

**CITY OF ROCKWELL CITY, IOWA**

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

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

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**City of Rockwell City, Iowa**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Phil Heinlen	Mayor	Jan 2010
John Hepp	Mayor Pro Tem	Jan 2010
David Dawson	Council Member	Jan 2010
JoAnn Hendricks	Council Member	Jan 2011
Mike Roller	Council Member	Jan 2011
Mark Lange	Council Member	Jan 2011
Kelly Smidt	City Clerk	Jan 2010
Joni Hepp	Deputy Clerk/Treasurer	Jan 2010
Steve Hendricks	Attorney	Indefinite

## 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, the business type activities, each major fund and the aggregate remaining fund information of the City of Rockwell City, Iowa, as of and for the year ended June 30, 2009, which along with the discretely presented component unit, collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Rockwell City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 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 of The Rockwell City Public Library Foundation has not been audited, and we were not engaged to audit The Rockwell City Public Library Foundation's financial statement as part of our audit of the City's basic financial statements. The Rockwell City Public Library Foundation's financial activities are included in the City's basic financial statements as a discretely presented component unit and represents 100 percent of the receipts and disbursements of the City's aggregate discretely presented component units. We did not audit the financial statements of the City of Rockwell City's discretely presented component unit and do not express an opinion on such information.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Rockwell City 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 March 18, 2010 on our consideration of the City of Rockwell City's 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 on page 4 through 7 and 25 through 27 are not required parts of the basic 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 financial statements that collectively comprise the City of Rockwell City's 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 years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. 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 financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

March 18, 2010

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Rockwell City 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**

- Revenues of the City's governmental activities decreased by approximately \$343,871 from fiscal 2008 to fiscal 2009. Disbursements decreased by \$1,271,616, in fiscal 2009 from fiscal 2008.
- Revenues of the City's proprietary activities increased less than 1%, while disbursements decreased approximately 1% from fiscal 2008 to fiscal 2009.
- The City's total cash basis net assets decreased approximately \$595,450 from June 30 2008 to June 30, 2009. Of this amount, the assets of the governmental activities decreased approximately \$469,448 and the assets of the business type activities decreased by approximately \$126,002.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures

of Federal Awards provides details of various federal programs benefiting the City.

### **Basis of Accounting**

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

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

#### *Government-wide Financial Statement*

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

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

#### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

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

an accounting device used to accumulate and allocate costs internally among the City's various functions.

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

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$1.874 million to \$1.404 million. Included within this report is an analysis that focuses on the changes in cash balances for governmental activities.

The City's total receipts for governmental activities decreased by 343,871 from 2008 to 2009. The total cost of all programs and services decreased, by approximately \$1,271,616.

The City decreased property tax rates for 2009.

<u>Year</u>	<u>Property Tax Receipts</u>	<u>City Levy</u>
FY06	\$550,634	20.98600
FY07	\$570,704	21.38066
FY08	\$565,035	21.20324
FY09	\$568,022	21.37466

The cost of all governmental activities this year was \$1.897 million compared to \$3.169 million last year. However, as shown in the Statement of Cash Receipts, the amount taxpayers ultimately financed for these activities was only \$568,022 because some of the cost was paid by those directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest. Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2009 from approximately \$1.768 million to approximately \$1.424 million.

Total business type activities receipts for the fiscal year were \$711,586 compared to \$741,204 last year, a decrease of \$29,618. Total disbursements for the fiscal year decreased by approximately \$42,561, at \$880,149 in 2008 compared to \$837,588 in 2009. The propriety cash balance decreased during the year by approximately \$126,002.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As Rockwell City completed the year, its governmental funds reported a combined fund balance of \$1,404,798, an increase of \$7,935 above last year's total of \$1,396,863. 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 \$62,708 from the prior year.
- The employee benefit cash balance increased \$6,347.

- The Road Use Tax Fund cash balance decreased by \$26,796 during the fiscal year.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance decreased by \$129,550 to \$1,054,202.
- The Sewer Fund cash balance increased by \$3,548 to \$260,245.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once, with approval in May 2009. The budget amendments covered several changes, including mosquito control; the sign project; pool repairs; the library/community center; dangerous building demolition; water and wastewater repairs; and adjustments to the police budget.

#### **DEBT ADMINISTRATION**

As of June 30, 2009, the City had approximately \$1,606,000 in bonds, compared to approximately \$1,890,000 last year. In addition, the City has \$227,237 in capital leases for an end loader, fire truck and a police car.

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 is significantly below its constitutional debt limit.

