

NEWS RELEASE

Contact: Jordan Kordahl,
City Administrator
(712) 472-2553

FOR RELEASE: June 25, 2010

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

The City's receipts totaled \$2,979,692 for the year ended June 30, 2009, a 40.8% decrease from 2008. The receipts included \$1,246,479 in property and other city tax, \$116,926 from tax increment financing collections, \$371,843 from charges for service, \$388,179 from operating grants, contributions and restricted interest, \$523,221 from capital grants, contributions and restricted interest, \$178,603 from local option sales tax, \$28,437 from unrestricted investment earnings, \$74,544 from grants and contributions not restricted to specific purposes and \$51,460 from other general receipts.

Disbursements for the year totaled \$4,703,426, a 56.99% increase from the prior year, and included \$1,952,377 for capital projects, \$899,413 for debt service, and \$499,689 for public works.

There was a significant decrease in receipts (\$2,050,716 decrease from 2008) due to proceeds received in 2008 from the sale of general obligation capital loan notes of \$2,550,000. Revenue classifications that had increases included capital grants, contributions and restricted interest which increased \$403,166; charges for service which increased \$40,642; and property and other city tax which increased \$39,125. The significant increase in disbursements (\$1,707,409 increase from 2008) was largely due to increases in the capital projects function (due to the street improvement project) and public safety function (mainly due to purchase of a new fire engine).

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>.

CITY OF ROCK RAPIDS
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2009

Table of Contents

		Page
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis		4-10
Basic Primary Government Financial Statements:	<u>Exhibit</u>	11
Government-Wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis – Primary Government	A	12-13
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Primary Government	B	14-15
Notes to Primary Government Financial Statements		16-23
Required Supplementary Information:		24
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds – Primary Government		25-26
Notes to Required Supplementary Information – Budgetary Reporting		27
Other Supplementary Information:	<u>Schedule</u>	28
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds – Primary Government	1	29-30
Schedule of Indebtedness – Primary Government	2	31
Bond and Note Maturities – Primary Government	3	32
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds – Primary Government	4	33-34
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 <i>Government Auditing Standards</i>		35-37
Schedule of Findings		38-44
Staff		45

City of Rock Rapids

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jason Chase	Mayor	January 1, 2010
Donald DeYong	Council Member	January 1, 2010
Carol Oliver	Council Member	January 1, 2010
Marlene Bowers	Council Member	January 1, 2012
Heather Stubbe	Council Member	January 1, 2012
Joe Vander Zee	Council Member	January 1, 2012
Jordan Kordahl	City Administrator, Clerk and Treasurer	Indefinite
Linda Trei	Deputy City Clerk	Indefinite
Linda McCormack	Librarian	Indefinite
Rhoda Lange	Library Trustee	July 1, 2009
Julie Metzger	Library Trustee	July 1, 2009
Michael Roetman	Library Trustee	July 1, 2009
Nancy DeJongh	Library Trustee	July 1, 2011
Trish Starrett	Library Trustee	July 1, 2011
Ben Brink	Library Trustee	July 1, 2013
Dennis Haselhoff	Library Trustee	July 1, 2013
Steve Wells	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

111 S. Story Street
Rock Rapids, IA 51246

American Institute - Certified Public Accountants
Private Companies Practice Section
Iowa Society - Certified Public Accountants

Phone : (712) 472-2549
Fax : (712) 472-2540
Email : ssdnrr@hickorytech.net

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, 2009, 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, 2009, 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 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, 2009, 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 June 25, 2010 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 and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information for the primary government on pages 4 through 10 and 25 through 27 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 four fiscal years ended June 30, 2008 (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

June 25, 2010

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, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 40.8%, or \$2,050,716, in fiscal year 2009 compared to fiscal year 2008. Capital grants, contributions and restricted interest increased \$403,166, property and other city tax increased \$39,125, and capital loan note proceeds decreased \$2,550,000.
- Disbursements increased 57.0%, or \$1,707,409, in fiscal year 2009 compared to fiscal year 2008. Public Safety and Capital Projects disbursements increased by \$225,127 and \$1,520,365 respectively; Public Works disbursements decreased by \$103,130.
- The City's total cash basis net assets from governmental activities decreased 38.9%, or \$1,723,734, from June 30, 2008 to June 30, 2009. This decrease is due primarily to an increase in capital project disbursements to \$1,952,377 during fiscal year 2009 (capital project disbursements were \$432,012 during fiscal year 2008). In essence, the decrease is due to spending the fiscal year ending June 30, 2008 capital loan note proceeds mainly in fiscal year ending June 30, 2009.

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's primary government 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 primary government 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 of the City's primary government.

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 primary government 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, Revolving Loan 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 decreased from \$4,432,132 to \$2,708,398. The analysis that follows focuses on changes in cash basis net assets for governmental activities.

