cards.

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

07-G 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. Please make sure the Library addresses this also.

07-H 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:

- passwords should be safeguarded and not easily available when computers are unattended.
- 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.

City of Rock Rapids
Schedule of Findings
Year Ended June 30, 2007

Response – The City recognizes the need for password protection and other computer safeguards and will attempt to draft computer policies designed for the City’s work environment.

Conclusion – Response accepted.

07-I Debt Service Cash Reserves – The City has been showing increasing cash reserves in the Debt Service Fund. The City has some long-term debt that is currently callable.

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 continue to assess the feasibility of call long-term debt.

Conclusion – Response accepted. Please formally address this issue.

07-J Management Procedures – Based on findings during the audit, we identified that there appears to be a lack of oversight by management over developing internal control, compliance and antifraud procedures and monitoring existing procedures that are in place to ensure the procedures are enforced.

Recommendation – City management needs to establish policies and procedures that ensure effective internal control, compliance and antifraud procedures are in place and monitored on a regular basis. City management needs to review any audit findings identified and assess the level of risk associated with each finding and incorporate this assessed level of risk into its development of policies and procedures.

Response – The City expects to completely resolve items 07-D, F & I and to continue to work on other items within time constraints.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Rock Rapids
Schedule of Findings
Year Ended June 30, 2007

Other Findings Related to Statutory Reporting:

07-1 Certified Budget – Disbursements during the fiscal year ended June 30, 2007 exceeded the amount budgeted in the capital projects function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended as required by Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will monitor the disbursements and amend the budget as needed in accordance with the Code of Iowa in the future.

Conclusion – Response accepted.

07-2 Questionable Disbursements – One disbursement was noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefit to be derived has not been clearly documented:

The City bought a gift for an employee’s family member’s funeral. The cost of the gift was \$43.

According to the opinion, it is possible for such disbursement to meet the test of serving a public purpose under certain circumstances, although such item will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Council should determine and document the public purpose served by this type of disbursement before authorizing any further payment. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation

Response – This recommendation will be addressed.

Conclusion – Response accepted.

07-3 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

07-4 Business Transactions – No business transactions between the City and City officials or employees were noted.

07-5 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.

City of Rock Rapids
Schedule of Findings
Year Ended June 30, 2007

07-6 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. However, minutes from two meetings were not signed timely by all necessary City officials.

Recommendation – The City should take steps to make sure all minutes are signed by the appropriate City officials in a timely manner in order to be in full compliance with Chapter 380.7 of the Code of Iowa.

Response – We will make sure to address this issue.

Conclusion – Response accepted.

07-7 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. This review should be documented in the Council minutes.

Response – We will review our investment policy and update as deemed needed.

Conclusion – Response accepted.

07-8 Official Depositories – A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year, except for deposits at US Bank. The maximum authorized amount of \$2,000,000 was exceeded in April and May 2007.

Recommendation – A new resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the Board.

Response – We will comply with the approved depository resolution in the future. We will update the depository resolution as needed.

Conclusion – Response accepted.

City of Rock Rapids

Staff

This audit was performed by:

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

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NEWS RELEASE

Contact: Jordan Kordahl,
City Administrator
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FOR RELEASE: June 23, 2008

De Noble & Company PC today released an audit report on the City of Rock Rapids, Iowa.

The City's receipts totaled \$3,048,955 for the year ended June 30, 2007, a 16.5% increase from 2006. The receipts included \$1,284,711 in property and other city tax, \$97,323 from tax increment financing collections, \$328,474 from charges for service, \$397,901 from operating grants, contributions and restricted interest, \$284,358 from capital grants, contributions and restricted interest (includes a \$100,000 donation from the Rock Rapids Municipal Utilities for the City's sanitary sewer project), \$174,219 from local option sales tax, \$37,752 from unrestricted investment earnings, \$346,000 from bond proceeds, \$79,157 from grants and contributions not restricted to specific purposes and \$19,060 from other general receipts.

Disbursements for the year totaled \$2,741,271, an 18.5% increase from the prior year, and included \$606,850 for debt service, \$577,829 for capital projects, \$512,153 for culture and recreation and \$461,370 for public works.

There was an increase in receipts due primarily to property tax receipts (there was an increase in property taxes requested) and proceeds from the sale of general obligation capital loan notes of \$346,000. The increase in disbursements was largely due to increases in the capital projects function (mainly due to a sanitary sewer rehabilitation project and large capital equipment purchases) and debt service function (mainly due to the payments related to the general obligation capital loan notes sold during the fiscal year).

A copy of the audit report is available for review in the City Administrator's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.