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

Rockwell City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates, and fees that will be charged for various City activities. Due to the loss of state funds and stagnant/declining property values, city officials have been forced to cut departmental budgets during recent years. Each year cuts are forced which are resulting in the provision of fewer services to taxpayers. City officials have implemented incentives for development, such as residential and commercial tax abatement and an urban renewal/TIF district.

#### **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 Kelly Smidt, City Clerk, 335 Main Street, Rockwell City, Iowa 50579.

## **Basic Financial Statements**

City of Rockwell City, Iowa  
Statement of Activities and Net Assets - Cash Basis  
As of and for the year ended June 30, 2009

	Program Receipts			
	Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<u>Disbursements</u>	<u>Service</u>			
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 276,899	14,863		-
Public works	385,380	119,628	186,541	-
Culture and recreation	229,753	61,320	86,120	-
Community and economic development	26,302	-	1,000	-
General government	124,487	3,245	-	-
Debt service	135,911	-	-	-
Capital projects	710,221	-	-	167,692
Total governmental activities	1,896,953	199,056	273,661	167,692
Business type activities:				
Water	549,543	401,586	-	-
Sewer	288,045	286,614	-	-
Total business type activities	837,588	688,200	-	-
<b>Total primary government</b>	<b>\$ 2,734,541</b>	<b>887,256</b>	<b>273,661</b>	<b>167,692</b>
<b>Component Unit:</b>				
Library Foundation	\$ 59,872	-	-	-
<b>General Receipts:</b>				
Property tax levied for:				
General purposes				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
<b>Cash Basis Net Assets</b>				
Restricted:				
Streets				
Capital projects				
Debt service				
Other purposes				
Unrestricted				
<b>Total cash basis net assets</b>				

See notes to financial statements.

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
Primary Government			Component
Governmental Activities	Business Type Activities	Total	Unit Library Foundation
(262,036)	-	(262,036)	-
(79,211)	-	(79,211)	-
(82,313)	-	(82,313)	-
(25,302)	-	(25,302)	-
(121,242)	-	(121,242)	-
(135,911)	-	(135,911)	-
(542,529)	-	(542,529)	-
<u>(1,256,544)</u>	<u>-</u>	<u>(1,256,544)</u>	<u>-</u>
-	(147,957)	(147,957)	-
<u>-</u>	<u>(1,431)</u>	<u>(1,431)</u>	<u>-</u>
<u>-</u>	<u>(149,388)</u>	<u>(149,388)</u>	<u>-</u>
<u>(1,256,544)</u>	<u>(149,388)</u>	<u>(1,405,932)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(59,872)</u>
455,953	-	455,953	-
124,418	-	124,418	-
146,848	-	146,848	-
24,216	23,386	47,602	-
35,661	-	35,661	38,429
<u>787,096</u>	<u>23,386</u>	<u>810,482</u>	<u>38,429</u>
(469,448)	(126,002)	(595,450)	(21,443)
1,874,246	1,440,449	3,314,695	78,321
<u>\$ 1,404,798</u>	<u>1,314,447</u>	<u>2,719,245</u>	<u>56,878</u>
\$ 89,558	-	89,558	-
47,516	-	47,516	-
12,975	230,560	243,535	-
304,619	-	304,619	-
950,130	1,083,887	2,034,017	56,878
<u>\$ 1,404,798</u>	<u>1,314,447</u>	<u>2,719,245</u>	<u>56,878</u>

City of Rockwell City, Iowa

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

As of and for the year ended June 30, 2009

	General	Special Revenue	
		Road Use Tax	Employee Benefits
<b>Receipts:</b>			
Property tax	\$ 271,880	-	155,121
Tax increment financing	-	-	-
Other city tax	16,603	-	9,607
Licenses and permits	3,245	-	-
Use of money and property	26,224	-	-
Intergovernmental	26,573	184,525	-
Charges for service	188,889	-	-
Miscellaneous	<u>62,220</u>	<u>-</u>	<u>3,050</u>
Total receipts	<u>595,634</u>	<u>184,525</u>	<u>167,778</u>
<b>Disbursements:</b>			
<b>Operating:</b>			
<b>Public safety:</b>			
Police	175,749	-	81,166
Civil defense	2,634	-	-
Fire	10,270	-	2,695
Ambulance	<u>4,127</u>	<u>-</u>	<u>-</u>
	<u>192,780</u>	<u>-</u>	<u>83,861</u>
<b>Public works:</b>			
Street lighting	2,036	22,811	-
Airport	11,571	-	-
Solid waste	116,378	-	2,307
Roadway maintenance	<u>-</u>	<u>188,510</u>	<u>41,767</u>
	<u>129,985</u>	<u>211,321</u>	<u>44,074</u>
<b>Health and social services:</b>			
Mosquito control	<u>8,000</u>	<u>-</u>	<u>-</u>
<b>Culture and recreation:</b>			
Library	58,683	-	9,281
Park	64,361	-	1,839
Swimming pool	40,310	-	3,709
Cemetery	14,124	-	557
Community Center	<u>13,260</u>	<u>-</u>	<u>502</u>
	<u>190,738</u>	<u>-</u>	<u>15,888</u>