Changes in Cash Basis of Net Assets of Governmental Activities

	Year Ending June 30,	
	2009	2008
Receipts:		
Program Receipts:		
Charges for Service	\$ 371,843	\$ 331,201
Operating Grants, Contributions and Restricted Interest	388,179	399,644
Capital Grants, Contributions and Restricted Interest	523,221	120,055
General Receipts:		
Property and Other City Tax	1,246,479	1,207,354
Tax Increment Financing	116,926	106,300
Local Option Sales Tax	178,603	169,188
Grants and Contributions Not Restricted		
To Specific Purpose	74,544	85,062
Unrestricted Investment Earnings	28,437	33,909
Capital Loan Note Proceeds	0	2,550,000
Other General Receipts	51,460	27,695
Total Receipts	<u>2,979,692</u>	<u>5,030,408</u>
Disbursements:		
Public Safety	462,199	237,072
Public Works	499,689	602,819
Culture and Recreation	461,023	489,112
Community and Economic Development	252,009	224,259
General Government	176,716	170,643
Debt Service	899,413	840,100
Capital Projects	1,952,377	432,012
Total Disbursements	<u>4,703,426</u>	<u>2,996,017</u>
Increase (Decrease) in Cash Basis Net Assets	(1,723,734)	2,034,391
Cash Basis Net Assets Beginning of Year	<u>4,432,132</u>	<u>2,397,741</u>
Cash Basis Net Assets End of Year	<u>\$ 2,708,398</u>	<u>\$ 4,432,132</u>

The City's total receipts for governmental activities decreased by 40.8%, or \$2,050,716. The total cost of all programs and services increased by \$1,707,409, or 57.0%, with no new programs added this year. The significant decrease in receipts was mainly the result of proceeds received, during the previous fiscal year, from the issuance of general obligation capital loan notes. This decrease, in comparison to the previous fiscal year, was offset partially by an increase in capital grants, contributions and restricted interest (due primarily to having received, during the current fiscal year, grants for the recreation trail project and reimbursement from Municipal Utilities for the water construction portion of a street project). An increase in the tax levy on regular property, from \$20.90546 to \$21.76517, partially offset by a decrease in the regular taxable valuation, by approximately 0.7%, resulted in an increase in property and other city taxes of \$39,125 during fiscal year 2009.

The cost of all governmental activities this year was \$4,703,426, compared to \$2,996,017 last year. The increase in disbursements during this fiscal year was mainly due to a street construction project (capital projects function) and purchase of a new fire truck (public safety function). This increase, in comparison to the previous fiscal year, was partially offset by a decrease in airport construction costs from the prior year. The amount taxpayers ultimately financed for City activities was only \$3,403,513, because some of the cost was paid by those who directly benefited from the programs (\$371,843) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$911,400). 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 \$2,708,399, a decrease of \$1,723,734 from last year's total of \$4,432,133. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased by \$152,396, from \$853,890 to \$701,494 at June 30, 2009. This compares to a \$30,733 increase the prior fiscal year. Receipts and other financing sources increased from the prior fiscal year by \$30,462 due to an increase of \$114,307 in state (IDOT) grant funding for airport projects, an increase of \$24,141 in solid waste collection charges and an increase of \$16,042 in capital asset sales. These increases were offset by decreases of \$70,567 in property and other city taxes and \$43,075 in donations from the Municipal Utilities to the City's General Fund. Disbursements and other financing uses increased from the prior fiscal year by \$213,591 due to an increase of \$23,039 in law enforcement expenditures, an increase of \$233,678 for purchase of a fire truck, an increase of \$17,455 in park expenditures and a transfer out of \$50,000 to help establish the new Revolving Loan Fund. These increases were offset by a decrease of \$134,519 for airport construction.
- The Road Use Tax Fund cash balance increased by \$30,324, from \$540,831 to \$571,155 at June 30, 2009. This compares to a \$45,734 increase the prior fiscal year. The increase in the cash balance during the fiscal year is due primarily to the City's 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 by \$480, from \$313,287 to \$313,767 at June 30, 2009. This compares to a \$58,607 decrease the prior fiscal year. The Library did not have the larger disbursements for capital improvements and purchase of equipment that was done in the prior fiscal year.
- The Debt Service Fund cash balance decreased by \$84,131, from \$127,617 to \$43,486 at June 30, 2009. This compares to a \$131,053 decrease the prior fiscal year. Increases in property and other city taxes and operating transfers in of \$151,231 and \$173,890, respectively, were offset by decreases in receipts of \$200,000 from capital loan notes proceeds. Increases of \$120,000 in disbursements for early retirement of Local Option Sales Tax Revenue bonds were offset by decreases of \$57,663 in disbursements for General Obligation debt due to early retirement during the prior fiscal year.
- The Capital Projects Fund cash balance decreased \$1,465,283, from \$2,166,667 to \$701,384 at June 30, 2009. This compares to a \$1,964,109 increase the prior fiscal year. Receipts and other financing sources decreased primarily due to the issuance of \$2,350,000 in general obligation capital loan notes during the prior year. This decrease in receipts and other financing sources was offset by increases of \$181,156 in federal and state grant funding, \$120,000 from operating transfers in, and an increase of \$114,555 in reimbursement from Municipal Utilities for the water construction portion of the street construction project. Disbursements increased significantly primarily due to increases totaling \$1,793,277 in street and sewer construction costs. These increases in disbursements were partly offset by a decrease of \$258,521 for trail construction costs.

BUDGETARY HIGHLIGHTS

The City amended its portion of the certified budget once during the year, on May 11, 2009, resulting in an increase of \$527,000 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.

The reasons for the increases in budgeted operating disbursements were identified as follows: (1) public safety – increase for capital equipment for the Fire Department; (2) culture and recreation – increase for Library capital improvements; (3) general government – increase for miscellaneous operating costs; (4) debt service – increase for early retirement of callable bonds.

