

CITY OF ROCKWELL, IOWA
FINANCIAL STATEMENTS
JUNE 30, 2009

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Officials

Name	Title	Term Expiration
Don Brown	Mayor	December 31, 2009
Mark Waite	Council Member	December 31, 2009
Michael Flatness	Council Member	December 31, 2011
Adam Wedmore	Council Member	December 31, 2009
Bill Nurehring	Council Member	December 31, 2009
David Laudner	Council Member	December 31, 2011
Lorna Weier	City Clerk	Indefinite
Matthew Berry	Attorney	Indefinite

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Rockwell, Iowa

We have audited the accompanying financial statements of the primary governmental activities, the business-type activities and each major fund of the City of Rockwell, 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. These financial statements are the responsibility of the 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 auditing standards generally accepted in the United States of America 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 that 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 accounting principles generally accepted in the United States of America. Also, as permitted by the Code of Iowa, the financial statements of the City of Rockwell, Iowa, have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution, by fund, of the total fund balance at July 1, 2008.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units. The financial statements referred to above include only the primary government of the City of Rockwell, Iowa, which consists of all funds, organizations, agencies, departments and offices that comprise the City's legal entity.

The financial statements do not include the cash transactions of the legally separate component units (the Linn Grove Recreational Center, Inc., Rockwell Municipal Fire Department or the Rockwell City Library) for the year ended June 30, 2009 which, in our opinion, should have been included to present the total cash transactions of the City's fund types. If the omitted transactions had been included in the financial statements, the effect would have been to increase general fund receipts, disbursements and ending fund balances by approximately \$181,000, \$129,000 and \$83,000, respectively. 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 activities, business-type activities and each major fund of the City of Rockwell, Iowa, at June 30, 2009, and the respective changes in the 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 October 15, 2009 on our consideration of the City of Rockwell, Iowa'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 Pages 4 through 8 and Page 17 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 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's basic financial statements. The supplemental information included on Pages 18 through 21 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.



HOGAN - HANSEN

Mason City, Iowa
October 15, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Rockwell 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

- Revenue of the City's governmental activities decreased 7%, or approximately \$32,000, from fiscal 2008 to fiscal 2009. Miscellaneous revenue decreased approximately \$32,000.
- Disbursements of the City's governmental activities increased 0.5%, or approximately \$2,000, in fiscal 2009 from fiscal 2008. Public Safety disbursements decreased approximately \$24,000 while Culture and Recreation disbursements increased approximately \$23,000.
- The City's total cash basis net assets increased 15.5%, or approximately \$112,000, from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities increased approximately \$64,000 and the assets of the business-type activities increased by approximately \$48,000.

USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The Government-Wide Financial Statement consists of a Statement of Activities and Net Assets - Cash Basis. 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 the 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 other information.

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 accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this financial 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 - Cash Basis reports information which helps answer this question.

The Statement of Activities and Net Assets - Cash Basis 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 - Cash Basis 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 taxes and state grants finance most of these activities.
- Business-Type Activities include the water works 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 the General Fund and the Special Revenue Fund (Road Use Tax). 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 statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from \$366,032 to \$429,723. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year Ended June 30, 2009
Receipts:	
Program Receipts:	
Charges for service	\$ 50,810
Operating grants, contributions and restricted interest	96,559
General Receipts:	
Property taxes	178,518
Other city tax	3,927
Local option sales taxes	132,688
Grants and contributions not restricted to specific purposes	640
Unrestricted investment earnings	<u>2,655</u>
Total Receipts	<u>465,797</u>
Disbursements:	
Public Safety	64,418
Public Works	166,121
Health and Social Services	1,575
Culture and Recreation	77,242
Community and Economic Development	21,538
General Government	<u>71,212</u>
Total Disbursements	<u>402,106</u>
Increase in Cash Basis Net Assets	63,691
Cash Basis Net Assets - Beginning of Year	<u>366,032</u>
Cash Basis Net Assets - End of Year	<u>\$ 429,723</u>

The City's total receipts for governmental activities decreased by 7%, or \$32,410. The total cost of all programs and services increased approximately \$2,000, or 0.5%, with no new programs added this year. The decrease in receipts was primarily the result of the City having received a payment of \$30,000 from Midwest Wireless for construction of a cell tower in 2008.

Based on increases in the total assessed valuation, property tax receipts are budgeted to increase \$3,782 next year.