Exhibit B

Local Option Tax	Capital Projects Library	Other Nonmajor Governmental Funds	Total
-	-	117,175	544,176
-	-	2,742	2,742
146,848	-	7,243	180,301
-	-	-	3,245
-	2,662	180	29,066
-	140,682	18,530	370,310
-	-	-	188,889
-	27,010	16,496	108,776
<u>146,848</u>	<u>170,354</u>	<u>162,366</u>	<u>1,427,505</u>
-	-	258	257,173
-	-	-	2,634
-	-	-	12,965
-	-	-	4,127
<u>-</u>	<u>-</u>	<u>258</u>	<u>276,899</u>
-	-	-	24,847
-	-	-	11,571
-	-	-	118,685
-	-	-	230,277
<u>-</u>	<u>-</u>	<u>-</u>	<u>385,380</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>8,000</u>
-	-	23,127	91,091
-	-	-	66,200
-	-	-	44,019
-	-	-	14,681
-	-	-	13,762
<u>-</u>	<u>-</u>	<u>23,127</u>	<u>229,753</u>

(continued)

City of Rockwell City, Iowa

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

As of and for the year ended June 30, 2009

	General	Road Use Tax	Special Revenue Employee Benefits
Community and economic development:			
Economic development	1,800	-	-
Community beautification	21,760	-	-
	23,560	-	-
General government:			
Policy administration	42,207	-	17,608
Tort liability	64,672	-	-
	106,879	-	17,608
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	651,942	211,321	161,431
Excess (deficiency) of receipts over (under) disbursements	(56,308)	(26,796)	6,347
Other financing sources			
Operating transfers in	-	-	-
Operating transfers out	(6,400)	-	-
Total other financing sources (uses)	(6,400)	-	-
Net change in cash balances	(62,708)	(26,796)	6,347
Cash balances beginning of year	1,012,838	116,354	85,662
Cash balances end of year	\$ 950,130	\$ 89,558	\$ 92,009
<b>Cash Basis Fund Balances</b>			
Reserved:			
Debt service	\$ -	-	-
Unreserved:			
General fund	950,130	-	-
Special revenue funds	-	89,558	92,009
Capital projects	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	\$ 950,130	\$ 89,558	\$ 92,009

See notes to financial statements.

Exhibit B

<u>Local Option Tax</u>	<u>Capital Projects Library</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
-	-	2,742	4,542
-	-	-	21,760
-	-	2,742	26,302
-	-	-	59,815
-	-	-	64,672
-	-	-	124,487
-	-	135,911	135,911
-	709,503	718	710,221
-	709,503	162,756	1,896,953
<u>146,848</u>	<u>(539,149)</u>	<u>(390)</u>	<u>(469,448)</u>
-	-	6,400	6,400
-	-	-	(6,400)
-	-	6,400	-
146,848	(539,149)	6,010	(469,448)
-	589,980	69,412	1,874,246
<u>146,848</u>	<u>50,831</u>	<u>75,422</u>	<u>1,404,798</u>
-	-	12,975	12,975
-	-	-	950,130
146,848	-	10,562	338,977
-	50,831	(3,315)	47,516
-	-	55,200	55,200
<u>146,848</u>	<u>50,831</u>	<u>75,422</u>	<u>1,404,798</u>