Actual receipts came in \$344,391, or 10.4%, below budget for the City only portion of the certified budget. Significant variances in budget-to-actual receipts were in the following areas: (1) special assessments, which came in \$376,718, or 93.5%, below budget due to delays in the completion of a street construction project, (2) intergovernmental, which came in \$220,020, or 34.7%, above budget due largely to non-budgeted reimbursements from Municipal Utilities for the water construction portion of a street construction project and (3) charges for service, which came in \$172,660, or 38.6% below budget due to aggressive budget figures and not including the Municipal Housing Agency in the actual figures but amounts for were included in the budget.

Disbursements came in \$1,117,588, or 19.2%, below budget. All functions came in below budget for the City only portion of the certified budget. Disbursements for the community and economic development function came in \$255,984, or 50.4%, below budget. This is due to having budgeted for total disbursements 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. Disbursements also came in well below budget for the public safety, public works, culture and recreation, and capital projects functions. The net change in cash for the fiscal year came in \$795,236 better than budgeted for the City only portion of the certified budget.

DEBT ADMINISTRATION

At June 30, 2009, the City had \$3,220,000 in notes, bonds and other long-term debt, compared to \$3,963,000 last year, as shown below:

<i>Outstanding Debt at Year-End</i>		
TYPE OF DEBT	June 30,	
	2009	2008
General Obligation Notes	\$ 2,950,000	\$ 3,475,000
Local Option Sales & Service Tax Revenue Bonds	0	173,000
Grant Anticipation Notes	270,000	315,000
Total Long Term Debt	\$ 3,220,000	\$ 3,963,000

There were no new long-term debt issuances during fiscal year ended June 30, 2009.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,950,000 (total debt of \$3,220,000 minus grant anticipation notes of \$270,000) is adequately below its constitutional debt limit of approximately \$5,300,000.

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 2010 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 44.1% of actual value for the 2009 fiscal year and increases by 1.5%, to 45.6%, for the 2010 fiscal year. Commercial property will again be taxed at 100% in fiscal year 2010 after a one-year rollback 99.7% for the 2009 fiscal year. Industrial property remains taxed at 100%. 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. Therefore, the City has to continue to spend resources on attracting new businesses and restoring existing businesses.

These indicators were taken into account when adopting the budget for the 2010 fiscal year. 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 accumulate cash reserves equivalent to at least 25% of annual operating disbursements. While regular taxable valuation increases by \$1,981,093, or 3.6%, from fiscal year 2009 to 2010, a tax levy rate decrease is projected to result in a reduction of approximately \$87,996 in property and other city tax revenues (excluding local option sales taxes). Except for capital improvements, the 2010 fiscal year budget provides for a deficit of approximately \$412,000; however, this budget also allows the City to maintain an adequate cash reserves 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, 2009

	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	
Functions/Programs:					
Governmental Activities:					
Public Safety	\$ 462,199	9,564	32,727	0	(419,908)
Public Works	499,689	216,299	213,481	114,307	61,068
Culture and Recreation	461,023	92,568	43,813	0	(324,642)
Community and Economic Development	252,009	5,904	52,450	0	(193,655)
General Government	176,716	21,226	36,017	0	(119,473)
Debt Service	899,413	3,102	9,691	65,000	(821,620)
Capital Projects	1,952,377	23,180	0	343,914	(1,585,283)
Total Governmental Activities	\$ 4,703,426	371,843	388,179	523,221	(3,403,513)
General Receipts:					
Property and Other City Tax Levied for:					
General Purposes					592,201
Employee Benefits					90,679
Debt Service					563,599
Tax Increment Financing					116,926
Local Option Sales Tax					178,603
Grants and Contributions not Restricted to Specific Purposes					74,544
Unrestricted Interest on Investments					28,437
Rents					26,164
Perpetual Cemetery Care - Sale of Lots					3,170

Sale of Assets	22,042
Miscellaneous	84
Total General Receipts	1,696,449
Change in Cash Basis Net Assets	(1,723,734)
Cash Basis Net Assets Beginning of Year	4,432,132
Cash Basis Net Assets End of Year	\$ 2,708,398
Cash Basis Net Assets	
Restricted:	
Road Use Tax (Streets)	\$ 571,155
Library Projects	313,767
Capital Projects	701,384
Debt Service	43,486
Other Purposes	329,932
Permanent Funds (Library Endowment & Cemetery Perpetual Care)	47,180
Unrestricted	701,494
Total Cash Basis Net Assets	\$ 2,708,398

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, 2009

	Special Revenue							Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
	General	Road Use Tax	Library Memorial Trust								
Receipts:											
Property Tax	\$ 590,556	0	0	0	562,150	0	0	90,422	1,243,128		
Tax Increment Financing	0	0	0	0	0	0	0	116,926	116,926		
Other City Tax	1,645	0	0	0	1,449	0	0	178,860	181,954		
Licenses and Permits	10,424	0	0	0	0	0	0	0	10,424		
Use of Money and Property	77,621	4,806	9,756	0	9,291	31,451	0	1,450	134,375		
Intergovernmental	278,046	213,481	0	0	0	312,163	0	51,000	854,690		
Charges for Service	274,967	0	0	0	0	0	0	0	274,967		
Special Assessments	0	0	0	0	3,102	23,180	0	0	26,282		
Miscellaneous	32,750	4,463	8,821	0	65,400	300	0	3,170	114,904		
Total Receipts	1,266,009	222,750	18,577	0	641,392	367,094	0	441,828	2,957,650		
Disbursements:											
Operating:											
Public Safety	442,930	0	0	0	0	0	0	19,269	462,199		
Public Works	263,295	192,426	0	0	0	0	0	43,968	499,689		
Culture and Recreation	406,370	0	18,097	0	0	0	0	36,556	461,023		
Community and Economic Development	127,170	0	0	0	0	0	0	124,839	252,009		
General Government	150,682	0	0	0	0	0	0	26,034	176,716		
Debt Service	0	0	0	0	899,413	0	0	0	899,413		
Capital Projects	0	0	0	0	0	1,952,377	0	0	1,952,377		
Total Disbursements	1,390,447	192,426	18,097	0	899,413	1,952,377	0	250,666	4,703,426		