The cost of all governmental activities this year was \$402,106. However, as shown in the Statement of Activities and Net Assets - Cash Basis on Page 9, the amount taxpayers ultimately financed for these activities was only \$254,737 because some of the cost was paid by those directly benefited by the programs (\$50,810) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$96,559). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$315,000 in taxes (some of which could only be used from certain programs) with other receipts, such as interest and general entitlements, and with cash reserves generated from previous year local option tax receipts.

Changes in Cash Basis Net Assets of Business-Type Activities	
	Year Ended June 30, 2009
Receipts:	
Program Receipts:	
Charges for Service:	
Water	\$ 94,885
Sewer	62,700
Capital grants, contributions and restricted interest	6,299
General Receipts:	
Unrestricted investment earnings	<u>2,525</u>
Total Receipts	<u>166,409</u>
Disbursements:	
Water	69,748
Sewer	<u>48,725</u>
Total Disbursements	<u>118,473</u>
Increase in Cash Basis Net Assets	47,936
Cash Basis Net Assets - Beginning of Year	<u>353,189</u>
Cash Basis Net Assets - End of Year	<u>\$ 401,125</u>

Total business-type activities receipts for the fiscal year were approximately \$166,000 compared to \$163,000 last year. The cash balance increased by approximately \$48,000 from the prior year because the City implemented new rates for services. Total disbursements for the fiscal year increased by 14% to a total of \$118,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Rockwell completed the year, its governmental funds reported a combined fund balance of \$429,723, an increase of \$63,691 from last year's total of \$366,032. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased by \$73,126 from the prior year to \$363,272. Approximately \$45,000 of this increase was due to a reduction in the number of police officers and the shifting of Public Works salaries to water and sewer.
- The Road Use Tax Fund cash balance decreased by \$9,435 to \$66,451 during the fiscal year. This decrease was attributable to a decrease in funds from the state for road use.

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$26,337 to \$211,697 due primarily to increasing rates.
- The Sewer Fund cash balance increased by \$21,599 to \$189,428 due primarily to increasing rates.

BUDGETARY HIGHLIGHTS

The City over expended its budget in the Public Works and Culture and Recreation functions.

DEBT ADMINISTRATION

At June 30, 2009, the City had \$137,713 in revenue bonds outstanding, compared to \$146,136 last year, as shown below.

Outstanding Debt at Year End	
	Year Ended June 30, 2009
Sewer Revenue Bonds	<u>\$ 137,713</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Rockwell'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. One of those factors is the economy. During the budget preparation, the consumer price index was listed at 0.4%. In addition, the employees were granted a 2% wage increase for the 2009 calendar year.

These indicators were taken into account when adopting the budget for fiscal year 2010. Amounts available for appropriation in the operating budget are \$766,977. Included in this amount are \$122,000 of fund transfers between different funds of the City. Net of transfers, total amounts available for appropriation are \$644,977, an increase of 4% from the final 2009 budget. The majority of the increase is due to expected other city tax proceeds of approximately \$8,000 along with an increase in charges for services of approximately \$10,000. The City will use these increases in receipts to finance programs we currently offer, complete a street asphalt project, complete construction of a new aquatic center and defray a portion of the costs of providing water and sewer services. Budgeted disbursements (net of transfers between different funds of the City) are expected to increase approximately \$21,000 from the 2009 budget. The increase is due mainly to upcoming road construction and the construction of a new aquatic center. The City has added no major new programs or initiatives to the 2010 budget.

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 Lorna Weier, City Clerk, 114 Third Street North, P.O. Box 446, Rockwell, Iowa 50469.