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

As of and for the year ended June 30, 2009

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 397,071	286,286	683,357
Miscellaneous	4,515	328	4,843
Total operating receipts	401,586	286,614	688,200
Operating disbursements:			
Business type activities:			
Personal services	89,805	80,455	170,260
Contractual services	19,098	4,815	23,913
Utilities	19,614	28,137	47,751
Repairs and maintenance	16,744	20,481	37,225
Other supplies and expenses	106,043	16,648	122,691
Total operating disbursements	251,304	150,536	401,840
Excess (deficiency) of operating receipts over (under) operating disbursements	150,282	136,078	286,360
Non-operating receipts (disbursements):			
Interest on investments	18,407	4,979	23,386
Capital projects	(166,387)	(3,331)	(169,718)
Debt service:			
Principal redemption	(104,000)	(85,000)	(189,000)
Interest payments	(27,852)	(49,178)	(77,030)
Total non-operating receipts (disbursements)	(279,832)	(132,530)	(412,362)
Net change in cash balances	(129,550)	3,548	(126,002)
Cash balances beginning of year	1,183,752	256,697	1,440,449
Cash balances end of year	\$ 1,054,202	260,245	1,314,447
<b>Cash Basis Fund Balances</b>			
Reserved for improvements	\$ 238,579	-	238,579
Reserved for debt service	65,560	165,000	230,560
Unreserved	750,063	95,245	845,308
Total cash basis fund balances	\$ 1,054,202	260,245	1,314,447

See notes to financial statements.

City of Rockwell City, Iowa

Notes to Financial Statements

June 30, 2009

**(1) Summary of Significant Accounting Policies**

The City of Rockwell City is a political subdivision of the State of Iowa located in Calhoun County. It was first incorporated in 1876 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

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

Discretely Presented Component Unit

The Rockwell City Public Library Foundation is a separate nonprofit organization whose purpose is to help raise funds for a new library building. The records are maintained on the basis of cash receipts and disbursements, with December 31 as its fiscal year end. The Rockwell City Public Library Foundation meets the definition of a component which should be discretely presented. The Foundation's financial statement has not been audited and we do not express any opinion on the financial statement.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since

City of Rockwell City, Iowa

Notes to Financial Statements

June 30, 2009

there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Calhoun County E911 Service Board and Calhoun County Ambulance Authority.

B. Basis of Presentation

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

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

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

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

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

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

City of Rockwell City, Iowa

Notes to Financial Statements

June 30, 2009

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 Employee Benefits Fund is used to account for the transactions for benefits on behalf of city employees.

The Local Option Tax Fund is used to account for transactions for the revenues from the tax authorized by referendum and used for capital improvements, equipment and community programs and services.

Capital Projects:

The Library Fund is used to account for the transactions to construct a new library and community center.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

City of Rockwell City, Iowa

Notes to Financial Statements

June 30, 2009

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

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

D. Budgets and Budgetary Accounting

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

E. Date of Management's Review

Subsequent events have been evaluated through March 18, 2010, which is the date the financial statements were available to be issued.

**(2) Cash**

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 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 at June 30, 2009. During the year ended June 30, 2009 the City invested its excess funds in savings accounts and certificates of deposit.

City of Rockwell City, Iowa

Notes to Financial Statements

June 30, 2009

**(3) Bonds and Notes Payable**

Annual debt service requirements to maturity for revenue bonds, and revenue notes are as follows:

Year Ending June 30,	Revenue Bonds		Revenue Notes	
	Principal	Interest	Principal	Interest
2010	\$ 108,000	56,017	85,000	10,062
2011	112,000	51,695	90,000	5,175
2012	116,000	47,203	-	-
2013	121,000	42,555	-	-
2014	126,000	37,707	-	-
2015	131,000	32,648	-	-
2016	136,000	27,389	-	-
2017	141,000	21,932	-	-
2018	147,000	16,263	-	-
2019	153,000	10,352	-	-
2020	26,000	4,200	-	-
2021	27,000	3,420	-	-
2022	28,000	2,610	-	-
2023	29,000	1,770	-	-
2024	30,000	900	-	-
Total	<u>\$ 1,431,000</u>	<u>356,661</u>	<u>175,000</u>	<u>15,237</u>

Total	
<u>Principal</u>	<u>Interest</u>
193,000	66,079
202,000	56,870
116,000	47,203
121,000	42,555
126,000	37,707
131,000	32,648
136,000	27,389
141,000	21,932
147,000	16,263
153,000	10,352
26,000	4,200
27,000	3,420
28,000	2,610
29,000	1,770
30,000	900
<u>1,606,000</u>	<u>371,898</u>

City of Rockwell City, Iowa

Notes to Financial Statements

June 30, 2009

Revenue Notes/Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,371,000 in Water Revenue Notes/Bonds issued in 1996 and 2004. Proceeds from these notes/bonds provided financing for water improvements. The notes/bonds are payable solely from water customer net receipts and are payable through 2024. Annual principal and interest payments on the notes/bonds are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the notes/bonds is \$651,258. For the current year, principal and interest paid and total customer net receipts were \$131,852 and \$150,282 respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,766,000 in sewer revenue notes issued in April 1999. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2019. Annual principal and interest payments on the notes are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$1,326,641. For the current year, principal and interest paid and total customer net receipts were \$134,178 and \$136,078 respectively.