Excess (Deficiency) of Receipts									
Over (Under) Disbursements	(124,438)	30,324	480	(258,021)	(1,585,283)	191,162	(1,745,776)		
Other Financing Sources (Uses):									
Sale of Capital Assets	22,042	0	0	0	0	0	22,042		
Operating Transfers In	0	0	0	173,890	120,000	50,000	343,890		
Operating Transfers Out	(50,000)	0	0	0	0	(293,890)	(343,890)		
Total Other Financing Sources (Uses)	(27,958)	0	0	173,890	120,000	(243,890)	22,042		
Net Change in Cash Balances	(152,396)	30,324	480	(84,131)	(1,465,283)	(52,728)	(1,723,734)		
Cash Balances Beginning of Year	853,890	540,831	313,287	127,617	2,166,667	429,840	4,432,132		
Cash Balances End of Year	\$ 701,494	571,155	313,767	43,486	701,384	377,112	2,708,398		
Cash Basis Fund Balances									
Reserved for Debt Service	\$ 0	0	0	43,486	0	0	43,486		
Unreserved:									
General Fund	701,494	0	0	0	0	0	701,494		
Special Revenue Funds	0	571,155	313,767	0	0	329,932	1,214,854		
Capital Projects Fund	0	0	0	0	701,384	0	701,384		
Permanent Funds	0	0	0	0	0	47,180	47,180		
Total Cash Basis Fund Balances	\$ 701,494	571,155	313,767	43,486	701,384	377,112	2,708,398		

City of Rock Rapids

Notes to Primary Government Financial Statements

June 30, 2009

(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, 2009, 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 \$295,303 from the Rock Rapids Municipal Utilities during the fiscal year ended June 30, 2009 (\$290,023 is intergovernmental receipts and \$5,280 is charges for service). Of the \$290,023 in intergovernmental receipts from the Rock Rapids Municipal Utilities, \$159,017 is donations and \$131,006 is a reimbursement for the Utilities share of a construction contract. The City of Rock Rapids paid the Rock Rapids Municipal Utilities \$5,000 for rent and \$8,832 for garbage/recycling billing and collection services. The City of Rock Rapids did not receive any money from or pay any money to the Rock Rapids Municipal Housing Agency during the fiscal year ended June 30, 2009.

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, 2009, 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 not meeting 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 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, and grant anticipation 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, the City may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements for the City of Rock Rapids did not exceed the amounts budgeted in any function at the end of the fiscal year; however,

disbursements did exceed the amount budgeted in the public safety function before the Council properly increased the budget through a formal budget amendment.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2009 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 and Bonds Payable

Annual debt service/loan requirements to maturity for general obligation capital loan notes and grant anticipation capital loan notes are as follows:

Year Ended June 30	General Obligation Capital Loan Notes		Grant Anticipation Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	2010	\$ 310,000	103,930	50,000	14,728	360,000
2011	320,000	94,773	50,000	12,053	370,000	106,826
2012	335,000	84,613	55,000	9,352	390,000	93,965
2013	340,000	73,390	55,000	6,355	395,000	79,745
2014	230,000	61,602	60,000	3,330	290,000	64,932
2015	235,000	53,635	0	0	235,000	53,635
2016	220,000	45,160	0	0	220,000	45,160
2017	225,000	37,240	0	0	225,000	37,240
2018	235,000	28,802	0	0	235,000	28,802
2019	245,000	19,755	0	0	245,000	19,755
2020	255,000	10,200	0	0	255,000	10,200
Total	\$ 2,950,000	613,100	270,000	45,818	3,220,000	658,918

During the fiscal year ended June 30, 2009, the City redeemed principal on long-term debt of \$743,000, paid \$146,662 in interest on the long-term debt and paid \$9,751 in note/bond fees. The general obligation capital loan notes, grant anticipation capital loan notes and local option sales & service tax revenue bonds were redeemed through the Debt Service Fund in the fiscal year ended June 30, 2009.

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. The local option sales & service tax revenue bonds were completely paid off in the fiscal year ended June 30, 2009.

(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 4.10% of their annual covered salary and the City is required to contribute 6.35% of 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, 2009, 2008 and 2007 were \$27,079, \$28,327 and \$26,773, 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 payable to employees at June 30, 2009, primarily relating to the General and Road Use Tax Funds, is as follows:

Type of Benefit	Amount
Vacation	\$ 30,512
Sick Leave	15,868
Total	<u>\$ 46,380</u>

All of an employee's vacation is paid upon retirement, termination or death. If an employee, except a Library employee, has ten or more years of service with the City, 15% of sick leave is paid upon retirement, termination or death. No sick leave is paid upon retirement, termination or death for Library employees. 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, 2009.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Debt Service	Special Revenue: Local Option Sales Tax	\$ 173,890
Capital Projects	Local Option Sales Tax	120,000
		<u>293,890</u>
Special Revenue: Revolving Loan	General	50,000
Total		<u>\$ 343,890</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources. The transfer from the General Fund into the Revolving Loan Fund was made as the City's contribution in establishing a new Revolving Loan Fund per an agreement established with the USDA/Rural Development for a Rural Business Enterprise Grant.

