CITY OF CORWITH

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2012

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CITY OF CORWITH

OFFICIALS

Name	Title	Term Expires
	(Before January 2012)	
Jay Gourley	Mayor	Jan 2012
Mike Petersen	Mayor Pro-tem	Jan 2012
Matt Hobscheidt	Council Member	Jan 2013
Matt Tindall	Council Member	Jan 2013
Craig Steenhard	Council Member	Jan 2012
Wade Nall	Council Member	Jan 2012
Janet Dietel	City Clerk	July 2013
David L. Fenchel	Attorney	July 2013
	(After January 2012)	
Jay Gourley	Mayor	Jan 2014
Mike Petersen	Mayor Pro-tem	Jan 2016
Matt Hobscheidt	Council Member	Jan 2013
Matt Tindall	Council Member	Jan 2013
Sharon Spellins	Council Member	Jan 2016
Wade Nall	Council Member	Jan 2016
Janet Dietel	City Clerk	July 2013
David L. Fenchel	Attorney	July 2013

Renner & Birchem, PC
Certified Public Accountants
"Where people who care make the difference"

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MICHAEL J. BIRCHEM, CPA, CFP®

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Corwith, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of City of Corwith's management. Our responsibility is to express opinions 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 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 U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City 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, 2011.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2011, as discussed in the preceding paragraph, 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 Corwith as of June 30, 2012, 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 October 25, 2012 on our consideration of the City of Corwith'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 on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Corwith's basic financial statements. The supplementary information included in Schedules 1 through 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2011, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Corwith's basic financial statements. Management's Discussion and Analysis and budgetary comparison information on pages 6 through 12 and 23 through 24 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

October 25, 2012

Renner & Birchem, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Corwith 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, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 4.1% or $8,163, from fiscal 2011 to fiscal 2012. Capital grants decreased $35,916 and other general receipts increased $24,811.

- Disbursements increased .3% or $637 in fiscal 2012 from fiscal 2011. Debt service disbursements increased $600.

- The City's total cash basis net assets increased 7.4%, or $28,159, from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities increased $42,394 and the assets of the business type activities decreased by $14,235.

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 financial 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.

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

Supplementary Information provides detailed information about the City's indebtedness.

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 that 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, health and social services, 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, electric, 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, 3) the Debt Service Fund and 4) the Capital Projects 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 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 three Enterprise Funds to provide separate information for the water, sewer and electric funds, considered to be major funds of the City.

The required financial statements 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, increasing from $20,510 to $62,904. 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,	
	Audited	Unaudited
	2012	2011
Receipts:		
Program receipts:		
Charges for service	$2,180	2,250
Operating grants, contributions and restricted interest	45,837	46,210
Capital grants, contributions and restricted interest		35,916
General receipts:		
Property tax	60,931	60,675
Local option sales tax	24,411	21,203
Unrestricted investment earnings	8	87
Other general receipts	59,308	34,497
Total receipts	192,675	200,838

Disbursements:		
Public safety	20,238	16,666
Public works	60,905	32,349
Culture and recreation	40,154	41,711
Community & economic development	5,690	18,257
General government	44,354	53,873
Debt service	29,547	28,947
Capital projects	11,133	19,581
Total disbursements	212,021	211,384
Change in cash basis net assets before transfers	(19,346)	(10,546)
Transfers, net	61,740	47,212
Change in cash basis net assets	42,394	36,666
Cash basis net assets beginning of year	20,510	(16,156)
Cash basis net assets end of year	$62,904	20,510

The City's total receipts for governmental activities decreased by 4.1%, or $8,163. The total cost of all programs and services increased by $637, or .3%, with no new programs added this year.

The City's property tax receipts increased by $256 in 2012.

The cost of all governmental activities this year was $212,021 compared to $211,384 last year. However, as shown in the Statement of Activities and Net Assets on page 14, the amount taxpayers ultimately financed for these activities was only $164,004 because some of the cost was paid by those directly benefited from the programs ($2,180) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest ($45,837), Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service totaled $48,017. The City paid for the remaining "public benefit" portion of governmental activities with $164,004 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	Audited	Unaudited
	2012	2011
Receipts:		
Program receipts:		
Charges for service:		
Water	$37,928	37,030
Sewer	30,892	30,276
Electric	383,173	330,102
Miscellaneous	196,618	
General receipts:		
Unrestricted interest on investments	37	30
Other general receipts	9,245	10,450
Total receipts	657,893	407,888
Disbursements:		
Water	59,873	49,224
Sewer	33,649	40,217
Electric	516,866	262,064
Total disbursements	610,388	351,505
Change in cash basis net assets before transfers	47,505	56,383
Transfers, net	(61,740)	(47,212)
Change in cash basis net assets	(14,235)	9,171
Cash basis net assets beginning of year	358,136	348,965
Cash basis net assets end of year	$343,901	358,136