The resolutions providing for the issuance of the revenue notes and bonds include the following provisions:

- a. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to separate water and sewer revenue sinking accounts for the purpose of making the note principal and interest payments when due.
- c. Additional monthly transfers equal to 25% of the monthly transfers to the water sinking account shall be made to a water reserve account. This account is restricted for the purpose of paying principal and interest should a deficiency exist in the water sinking account.
- d. A water improvement fund shall be maintained requiring a monthly payment of \$2,000; provided, however, that when the amount of said deposits in said fund shall equal or exceed \$75,000, no further monthly deposits need to be made except to maintain it at such level.

City of Rockwell City, Iowa  
Notes to Financial Statements  
June 30, 2009

e. The water and sewer systems shall each maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue bond.

**(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 contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$27,297, \$27,503, and \$29,836 respectively, equal to the required contributions for each year.

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, holiday, and comp time hours for subsequent use or for payment upon termination, retirement or death. Sick leave hours accumulate and are paid only when used. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned benefit payments payable to employees at June 30, 2009, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation, holiday and comp time	\$ 24,000
	=====

This liability has been computed based on rates of pay in effect at June 30, 2009.

City of Rockwell City, Iowa

Notes to Financial Statements

June 30, 2009

**(6) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$1,246 during the year ended June 30, 2009.

**(7) Risk Management**

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

**(8) Capital Leases**

The City entered into a capital lease for the purchase of a police car. This lease is from June 25, 2008 through June 30, 2010. During the year ended June 30, 2009, the city disbursed \$8,737 for this lease.

Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2010	7,776	961	8,737
June 30, 2011	<u>8,242</u>	<u>495</u>	<u>8,737</u>
Total	\$ 16,018	1,456	17,474
	=====	=====	=====

The City entered into a capital lease for the purchase of an end loader. This lease is from May 25, 2005 through May 25, 2010. During the year ended June 30, 2009 the City disbursed \$17,785 for this lease.

Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2010	<u>16,956</u>	<u>829</u>	<u>17,785</u>
Total	\$ 16,956	829	17,785
	=====	=====	=====

City of Rockwell City, Iowa

Notes to Financial Statements

June 30, 2009

The City entered into a capital lease for the purchase of a fire truck. This lease is from December 12, 2005 through December 12, 2015. During the year ended June 30, 2009, the City disbursed \$26,312 for this lease.

Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2010	18,588	7,724	26,312
June 30, 2011	19,534	6,778	26,312
June 30, 2012	20,528	5,784	26,312
June 30, 2013	21,573	4,739	26,312
June 30, 2014	22,671	3,641	26,312
June 30, 2015	23,825	2,487	26,312
June 30, 2016	<u>25,037</u>	<u>1,275</u>	<u>26,312</u>
	\$ 151,756	32,428	184,184
	=====	=====	=====

**(9) Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Projects:	General	
Fire Department – Cap. Improvement		<u>6,400</u>
		\$ 6,400
		=====

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

**(10) Deficit Balances**

The Capital Projects Airport Phase II account had a deficit balance of \$17,934 at June 30, 2009. This deficit balance is due to the result of project costs incurred prior to availability of funds. This deficit will be eliminated upon receipt of federal grants.

**Required Supplementary Information**

City of Rockwell City, Iowa

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

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 544,176	-
Tax increment financing	2,742	-
Other city tax	180,301	-
Licenses and permits	3,245	-
Use of money and property	29,066	23,386
Intergovernmental	370,310	-
Charges for service	188,889	683,357
Miscellaneous	108,776	4,843
Total receipts	<u>1,427,505</u>	<u>711,586</u>
Disbursements:		
Public safety	276,899	-
Public works	385,380	-
Health and social services	8,000	-
Culture and recreation	229,753	-
Community and economic development	26,302	-
General government	124,487	-
Debt service	135,911	-
Capital Projects	710,221	-
Business type activities	-	837,588
Total disbursements	<u>1,896,953</u>	<u>837,588</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(469,448)</u>	<u>(126,002)</u>
Other financing sources	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements	(469,448)	(126,002)
Balances beginning of year	<u>1,874,246</u>	<u>1,440,449</u>
Balances end of year	<u>\$ 1,404,798</u>	<u>1,314,447</u>

See accompanying independent auditor's report.