(7) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are mainly 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. Please see "Findings Related to the Primary Government Financial Statements: 09-J" in regards to "hangarkeepers coverage" for the airport.

(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 \$1,439 for the fiscal year ended June 30, 2009.

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 \$1,992,775 as of June 30, 2009 and the portion of the liability that has been recognized by the Agency as of June 30, 2009 is \$1,073,033. The estimated remaining life of the landfill is 30 years and the capacity used at June 30, 2009 is approximately 54 percent. The Agency has begun to accumulate resources to fund these costs. As of June 30, 2009, assets of \$1,418,821 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) Commitments

In January 2008, the City approved contributing \$20,000 to Rock Rapids Kids Club from the General Fund during the fiscal years ending June 30, 2010 for the purpose of economic development.

In April 2008, the City entered into a construction contract for street and water distribution system improvements. As of June 2009, the total contract amounted to \$2,416,537 and \$1,797,820 had been paid to the contractor. The City will pay the remaining \$618,717 on this contract as progression is made on this project. The Rock Rapids Municipal Utilities will reimburse the City for the costs related to the water mains portion of the project. The Utilities share of the estimated cost of the project is \$190,702. As of June 30, 2009, costs of \$147,459 have been paid by the Utilities on this contract. The remaining estimated cost of \$43,243 will be paid by the Utilities as work on the project progresses.

In November 2008, the City accepted a bid for sewer improvements for \$30,102. During the fiscal year ended June 30, 2009, \$25,267 had been paid on the contract. As of June 30, 2009, the project was still in process and the remaining contract balance of \$4,835 was outstanding.

In April 2009, the City entered into a contract for the construction of two movable park cabins for \$4,610 each to be paid from the General Fund.

In April 2009, the City entered into a contract for a portion of the 2009 Airport HMA parking improvement project for \$46,962. As of June 30, 2009, the project was still in process and no payments had been made on this contract. Additionally, the City was awarded a grant from the Iowa Department of Transportation to be used for the entire project up to a maximum amount of \$46,200, which is 70% of the total projected costs. The City is responsible for 30% of the project.

In May 2009, the City approved an agreement for new financial and utility software at a cost of \$45,962. The costs will be shared with the Rock Rapids Municipal Utilities.

(11) Subsequent Events

Events that have occurred subsequent to June 30, 2009 include the following:

- a. In July 2009, the City paid \$46,962 from the General Fund for work done on the contract related to the 2009 Airport HMA parking improvements project. Additionally, in August 2009, the City received a grant from the Iowa Department of Transportation to reimburse for 70% of the costs of the entire project. The total amount received was \$41,368, which is 70% of the \$59,097 total project cost.

- b. In August 2009, the City approved payment from the Capital Projects Fund in the amount of \$5,315 on the sewer improvements contract (contracted amount plus overages).
- c. In August 2009, the City paid \$9,512 from the General Fund on the contract for the completion of two park cabins.
- d. In August 2009, the City paid \$98,570 from the Road Use Tax Fund for the purchase of two 2009 Ford F-750's.
- e. In August 2009, the City paid \$20,000 from the General Fund to the Rock Rapids Kids Club for its fiscal year 2009/2010 commitment.
- f. In September 2009 and January 2010, the City issued two notes receivable of \$25,000 each for the purpose of economic development from the Revolving Loan Fund. The notes are payable to the City over a period of 10 years at a 3.5% interest rate. Additionally, the City received funding of \$24,500 in accordance with the Rural Business Enterprise Grant agreement with the USDA/Rural Development.
- g. In December 2009, the City paid \$30,315 from the General Fund for construction of a new storage building.
- h. In January 2010, the City approved a special assessment to be assessed to property owners for a portion of the 2007 street paving improvements equal to 21.18% of the total costs or \$615,308.
- i. In February 2010, the City approved the early redemption of Street Improvement 2003 and Storm Sewer 2004 notes, callable June 1, 2010, with the 2004 notes to be paid with local option sales tax reserves and the 2003 notes refinanced with the 2010 notes issue.
- j. In April 2010, the City entered into a contract for the 2010 street improvement project for \$533,832. This project will be paid through the Capital Projects Fund.
- k. In May 2010, the City entered into a loan agreement for \$1,675,000, to be used for the purpose of refinancing \$475,000 of outstanding notes and funding for the 2010 street improvement project. Additionally, the City approved the levying of taxes for the payment of such notes.
- l. In June 2010, the City approved the purchase of 10.4 acres of real estate for \$156,000 to be paid from the General Fund.
- m. In fiscal year 2009/2010, the City paid \$787,134 (contracted amount plus change orders and overages) per the contract for the 2007 street improvement project from 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, 2009