Total business type activities receipts for the fiscal year were $657,893 compared to $407,888 last year. Total disbursements for the fiscal year increased by 73.6 % to a total of $610,388. The significant increase in receipts and disbursements is attributed to the Gold Eagle Cooperative expansion project. The cash balance decreased by $14,235 during the fiscal year compared to an increase of $9,171 last year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Corwith completed the year, its governmental funds reported a combined fund balance of $62,904, an increase of $42,394 above last year's total of $20,510. 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 $16,374 from the prior year to $14,486, due mainly to transfers from the Electric Fund.

- The Road Use Tax Fund cash balance increased by $907 to $15,660 during the fiscal year.

- The Employee Benefits Fund balance increased by $648 to $3,341 during the fiscal year.

- There was an increase in the Debt Service Fund cash balance of $1 for an ending balance of $8,557.

- Capital Projects Fund cash balance increased from ($3,604) to $20,860. The increase is due to the receipt of donations for the fire station project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by $16,642 to $34,924 during the fiscal year.

- The Sewer Fund cash balance increased by $9,477 to $70,934 during the fiscal year.

- The Electric Fund cash balance decreased by $7,070 to $238,043 during the fiscal year.

BUDGETARY HIGHLIGHTS

The City did not amend its budget during the fiscal year June 30, 2012.

DEBT ADMINISTRATION

At June 30, 2012, the City had $215,857 in bonds and other long-term debt outstanding, compared to $249,166 last year, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	Audited	Unaudited
	2012	2011
General obligation bonds and short-term borrowing	$ 88,000	97,000
Revenue notes	127,875	152,166
Total	**$215,875**	**249,166**

The constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of $88,000 is significantly below its constitutional debt limit of approximately $321,979.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Corwith's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates, and fees charged for various City activities.

These indicators were taken into account when adopting the budget for fiscal year 2013. Amounts available for appropriation in the operating budget are $700,004, an increase of 6.2 % from the final 2012 budget. Budgeted disbursements are expected to increase by $65,129.

If these estimates are realized, the City's budgeted cash balance is expected to decrease $26,949 by the close of 2013. Actual amounts can and usually do differ from budgeted amounts.

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 Janet Dietel, City Clerk, 108 NW Elm Street, Corwith, Iowa.

BASIC FINANCIAL STATEMENTS

City of Corwith

Exhibit A

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2012

		Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions / Programs:						
Governmental activities:						
Public safety	$ 20,238		9,290	(10,948)		(10,948)
Public works	60,905	30	17,197	(43,678)		(43,678)
Culture and recreation	40,154	2,150	19,350	(18,654)		(18,654)
Community and economic development	5,690			(5,690)		(5,690)
General government	44,354			(44,354)		(44,354)
Debt service	29,547			(29,547)		(29,547)
Capital projects	11,133			(11,133)		(11,133)
Total governmental activities	212,021	2,180	45,837	(164,004)		(164,004)
Business type activities:						
Water	59,873	37,928			(21,945)	(21,945)
Sewer	33,649	30,892			(2,757)	(2,757)
Electric	516,866	383,173			(133,693)	(133,693)
Total business type activities	610,388	451,993			(158,395)	(158,395)
Total	$ 822,409	454,173	45,837	(164,004)	(158,395)	(322,399)
General Receipts and Transfers:						
Property tax levied for:						
General purposes				$ 53,068		53,068
Employees benefits and insurance				7,863		7,863
Local option sales tax				24,411		24,411
Unrestricted interest on investments				8	37	45
Miscellaneous				59,308	205,863	265,171
Transfers				61,740	(61,740)	
Total general receipts and transfers				206,398	144,160	350,558
Change in cash basis net assets				42,394	(14,235)	28,159
Cash basis net assets beginning of year				20,510	358,136	378,646
Cash basis net assets end of year				$ 62,904	343,901	406,805
Cash Basis Net Assets						
Restricted:						
Expendable:						
Streets				$ 15,660		15,660
Debt service				8,557	15,337	23,894
Other purposes				24,201		24,201
Unrestricted				14,486	328,564	343,050
Total cash basis net assets				$ 62,904	343,901	406,805

See notes to financial statements.