<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
	<u>Original</u>	<u>Final</u>	
544,176	543,291	543,291	885
2,742	3,100	3,100	(358)
180,301	34,122	34,122	146,179
3,245	3,576	3,576	(331)
52,452	103,675	109,344	(56,892)
370,310	234,876	376,858	(6,548)
872,246	830,452	837,109	35,137
113,619	35,440	99,532	14,087
<u>2,139,091</u>	<u>1,788,532</u>	<u>2,006,932</u>	<u>132,159</u>
276,899	278,201	289,201	12,302
385,380	377,096	423,766	38,386
8,000	-	8,000	-
229,753	161,854	257,854	28,101
26,302	5,100	34,900	8,598
124,487	119,495	126,595	2,108
135,911	136,375	136,375	464
710,221	250,000	805,000	94,779
837,588	778,384	928,384	90,796
<u>2,734,541</u>	<u>2,106,505</u>	<u>3,010,075</u>	<u>275,534</u>
<u>(595,450)</u>	<u>(317,973)</u>	<u>(1,003,143)</u>	<u>407,693</u>
<u>-</u>	<u>-</u>	<u>6,400</u>	<u>(6,400)</u>
(595,450)	(317,973)	(996,743)	401,293
<u>3,314,695</u>	<u>3,625,374</u>	<u>3,314,695</u>	<u>-</u>
<u>2,719,245</u>	<u>3,307,401</u>	<u>2,317,952</u>	<u>401,293</u>

City of Rockwell City, Iowa

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. 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 Funds, the Permanent Fund 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 budgeted disbursements by \$903,570 and budgeted receipts by \$218,400. The budget amendment is reflected in the final budgeted amount.

## **Other Supplementary Information**

City of Rockwell City, Iowa

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

As of and for the year ended June 30, 2009

	Special Revenue			Debt Service
	Library Building Trust	DARE	TIF	
Receipts:				
Property tax	\$ -	-	-	117,175
Tax increment financing	-	-	2,742	-
Other city tax	-	-	-	7,243
Use of money and property	180	-	-	-
Intergovernmental	1,975	-	-	16,555
Miscellaneous	15,946	-	-	-
Total receipts	<u>18,101</u>	<u>-</u>	<u>2,742</u>	<u>140,973</u>
Disbursements:				
Operating:				
Public safety:				
Police	-	258	-	-
Fire	-	-	-	-
Ambulance	-	-	-	-
	<u>-</u>	<u>258</u>	<u>-</u>	<u>-</u>
Public works				
Solid Waste	-	-	-	-
Roadway maintenance	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Culture and recreation:				
Library	23,127	-	-	-
Park	-	-	-	-
Swimming pool	-	-	-	-
Cemetery	-	-	-	-
	<u>23,127</u>	<u>-</u>	<u>-</u>	<u>-</u>
Community and economic development:				
Economic development	-	-	2,742	-
	<u>-</u>	<u>-</u>	<u>2,742</u>	<u>-</u>
General government				
Policy administration	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital projects	-	-	-	-
Debt service	-	-	-	135,911
Total disbursements	<u>23,127</u>	<u>258</u>	<u>2,742</u>	<u>135,911</u>

Schedule 1

Capital Projects			Permanent Cemetery	
<u>Kids Kingdom</u>	<u>Airport Phase II</u>	<u>Fire Department Cap. Improvement</u>	<u>Perpetual Care</u>	<u>Total</u>
-	-	-	-	117,175
-	-	-	-	2,742
-	-	-	-	7,243
-	-	-	-	180
-	-	-	-	18,530
-	-	-	550	16,496
-	-	-	550	162,366
-	-	-	-	258
-	-	-	-	-
-	-	-	-	-
-	-	-	-	258
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	23,127
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	23,127
-	-	-	-	2,742
-	-	-	-	-
718	-	-	-	718
-	-	-	-	135,911
718	-	-	-	162,756

City of Rockwell City, Iowa

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

As of and for the year ended June 30, 2009

	Library Building			Debt Service
	Trust	DARE	TIF	
Other Financing Sources (Uses)				
Operating Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net change in cash balances	(5,026)	(258)	-	5,062
Cash balances beginning of year	15,251	595	-	7,913
Cash balances end of year	10,225	337	-	12,975
<b>Cash Basis Fund Balances</b>				
Reserved:				
Debt service	-	-	-	12,975
Unreserved:				
Special revenue funds	10,225	337	-	-
Capital Projects	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ 10,225	337	-	12,975

See accompanying independent auditor's report.