	Governmental			Final to Actual Variance
	Funds Actual	Budgeted Amounts		
		Original	Final	
Receipts:				
Property Tax	\$ 1,243,128	1,242,498	1,242,498	630
Tax Increment Financing Collections	116,926	116,121	116,121	805
Other City Tax	181,954	169,335	169,335	12,619
Licenses and Permits	10,424	10,000	10,000	424
Use of Money and Property	134,375	130,190	130,190	4,185
Intergovernmental	854,690	634,670	634,670	220,020
Charges for Service	274,967	447,627	447,627	(172,660)
Special Assessments	26,282	403,000	403,000	(376,718)
Miscellaneous	114,904	148,600	148,600	(33,696)
Total Receipts	<u>2,957,650</u>	<u>3,302,041</u>	<u>3,302,041</u>	<u>(344,391)</u>
Disbursements:				
Public Safety	462,199	311,720	611,720	149,521
Public Works	499,689	649,598	649,598	149,909
Health and Social Services	0	1,000	1,000	1,000
Culture and Recreation	461,023	488,181	528,181	67,158
Community and Economic Development	252,009	507,993	507,993	255,984
General Government	176,716	184,650	190,650	13,934
Debt Service	899,413	723,872	904,872	5,459
Capital Projects	1,952,377	2,427,000	2,427,000	474,623
Total Disbursements	<u>4,703,426</u>	<u>5,294,014</u>	<u>5,821,014</u>	<u>1,117,588</u>
Deficiency of Receipts Under Disbursements	(1,745,776)	(1,991,973)	(2,518,973)	773,197
Other Financing Sources, Net	<u>22,042</u>	<u>0</u>	<u>0</u>	<u>22,042</u>
Deficiency of Receipts and Other Financing Sources Under Disbursements and Other Financing Uses	(1,723,734)	(1,991,973)	(2,518,973)	795,239
Balances Beginning of Year	<u>4,432,132</u>	<u>4,125,002</u>	<u>4,725,621</u>	<u>(293,489)</u>
Balances End of Year	<u>\$ 2,708,398</u>	<u>2,133,029</u>	<u>2,206,648</u>	<u>501,750</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, 2009

- 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 \$4,488,993 in receipts (charges for service), \$4,741,968 in disbursements (business type/enterprises), balance beginning of year of \$4,728,388 and balance end of year of \$4,475,413. The amounts that were removed for the Rock Rapids Municipal Utilities from the final amended budget included \$4,488,993 in receipts (charges for service), \$4,522,036 in disbursements (business type/enterprises), balance beginning of year of \$4,728,388 and balance end of year of \$4,695,345.

See Accompanying Independent Auditor's Report.

City of Rock Rapids

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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). 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 nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise 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, one budget amendment increased overall budgeted disbursements by \$307,068 (\$527,000 increase for the City of Rock Rapids and \$219,932 decrease for the Rock Rapids Municipal Utilities). The budget amendment is 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, 2009, disbursements did not exceed the amounts budgeted in any function at the end of the fiscal year; however, disbursements did exceed the amount budgeted in the public safety function before the Council properly increased the budget through a formal budget amendment.

City of Rock Rapids
Other Supplementary Information

City of Rock Rapids

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

As of and for the Year Ended June 30, 2009

	Special Revenue		
	Employee Benefits	Local Option Sales Tax	Urban Renewal Tax Increment
Receipts:			
Property Tax	\$ 90,422	0	0
Tax Increment Financing	0	0	116,926
Other City Tax	257	178,603	0
Use of Money and Property	0	0	0
Intergovernmental	0	0	0
Miscellaneous	0	0	0
Total Receipts	90,679	178,603	116,926
Disbursements:			
Operating:			
Public Safety	19,269	0	0
Public Works	43,968	0	0
Culture and Recreation	36,556	0	0
Community and Economic Development	8,047	0	116,792
General Government	26,034	0	0
Total Disbursements	133,874	0	116,792
Excess (Deficiency) of Receipts Over (Under) Disbursements	(43,195)	178,603	134
Other Financing Sources (Uses):			
Operating Transfers In	0	0	0
Operating Transfers Out	0	(293,890)	0
Total Other Financing Sources (Uses)	0	(293,890)	0
Net Change in Cash Balances	(43,195)	(115,287)	134
Cash Balances Beginning of Year	134,505	219,266	32,059
Cash Balances End of Year	\$ 91,310	103,979	32,193
Cash Basis Fund Balances			
Unreserved:			
Special Revenue Funds	\$ 91,310	103,979	32,193
Permanent Funds	0	0	0
Total Cash Basis Fund Balances	\$ 91,310	103,979	32,193

See Accompanying Independent Auditor's Report.

Revolving Loan	Permanent		Total
	Library Endowment	Cemetery Perpetual Care	
0	0	0	90,422
0	0	0	116,926
0	0	0	178,860
1,450	0	0	1,450
51,000	0	0	51,000
0	0	3,170	3,170
52,450	0	3,170	441,828
0	0	0	19,269
0	0	0	43,968
0	0	0	36,556
0	0	0	124,839
0	0	0	26,034
0	0	0	250,666
52,450	0	3,170	191,162
50,000	0	0	50,000
0	0	0	(293,890)
50,000	0	0	(243,890)
102,450	0	3,170	(52,728)
0	2,000	42,010	429,840
102,450	2,000	45,180	377,112
102,450	0	0	329,932
0	2,000	45,180	47,180
102,450	2,000	45,180	377,112