Basic Financial Statements

Statement of Activities and Net Assets - Cash Basis

Year Ended June 30, 2009

Functions/Programs	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Public Safety	\$ 64,418	\$ —	\$ 3,905	\$ (60,513)	\$ —	\$ (60,513)
Public Works	166,121	48,980	84,238	(32,903)	—	(32,903)
Health and Social Services	1,575	—	—	(1,575)	—	(1,575)
Culture and Recreation	77,242	—	—	(77,242)	—	(77,242)
Community and economic development	21,538	—	—	(21,538)	—	(21,538)
General government	71,212	1,830	8,416	(60,966)	—	(60,966)
Total Governmental Activities	402,106	50,810	96,559	(254,737)	—	(254,737)
Business-Type Activities						
Water.....	69,748	94,885	1,200	—	26,337	26,337
Sewer.....	48,725	62,700	5,099	—	19,074	19,074
Total Business-Type Activities.....	118,473	157,585	6,299	—	45,411	45,411
Total.....	\$ 520,579	\$ 208,395	\$ 102,858	(254,737)	45,411	(209,326)
General Receipts						
Property tax levied for general purposes				178,518	—	178,518
Other city tax				3,927	—	3,927
Local option sales tax				132,688	—	132,688
Grants and contributions not restricted to specific purpose				640	—	640
Unrestricted interest on investments.....				2,655	2,525	5,180
Total General Receipts				318,428	2,525	320,953
Increase in Cash Basis Net Assets						
Cash Basis Net Assets - Beginning of Year				366,032	353,189	719,221
Cash Basis Net Assets - End of Year				\$ 429,723	\$ 401,125	\$ 830,848
Cash Basis Net Assets						
Restricted						
Streets.....				\$ 66,451	\$ —	\$ 66,451
Other purposes				345,910	—	345,910
Unrestricted.....				17,362	401,125	418,487
Total Cash Basis Net Assets				\$ 429,723	\$ 401,125	\$ 830,848

See accompany notes to the financial statements.

Statement of Cash Receipts, Disbursements and Changes in Cash

Balances - Governmental Funds

Year Ended June 30, 2009

	General	<u>Special Revenue</u> Road Use Tax	Total
Receipts			
Property tax	\$ 178,518	\$ —	\$ 178,518
Other city tax	136,615	—	136,615
Licenses and permits.....	560	—	560
Use of money and property	4,485	—	4,485
Intergovernmental.....	3,810	82,478	86,288
Charges for service	48,980	—	48,980
Miscellaneous.....	9,151	1,200	10,351
Total Receipts	<u>382,119</u>	<u>83,678</u>	<u>465,797</u>
Disbursements			
Operating			
Public Safety	64,418	—	64,418
Public Works	73,008	93,113	166,121
Health and Social Services	1,575	—	1,575
Culture and Recreation	77,242	—	77,242
Community and Economic Development	21,538	—	21,538
General Government	71,212	—	71,212
Total Disbursements	<u>308,993</u>	<u>93,113</u>	<u>402,106</u>
Receipts Over (Under) Disbursements..	73,126	(9,435)	63,691
Cash Balances - Beginning of Year.....	<u>290,146</u>	<u>75,886</u>	<u>366,032</u>
Cash Balances - End of Year	<u>\$ 363,272</u>	<u>\$ 66,451</u>	<u>\$ 429,723</u>
Cash Basis Fund Balances			
Reserved			
Local option tax.....	\$ 345,910	\$ —	\$ 345,910
Unreserved			
General fund	17,362	—	17,362
Special revenue fund	<u>—</u>	<u>66,451</u>	<u>66,451</u>
Total Cash Basis Fund Balances	<u>\$ 363,272</u>	<u>\$ 66,451</u>	<u>\$ 429,723</u>

See accompanying notes to the financial statements.

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

Year Ended June 30, 2009

	Water	Sewer	Total
Operating Receipts			
Use of money and property	\$ —	\$ 2,525	\$ 2,525
Charges for service	<u>94,885</u>	<u>62,700</u>	<u>157,585</u>
Total Operating Receipts	<u>94,885</u>	<u>65,225</u>	<u>160,110</u>
Operating Disbursements			
Business-type activities	<u>69,748</u>	<u>48,725</u>	<u>118,473</u>
Operating Receipts Over Operating Disbursements	25,137	16,500	41,637
Nonoperating Receipts			
Intergovernmental.....	<u>1,200</u>	<u>5,099</u>	<u>6,299</u>
Excess Receipts Over Disbursements	26,337	21,599	47,936
Cash Balances - Beginning of Year.....	<u>185,360</u>	<u>167,829</u>	<u>353,189</u>
Cash Balances - End of Year	<u>\$ 211,697</u>	<u>\$ 189,428</u>	<u>\$ 401,125</u>
Cash Basis Fund Balances			
Unreserved	<u>\$ 211,697</u>	<u>\$ 189,428</u>	<u>\$ 401,125</u>

See accompanying notes to the financial statements.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

The City of Rockwell is a political subdivision of the State of Iowa located in Cerro Gordo County. It was first incorporated in 1870 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, Public Improvements and General Administrative Services. The City also provides water and sewer utilities for its citizens.

Reporting Entity

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

The City has elected to exclude the Linn Grove Recreational Center, Inc. (Linn Grove REC), Rockwell Municipal Fire Department (Fire Department) and Rockwell City Library (Library) from the financial statements. Because of the significance of their operational and financial relationships with the City, Linn Grove REC, Fire Department and Library should be included as part of the City's reporting entity. Separate financial statements are not available for these entities.