Capital Projects			Permanent	
<u>Kids</u>	<u>Airport</u>	<u>Fire Department</u>	<u>Cemetery</u>	
<u>Kingdom</u>	<u>Phase II</u>	<u>Cap. Improvement</u>	<u>Perpetual</u>	<u>Total</u>
			<u>Care</u>	
-	-	6,400	-	6,400
-	-	6,400	-	6,400
(718)	-	6,400	550	6,010
8,937	(17,934)	-	54,650	69,412
<u>8,219</u>	<u>(17,934)</u>	<u>6,400</u>	<u>55,200</u>	<u>75,422</u>
-	-	-	-	12,975
-	-	-	-	10,562
8,219	(17,934)	6,400	-	(3,315)
-	-	-	55,200	55,200
<u>8,219</u>	<u>(17,934)</u>	<u>6,400</u>	<u>55,200</u>	<u>75,422</u>

City of Rockwell City, Iowa

Schedule of Indebtedness

Year ended June 30, 2009

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
Emergency services construction	Jun 1, 2000	5.70-5.75 %	\$ 350,000
Total			
Revenue bonds:			
Sewer revenue	Apr 19, 1999	4.23 %	\$ 1,766,000
Water revenue	Apr 30, 2004	3.00 %	466,000
Total			
Revenue notes:			
Water construction	Jul 1, 1996	5.00-5.75 %	\$ 905,000
Capital leases:			
End Loader	May 25, 2005	4.89 %	80,455
Fire Truck	Dec 12, 2005	5.09 %	202,289
Police Car	June 26, 2008	6.00 %	24,677
Total			

See accompanying independent auditor's report.

Schedule 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
95,000	-	95,000	-	5,463	-
<u>\$ 95,000</u>	<u>-</u>	<u>95,000</u>	<u>-</u>	<u>5,463</u>	<u>-</u>
1,149,000	-	85,000	1,064,000	48,603	-
386,000	-	19,000	367,000	11,580	-
<u>\$ 1,535,000</u>	<u>-</u>	<u>104,000</u>	<u>1,431,000</u>	<u>60,183</u>	<u>-</u>
<u>260,000</u>	<u>-</u>	<u>85,000</u>	<u>175,000</u>	<u>14,908</u>	<u>-</u>
33,117	-	16,166	16,951	1,619	-
169,443	-	17,687	151,756	8,625	-
24,677	-	8,659	16,018	78	-
<u>\$ 227,237</u>	<u>-</u>	<u>42,512</u>	<u>168,707</u>	<u>10,322</u>	<u>-</u>

City of Rockwell City, Iowa

Bond and Note Maturities

June 30, 2009

Year Ending <u>June 30.</u>	Revenue Bonds			
	Sewer Revenue 1		Sewer Revenue 2	
	Series 1999		Series 1999	
	Interest <u>Rates</u>	<u>Amount</u>	Interest <u>Rates</u>	<u>Amount</u>
2010	4.23 %	\$ 86,000	4.23 %	\$ 2,000
2011	4.23	90,000	4.23	2,000
2012	4.23	93,000	4.23	2,000
2013	4.23	97,000	4.23	2,000
2014	4.23	102,000	4.23	2,000
2015	4.23	106,000	4.23	2,000
2016	4.23	110,000	4.23	2,000
2017	4.23	115,000	4.23	2,000
2018	4.23	120,000	4.23	2,000
2019	4.23	125,000	4.23	2,000
2020		-		-
2021		-		-
2022		-		-
2023		-		-
2024		-		-
Total		<u>\$ 1,044,000</u>		<u>\$ 20,000</u>

See accompanying independent auditor's report.

Schedule 3

<u>Water Revenue</u> Series 2004			<u>Revenue Notes</u> Water Construction Issued July, 1996	
Interest			Interest	
<u>Rates</u>	<u>Amount</u>	<u>Total</u>	<u>Rates</u>	<u>Amount</u>
3.00 %	\$ 20,000	108,000	5.75 %	\$ 85,000
3.00	20,000	112,000	5.75	90,000
3.00	21,000	116,000		-
3.00	22,000	121,000		-
3.00	22,000	126,000		-
3.00	23,000	131,000		-
3.00	24,000	136,000		-
3.00	24,000	141,000		-
3.00	25,000	147,000		-
3.00	26,000	153,000		-
3.00	26,000	26,000		-
3.00	27,000	27,000		-
3.00	28,000	28,000		-
3.00	29,000	29,000		-
3.00	30,000	30,000		-
	<u>\$ 367,000</u>	<u>1,431,000</u>		<u>\$ 175,000</u>