City of Rock Rapids

Statement of Indebtedness – Primary Government

Year Ended June 30, 2009

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:									
Street and Waste Water Improvements and Drainage Project	May 1, 2003	3.05-3.75%	\$ 1,025,000	\$ 545,000	0	100,000	445,000	18,710	0
Storm Sewer, Drainage and Street Projects	August 10, 2004	3.55-4.50%	225,000	165,000	0	20,000	145,000	6,798	0
Capital Equipment	July 12, 2006	4.35%	346,000	215,000	0	215,000	0	9,352	0
Street Improvements	May 1, 2008	2.60-4.00%	2,550,000	2,550,000	0	190,000	2,360,000	87,122	0
Total			\$ 3,475,000	\$ 3,475,000	0	525,000	2,950,000	121,982	0
Grant Anticipation Capital Loan Notes:									
Forster Community Building	June 1, 1998	5.30-5.55%	\$ 670,000	\$ 315,000	0	45,000	270,000	17,112	0
Local Option Sales & Service Tax Revenue Bonds:									
Forster Community Building	June 1, 1998	5.30-5.55%	\$ 290,000	\$ 140,000	0	140,000	0	7,568	0
Forster Community Building	Dec. 22, 1998	*1%	330,000	33,000	0	33,000	0	0	0
Total			\$ 173,000	\$ 173,000	0	173,000	0	7,568	0

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

City of Rock Rapids

Bond and Note Maturities – Primary Government

June 30, 2009

General Obligation Capital Loan Notes							
Year Ending June 30,	Street and Waste Water Improvements and Drainage Project		Storm Sewer Project		Street Improvements		Total
	Issued May 1, 2003		Issued Aug. 10, 2004		Issued May 1, 2008		
	Interest Rates	Amounts	Interest Rates	Amounts	Interest Rates	Amounts	
2010	3.25%	\$ 105,000	3.75%	\$ 20,000	2.70%	\$ 185,000	\$ 310,000
2011	3.45%	110,000	4.00%	25,000	2.90%	185,000	320,000
2012	3.60%	115,000	4.15%	25,000	3.10%	195,000	335,000
2013	3.75%	115,000	4.30%	25,000	3.20%	200,000	340,000
2014		0	4.40%	25,000	3.35%	205,000	230,000
2015		0	4.50%	25,000	3.50%	210,000	235,000
2016		0		0	3.60%	220,000	220,000
2017		0		0	3.75%	225,000	225,000
2018		0		0	3.85%	235,000	235,000
2019		0		0	3.90%	245,000	245,000
2020		0		0	4.00%	255,000	255,000
		<u>\$ 445,000</u>		<u>\$ 145,000</u>		<u>\$ 2,360,000</u>	<u>\$ 2,950,000</u>

Grant Anticipation Capital Loan Notes		
Forster Community Building		
Issued June 1, 1998		
Year Ending June 30,	Interest Rates	Amounts
2010	5.35%	\$ 50,000
2011	5.40%	50,000
2012	5.45%	55,000
2013	5.50%	55,000
2014	5.55%	60,000
	Total	<u>\$ 270,000</u>

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 Seven Years

	2009	2008	2007	2006	2005	2004	2003
Receipts:							
Property Tax	\$ 1,243,128	1,204,514	1,281,476	1,143,078	1,181,996	1,188,762	1,004,626
Tax Increment Financing	116,926	106,300	97,323	58,816	65,530	59,727	25
Other City Tax	181,954	172,028	177,454	150,698	149,617	136,968	139,648
Licenses and Permits	10,424	10,685	10,183	10,309	10,032	7,618	7,680
Use of Money and Property	134,375	118,728	154,024	110,411	67,482	52,561	55,240
Intergovernmental*	854,690	454,564	569,711	631,132	502,983	722,305	559,510
Charges for Service	274,967	261,576	254,122	232,992	229,100	224,826	206,317
Special Assessments	26,282	3,292	4,565	3,414	3,915	25,120	107,964
Miscellaneous	114,904	142,721	153,097	277,009	123,193	185,300	136,677
Total Receipts	\$ 2,957,650	2,474,408	2,701,955	2,617,859	2,333,848	2,603,187	2,217,687
Disbursements:							
Operating:							
Public Safety	\$ 462,199	237,072	208,849	205,274	250,076	242,243	224,089
Public Works	499,689	602,819	461,370	507,579	449,503	601,982	412,233
Culture and Recreation	461,023	489,112	512,154	515,733	472,025	384,414	336,579
Community and Economic Development	252,009	224,259	210,810	332,804	239,382	370,103	58,903
General Government**	176,716	170,643	163,409	153,684	152,184	206,552	559,428
Debt Service	899,413	840,100	606,850	538,022	483,111	515,759	1,046,698
Capital Projects	1,952,377	432,012	577,829	61,206	183,434	95,876	616,287
Total Disbursements	\$ 4,703,426	2,996,017	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".

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

MEMBERS

111 S. Story Street
Rock Rapids, IA 51246

American Institute - Certified Public Accountants
Private Companies Practice Section
Iowa Society - Certified Public Accountants

Phone : (712) 472-2549
Fax : (712) 472-2540
Email : ssdnrr@hickorytech.net

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, 2009, which collectively comprise the City's basic primary government financial statements listed in the table of contents, and have issued our report thereon dated June 25, 2010. 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, 2009, 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, including 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 an other comprehensive basis of accounting 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 09-A, B, E, F, J 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, 2009 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

June 25, 2010

City of Rock Rapids

Schedule of Findings

Year Ended June 30, 2009

Findings Related to the Primary Government Financial Statements:

SIGNIFICANT DEFICIENCIES:

09-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 to provide additional control through review of financial transactions and reports.

09-B Records of Accounts – The Library Board maintains the accounting records pertaining to the operations of the Library. 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 Board 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 has an individual who is willing and able to provide her services for no additional 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.

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

City of Rock Rapids

Schedule of Findings

Year Ended June 30, 2009

09-C Capital Assets/Inventory Records – A complete record of capital assets/inventory is not maintained. Capital assets are not all marked for identification purposes.