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 there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Cerro Gordo County Assessor's Conference Board, Cerro Gordo County Emergency Management Commission and Cerro Gordo County Joint E911 Service Board.

Basis of Presentation

Government-Wide Financial Statements

The statement of activities and net assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenue, 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. Total restricted net assets at June 30, 2009 were \$412,361.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

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.

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 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.

Basis of Accounting

The City of Rockwell 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 accounting principles generally accepted in the United States of America.

Proprietary funds distinguish operating receipts and disbursements from nonoperating 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 nonoperating receipts and disbursements.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the Public Works and Culture and Recreation functions.

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

City investments are categorized to give an indication of the level of risk assumed by the City at year end. The City had no investments at June 30, 2009.

(3) Bonds Payable

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2010.....	\$ 8,844	\$ 6,886
2011.....	9,287	6,443
2012.....	9,751	5,979
2013.....	10,238	5,492
2014.....	10,750	4,980
2015-19	62,373	16,277
2020-21	26,470	1,927
	<u>\$ 137,713</u>	<u>\$ 47,984</u>

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

1. The bonds will only be redeemed from the future earnings of the sewer rental activity and the bond holders hold a lien on the future earnings of the funds.
2. Sufficient monthly transfers shall be made to a sewer note sinking account for the purpose of making the bond and note principal and interest payments when due.

Notes to the Financial Statements

(3) Bonds Payable

3. Additional monthly transfers shall be made to a sewer revenue reserve account for the purpose of making the maximum amount of principal and interest coming due in any succeeding fiscal year.
4. All funds remaining in the sewer rental account after the payment of all maintenance and operating expenses and required transfers may be used for the purpose of paying for any improvement, extension or repair to the system, or for bond and interest payments which the other accounts might be unable to make.

(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 \$9,785, \$14,251 and \$17,536, 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. Vacation benefits are payable in full when used or upon termination, retirement or death. Sick leave hours are payable in full when used but are not paid upon termination or death. Sick leave benefits may be paid, at the option of the City, to retiring employees at the rate of \$10 per day of sick leave accrued.

These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2009, primarily relating to the General Fund is as follows:

Type of Benefit	Amount
Vacation.....	\$ 5,118
Sick leave	<u>2,423</u>
Total	<u>\$ 7,541</u>

This liability has been computed based on rates of pay as of June 30, 2009.

Notes to the Financial Statements

(6) Related Party Transactions

The City had business transactions between the City and City officials totaling \$1,572 during the year ended June 30, 2009.

(7) Risk Management

The City of Rockwell 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) Subsequent Events

In July, 2009, the Council accepted the low bid of \$1,157,000 from Dean Snyder Construction for the construction of the Rockwell Municipal Aquatic Center.

Required Supplemental Information 

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

Year Ended June 30, 2009

	Governmental Funds - Actual	Proprietary Funds - Actual	Net	Budgeted Amounts Original and Final	Final to Net Variance
Receipts					
Property tax	\$ 178,518	\$ —	\$ 178,518	\$ 172,768	\$ 5,750
Other city tax	136,615	—	136,615	143,672	(7,057)
Licenses and permits.....	560	—	560	1,245	(685)
Use of money and property ...	4,485	2,525	7,010	4,500	2,510
Intergovernmental.....	86,288	6,299	92,587	85,000	7,587
Charges for service	48,980	157,585	206,565	202,450	4,115
Miscellaneous.....	10,351	—	10,351	11,000	(649)
Total Receipts	<u>465,797</u>	<u>166,409</u>	<u>632,206</u>	<u>620,635</u>	<u>11,571</u>
Disbursements					
Public Safety.....	64,418	—	64,418	86,835	22,417
Public Works.....	166,121	—	166,121	156,350	(9,771)
Health and Social Services....	1,575	—	1,575	1,800	225
Culture and Recreation.....	77,242	—	77,242	77,200	(42)
Community and Economic Development	21,538	—	21,538	56,000	34,462
General Government.....	71,212	—	71,212	79,360	8,148
Business-Type Activities.....	—	118,473	118,473	152,270	33,797
Total Disbursements	<u>402,106</u>	<u>118,473</u>	<u>520,579</u>	<u>609,815</u>	<u>89,236</u>
Receipts Over Disbursements	63,691	47,936	111,627	10,820	100,807
Balances - Beginning of Year	<u>366,032</u>	<u>353,189</u>	<u>719,221</u>	<u>656,033</u>	<u>63,188</u>
Balances - End of Year.....	<u>\$ 429,723</u>	<u>\$ 401,125</u>	<u>\$ 830,848</u>	<u>\$ 666,853</u>	<u>\$ 163,995</u>

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. 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, special revenue funds and proprietary funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. There were no budget amendments during the year.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the Public Works and Culture and Recreation functions.