City of Rockwell City, Iowa

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

For the Last Six Years

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Receipts:			
Property tax	\$ 544,176	532,617	536,756
Other city tax	180,301	32,418	33,948
Licenses and permits	3,245	3,835	3,851
Use of money and property	29,066	105,168	115,328
Intergovernmental	370,310	713,777	545,849
Charges for service	188,889	191,316	247,366
Miscellaneous	<u>108,776</u>	<u>189,503</u>	<u>2,135,374</u>
 Total	 <u>\$ 1,424,763</u>	 <u>1,768,634</u>	 <u>3,618,472</u>
Disbursements:			
Operating			
Public safety	\$ 276,899	278,323	375,246
Public works	385,380	361,426	336,653
Health and social services	8,000	-	-
Culture and recreation	229,753	142,224	174,448
Community and economic development	26,302	7,186	5,197
General government	124,487	106,277	101,103
Debt service	135,911	132,589	144,183
Capital projects	<u>710,221</u>	<u>2,140,544</u>	<u>489,676</u>
 Total	 <u>\$ 1,896,953</u>	 <u>3,168,569</u>	 <u>1,626,506</u>

See accompanying independent auditor's report.

<u>2006</u>	<u>2005</u>	<u>2004</u>
516,996	510,503	522,195
33,638	34,421	32,292
4,446	3,250	3,597
51,982	28,949	19,401
229,282	319,200	302,489
253,458	228,905	206,066
<u>90,786</u>	<u>40,593</u>	<u>22,352</u>
<u><u>1,180,588</u></u>	<u><u>1,165,821</u></u>	<u><u>1,108,392</u></u>
335,787	436,336	370,836
409,035	335,467	294,759
-	6,200	6,751
141,138	134,989	145,277
2,495	2,195	36,149
139,614	102,024	124,006
116,759	110,654	104,965
<u>37,734</u>	<u>-</u>	<u>3,001</u>
<u><u>1,182,562</u></u>	<u><u>1,127,865</u></u>	<u><u>1,085,744</u></u>

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, the business type activities, each major fund and the aggregate remaining fund information of the City of Rockwell City, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated March 18, 2010. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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 Rockwell City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Rockwell City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Rockwell City's 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 Rockwell City's 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 Rockwell City's financial statements that is more than inconsequential will not be prevented or detected by the City of Rockwell City's internal control. We consider the deficiencies in internal control described in Part I of 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 financial statements will not be prevented or detected by the City of Rockwell City's 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 item I-A-09 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Rockwell City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of 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 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 Rockwell City's 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 Rockwell City's 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 Rockwell City and other parties to whom the City of Rockwell City may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

March 18, 2010

City of Rockwell City, Iowa

Schedule of Findings

Year ended June 30, 2009

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

I-A-09 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 certain functions are not entirely segregated, such as preparing receipts and posting utility billing.

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.

Response – We feel we are doing the best we can with the limited personnel we have.

Conclusion – Response acknowledged.

I-B-09 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. The City of Rockwell City does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

City of Rockwell City, Iowa

Schedule of Findings

Year ended June 30, 2009

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with the cash basis of accounting can be considered costly and ineffective. However, it is the responsibility of the City’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis.

Conclusion – Response accepted.

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

- II-A-09 Certified Budget – Disbursements during the year ended June 30, 2009, did not exceed the amounts budgeted.
- II-B-09 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-09 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Rockwell City, Iowa

Schedule of Findings

Year ended June 30, 2009

II-D-09 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
John Hepp, Council Member owns Johns Car Clinic	Repairs	\$ 149
Phil Hammen, Employee, Self-employed	Skid Loader Rental	\$ 1,097

In accordance with Chapter 362.5(10) of the Code of Iowa, the above transactions do not appear to represent conflicts of interest since total transactions with each individual were less than \$2,500 during the fiscal year.

II-E-09 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that coverage is adequate for current operations.

II-F-09 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-09 Deposits and Investments - No instances of non-compliance with the deposit and investments provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-H-09 Revenue Notes/Bonds – The City's wastewater treatment system did not maintain net revenues of 110% of the principal and interest due on the sewer revenue bond as stated in the loan agreement.

Recommendation – City officials should review this to insure they are in compliance with their loan agreement.

Response – We will review this. We have increased our sewer rates and refinanced our debt. These measures should bring us into compliance.

Conclusion – Response accepted.

City of Rockwell City, Iowa

Schedule of Findings

Year ended June 30, 2009

II-I-09 Financial Condition – The Capital Projects Airport Phase II account had a deficit balance of \$17,934 at June 30, 2009.

Recommendation – The City should investigate alternatives to eliminate this deficit and return it to a sound financial position.

Response – This deficit was due to construction costs incurred prior to receipt of federal grants and will be eliminated upon such receipt.

Conclusion – Response accepted.