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. Capital assets should be marked for identification purposes to assist in the existence and accountability functions.

Response – The administrative office and public works department have compiled a complete record of mobile equipment assets and are continuing to work toward compiling a complete record of capital assets.

Conclusion – Response accepted. Please continue to make an effort to work on this and marking capital assets for identification purposes.

09-D Off-Site Storage of Manual Records – Some manual records should maybe 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 continue evaluating the manual records for what may need to be stored off-site.

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

09-E Payroll Time Sheets/Time Cards – Payroll time sheets/time cards are not always being signed/initialed by the employee's supervisor as indication that the time sheets/time cards have been formally approved.

Recommendation – Payroll time sheets or time cards should be signed/initialed by the employee's supervisor to attest to the accuracy of hours worked.

Response – Procedures have been established to require that time sheets and time cards are formally approved and signed by the employee's supervisor during payroll processing.

Conclusion – Response accepted. Please make sure the procedures are followed.

City of Rock Rapids

Schedule of Findings

Year Ended June 30, 2009

09-F 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.

09-G Compensated Absences – We noted two employees that had their accumulated compensated absence balances incorrectly calculated. Additionally, we noted that one employee’s accumulated comp time balance at times during the year exceeded the allowable amount as defined in the employee handbook.

Recommendation – The City should ensure that the amount of accumulated compensated absences is correctly calculated, as well as ensure that balances do not exceed allowable amounts without the Council’s formal approval.

Response – The City has installed new software that automatically calculates accumulated compensated absence balances. Also, the City now requires that all exceptions to policy concerning accumulated comp time are approved by the City Council.

Conclusion – Response accepted.

09-H Airport Fuel Inventory – We noted that there were no procedures in place for reviewing and reconciling the physical count taken of fuel gallons on hand at the Airport to the financial records.

Recommendation – The City should implement procedures to ensure that the number of fuel gallons per the physical count is reconciled to the financial records based on the number of gallons purchased and sold during the period. Additionally, the inventory should be reviewed periodically by the appropriate level of management.

Response – The City is in process of preparing a set of procedures that provide for periodic reconciliation and review of fuel sales, purchases and inventory on hand.

City of Rock Rapids

Schedule of Findings

Year Ended June 30, 2009

Conclusion – Response accepted.

09-I Payroll Tax Filings – Due to a late quarterly Form 941 payroll tax deposit, the City incurred a \$308 penalty from the Internal Revenue Service.

Recommendation – The City should implement policies to ensure all payroll tax forms and deposits are filed and paid by the required due dates.

Response – As part of standard operating procedure, the City files tax forms and pays the necessary tax as soon as complete information is available, but not later than the due date. However, as is possible on a rare occasion, this unusual occurrence took place within extraordinary circumstances. The City will intensify its efforts toward full compliance of timely filing and payment requirements.

Conclusion – Response accepted.

09-J Insurance Policy – The City has received a recommendation from its insurance provider to require “hangarkeepers coverage” in the Airport’s fixed base operator lease. This is a separate policy that covers the aircraft that is being serviced or repaired by the lessee, as this is not covered by the general liability policy.

Recommendation – The City should consider the need to require in its operator lease or maintain adequate “hangarkeepers coverage”.

Response – The City has determined that the airport manager leases the hangar only and is employed by the City for airport maintenance. The City maintains adequate insurance coverage for the airport operations.

Conclusion – Response accepted. Please make sure your City Attorney and insurance agent are in agreement that you have adequate coverage.

09-K Accounting Procedures Manual – The City Library does not have an updated accounting procedures manual for the Library’s accounting system.

Recommendation – An updated accounting procedures manual should be prepared and implemented for the Library’s accounting system.

Response – We will work on updating the Library’s accounting procedures manual.

Conclusion – Response accepted.

City of Rock Rapids

Schedule of Findings

Year Ended June 30, 2009

09-L 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 09-E, 09-G, 09-I, 09-J, 09-1 and 09-2, 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, 2009

Other Findings Related to Required Statutory Reporting:

09-1 Certified Budget – Disbursements during the year ended June 30, 2009 did exceed the amount budgeted in the public safety function before the Council properly increased the budget through a formal budget amendment. 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 in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Budget reports are now reviewed monthly by management and quarterly by the City Council. The City will monitor the disbursements and amend the budget as needed in accordance with the Code of Iowa.

Conclusion – Response accepted.

09-2 Questionable Expenses – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

The City purchased some food for board meetings and for pool employees and bought some gifts for an employee who had medical conditions.

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

Recommendation – The Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies (example: a written food, gifts and sustenance purchases policy should be adopted by the Council) and procedures, including the requirements for proper documentation.

Response – The City has drafted a written policy that identifies the public purpose served by certain types of disbursements subject to proper documentation.

Conclusion – Response accepted.

City of Rock Rapids

Schedule of Findings

Year Ended June 30, 2009

- 09-3 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- 09-4 Business Transactions – No business transactions between the City and City officials or employees were noted.
- 09-5 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.
- 09-6 Council and Board Minutes – No transactions were found that we believe should have been approved in the Council or Library minutes but were not.
- 09-7 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.

City of Rock Rapids

Staff

This audit was performed by:

David De Noble, CPA, Senior Auditor
Carmen Austin, CPA, Senior Auditor
Curt Robison, Assistant Auditor
Craig Hoekstra, Assistant Auditor
Dustin Bosch, Assistant Auditor

De Noble & Company PC
Certified Public Accountants