Other Supplementary Information 

Schedule of Indebtedness

Year Ended June 30, 2009

	Amount Originally Issued	Date of Issue	Interest Rates
Sewer Revenue Bonds.....	<u>\$ 265,300</u>	4-28-82	5.00%

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
<u>\$ 146,136</u>	<u>\$ —</u>	<u>\$ 8,423</u>	<u>\$ 137,713</u>	<u>\$ 7,307</u>	<u>\$ —</u>

Schedule of Bond Maturities

At June 30, 2009

Year Ending June 30,	Revenue Bonds	
	Sewer	
	Issued 4-28-82	
	Interest Rates	Amount
2010.....	5.00%	\$ 8,844
2011.....	5.00	9,287
2012.....	5.00	9,751
2013.....	5.00	10,238
2014.....	5.00	10,750
2015.....	5.00	11,288
2016.....	5.00	11,852
2017.....	5.00	12,445
2018.....	5.00	13,067
2019.....	5.00	13,720
2020.....	5.00	14,407
2021.....	5.00	12,064
Totals		<u>\$ 137,713</u>

Schedule of Sewer Rates

Year Ended June 30, 2009

Sewer Usage Level	Monthly Rate Per Thousand Gallons
First 2,000 gallons	\$9.00
2,001 to 20,000 gallons	1.25
More than 20,000 gallons	1.15
Minimum monthly charge	9.00
Number of customers	411

Schedule of Insurance Coverage

Year Ended June 30, 2009

Type of Coverage	Insurer	Expiration Date	Limits
Property	EMC Insurance Companies	April 1, 2010	\$1,452,607
Liability	EMC Insurance Companies	April 1, 2010	2,000,000
Crime	EMC Insurance Companies	April 1, 2010	10,000
Inland Marine	EMC Insurance Companies	April 1, 2010	69,000
Automobile	EMC Insurance Companies	April 1, 2010	\$1,000,000 per vehicle
Workers' Compensation	EMC Insurance Companies	April 1, 2010	500,000
Umbrella	EMC Insurance Companies	April 1, 2010	2,000,000
Fidelity	EMC Insurance Companies	April 1, 2010	\$50,000 per employee
Errors and Omissions	EMC Insurance Companies	April 1, 2010	1,000,000

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

To the Honorable Mayor and
Members of the City Council
City of Rockwell, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Rockwell, 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 October 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Rockwell'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 significant deficiencies in internal control over financial reporting that 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'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's financial statements that is more than inconsequential will not be prevented or detected by the City of Rockwell'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'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 all of them are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Rockwell's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which 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'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's responses and, accordingly, we express no opinion on them.

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



HOGAN - HANSEN

Mason City, Iowa
October 15, 2009

Schedule of Findings

Part I: Findings Related to the Financial Statements

Significant Deficiencies

I-A-09 Segregation of Duties

Prior Audit Finding and Recommendation - The concentration of closely related duties and responsibilities such as the handling of cash receipts and disbursements, recording of the cash transactions and preparing various reports by a small staff makes it impossible to establish an adequate system of automatic checks for good internal control. We realize the condition will be difficult to improve on without hiring additional staff. However, we do believe it is important that the Council be aware this condition does exist and make changes when appropriate and cost effective.

Current Year Finding - We noted that some effort is being made to segregate duties as someone other than the Clerk performs monthly bank reconciliations but more improvement is needed.

Auditor's Recommendation - We reiterate our prior year recommendation.

City's Response - We will consider this.

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

I-B-09 Records of Accounts

Prior Audit Finding and Recommendation - The Fire Department and Library maintain the accounting records pertaining to the operations of the Fire Department and 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," we recommend that for better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be recorded in the Clerk's records.

Current Year Finding - The records of the Fire Department, Library and now the Linn Grove Recreational Center, Inc. are still not recorded in the Clerk's records.

Auditor's Recommendation - We reiterate our prior year recommendation.

City's Response - We monitor the financial statements of the Fire Department, Library and Linn Grove Recreational Center, Inc. We will consider including the financial activity and balances of the Fire Department, Library and Linn Grove Recreational Center, Inc. in the City Clerk's records on an annual basis in the future.

Auditor's Conclusion - Response accepted.

Schedule of Findings

I-C-09 Reconciliation of Utility Billings, Collections and Delinquencies

Prior Audit Finding and Recommendation - Utility billings and collections were not reconciled to outstanding accounts receivable balances throughout the year. Also, utility collections were not reconciled to deposits. We recommend that procedures be established to reconcile utility billings, collections and delinquencies for each billing period and also to reconcile collections to deposits. The Council or a Council-designated independent person should review the reconciliations.

Current Year Finding - We noted some effort is being made to reconcile and monitor receivables, but more improvement is needed.

Auditor's Recommendation - We reiterate our prior year recommendation.

City's Response - We will consider implementing the procedures that have been recommended.

Auditor's Conclusion - We believe that the City Council needs to monitor that improvement is made in the internal controls over this area to prevent and detect fraud.

I-D-09 Past-Due Utility Accounts

Prior Audit Finding and Recommendation - The City has several past-due accounts for its water and sewer utility including three current employees. The City should implement collection activities, including shutting off service for past-due accounts.

Current Year Finding - We noted the City still has several delinquent utility accounts including one current employee and one Council member. Many of the past-due accounts would be turned off if the City's current delinquent utility procedures were being followed.

Auditor's Recommendation - We reiterate our prior year recommendation.

City's Response - The City is aware of the past-due accounts and is working with the customers to collect the accounts. We don't believe it is necessary to shut off the accounts in order to collect the balances due.

Auditor's Conclusion - Response accepted; however, we believe that the City Council should continue to monitor this situation until all of the accounts are no longer delinquent.

I-E-09 Payroll Issues

Finding - The current accounting policy requires the Mayor to approve all time sheets prior to disbursement of employee payroll. We noted several instances where payroll was disbursed without the Mayor's approval of the time sheet. We also noted clothing allowances were not properly reported on employee W-2's as taxable wages.

Schedule of Findings

Auditor's Recommendation - The Mayor should approve all time sheets prior to disbursement of employee payroll and clothing allowances should be reported as taxable wages on the employee W-2.

City's Response - We will make sure this is being done in the future.

Auditor's Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting

II-A-09 Certified Budget

Finding and Recommendation - Disbursements for the year ended June 30, 2009 exceeded the amounts budgeted in the Public Works and Culture and Recreation functions. Chapter 384.20 of the Code of Iowa states, in part that public monies may not be expended or encumbered except under an annual or continuing appropriation. We recommend the budget be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

City's Response - The budget will be amended timely in the future, if applicable.

Auditor's Conclusion - Response accepted.

II-B-09 Questionable Disbursements - We noted no disbursements 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.

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

Name, Title and Business Connection	Transaction Description	Amount
Don Brown, Mayor, owner of B & B Home Improvements	Crosswalks	\$1,406
Lorna Weier, City Clerk, part-owner of Weier's Lawn Service	Water leak and grass seeding	166

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Mayor and City Clerk do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 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 should be reviewed annually to ensure that the coverage is adequate for current operations.

Schedule of Findings

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 Revenue Bond Sinking and Reserve Fund Requirements

Finding and Recommendation - The Sewer Revenue Bond requires sinking and reserve funds to be set up in the City's chart of accounts and properly funded. While the money is set aside in separate certificates of deposit, the separate funds are not set up in the City's accounting system. We recommend the City set up the proper funds in their accounting system.

City's Response - We will set up the necessary funds and monitor future expenditures.

Auditor's Conclusion - Response accepted.

II-H-09 Compliance with Laws and Regulations

Finding and Recommendation - The Code of Iowa does not allow interest income to be recorded in the Road Use Tax Fund but rather any interest earned on the funds should be recorded in the General Fund. The City recorded interest income in the Road Use Fund. We recommend that all interest earned on the Road Use Fund be transferred to and recorded in the General Fund.

City's Response - We will do so.

Auditor's Conclusion - Response accepted.

II-I-09 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-J-09 Competitive Bidding Process

Finding - Prior to entering into a contract for street improvements, the City paid the contractor \$15,000 from local option taxes collected.

Auditor's Recommendation - The City should follow proper bidding procedures on street improvements with an estimated total cost in excess of \$45,000. This includes advertising for sealed bids as provided in Chapter 26.3 and publishing notice more than 4 days but not more than 20 days before the due date of the hearing.

City's Response - We will follow proper bidding procedures in the future.

Auditor's Conclusion - Response accepted.