City of Corwith

Exhibit B

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

As of and for the year ended June 30, 2012

	General	Special Revenue: Road Use Tax	Special Revenue: Employee Benefits	Debt Service	Capital Project	Total
Receipts:						
Property tax	$ 53,068		7,863			60,931
Other city tax	24,411					24,411
Licenses and permits	1,798					1,798
Use of money and property	8			16,740		16,748
Intergovernmental	28,640	17,197				45,837
Charges for services	2,180					2,180
Miscellaneous	5,173				35,597	40,770
Total receipts	115,278	17,197	7,863	16,740	35,597	192,675
Disbursements:						
Operating:						
Public safety	19,037		1,201			20,238
Public works	43,122	16,302	1,481			60,905
Culture and recreation	37,832		2,322			40,154
Community & economic development	5,690					5,690
General government	43,204		1,150			44,354
Debt service				29,547		29,547
Capital projects					11,133	11,133
Total disbursements	148,885	16,302	6,154	29,547	11,133	212,021
Excess (deficiency) of receipts over (under) disbursements	(33,607)	895	1,709	(12,807)	24,464	(19,346)
Other financing sources (uses):						
Operating transfers in	74,404	12		12,808		87,224
Operating transfers out	(24,423)		(1,061)			(25,484)
Total other financing sources (uses)	49,981	12	(1,061)	12,808		61,740
Net change in cash balances	16,374	907	648	1	24,464	42,394
Cash balances beginning of year	(1,888)	14,753	2,693	8,556	(3,604)	20,510
Cash balances end of year	$ 14,486	15,660	3,341	8,557	20,860	62,904
Cash Basis Fund Balances						
Restricted for:						
Debt service				8,557		8,557
Streets		15,660				15,660
Employee benefits			3,341			3,341
Capital projects fund					20,860	20,860
Unassigned	$ 14,486					14,486
Total cash basis fund balances	$ 14,486	15,660	3,341	8,557	20,860	62,904

See notes to financial statements.

Exhibit C

City of Corwith

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

As of and for the year ended June 30, 2012

	Proprietary Funds			
	Water	Sewer Rental	Electric	Total
Operating receipts:				
Charges for service	$ 37,928	30,892	383,173	451,993
Miscellaneous			196,618	196,618
Total operating receipts	37,928	30,892	579,791	648,611
Operating disbursements:				
Business type activities	43,651	33,649	516,866	594,166
Total operating disbursements	43,651	33,649	516,866	594,166
Excess (deficiency) of operating receipts over (under) operating disbursements	(5,723)	(2,757)	62,925	54,445
Non-operating receipts (disbursements):				
Interest on investments	19	6	12	37
Miscellaneous	1,520	3,581	4,144	9,245
Debt service	(16,222)			(16,222)
Net non-operating receipts (disbursements)	(14,683)	3,587	4,156	(6,940)
Excess (deficiency) of receipts over (under) disbursements	(20,406)	830	67,081	47,505
Other financing sources (uses):				
Operating transfers in	9,764	14,647		24,411
Operating transfers out	(6,000)	(6,000)	(74,151)	(86,151)
Total other financing sources (uses)	3,764	8,647	(74,151)	(61,740)
Net change in cash balances	(16,642)	9,477	(7,070)	(14,235)
Cash balance beginning of year	51,566	61,457	245,113	358,136
Cash balances end of year	$ 34,924	70,934	238,043	343,901
Cash Basis Fund Balances				
Restricted for debt service	$ 15,337			15,337
Unrestricted	19,587	70,934	238,043	328,564
Total cash basis fund balances	$ 34,924	70,934	238,043	343,901

See notes to financial statements.

(1) Summary of Significant Accounting Policies

The City of Corwith is a political subdivision of the State of Iowa located in Hancock County. It was first incorporated in 1886 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water, sewer and electric utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Corwith 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 no component units which meet the Governmental Accounting Standards Board criteria.

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: Hancock County Assessor's Conference Board and Hancock County Development Commission, Hancock County Disaster/911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all 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 the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City.

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

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. 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 has elected to report all governmental funds as major funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and emergency levies 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 the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits fund is used to account for property tax collected and payment of employee benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

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

The City reports the following major proprietary funds:

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

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Electric Fund accounts for the operation and maintenance of the City's electric utility system.

C. Measurement Focus and 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.

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.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

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. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the public works, community and economic development and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2012 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's investment consisted entirely of certificates of deposits in local banks. The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3 as amended by Statement No. 40.

(3) Bonds Payable

Annual debt service requirements to maturity for general obligation and revenue bonded indebtedness are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 9,000	4,400	25,391	6,658	34,391	11,058
2014	10,000	3,950	26,531	5,389	36,531	9,339
2015	10,000	3,450	16,819	4,285	26,819	7,735
2016	11,000	2,050	12,203	4,394	23,203	6,444
2017	11,000	2,400	13,030	2,667	24,030	5,067
2018	12,000	1,850	13,902	1,795	25,902	3,645
2019	12,000	1,250	14,834	864	26,834	2,114
2020	13,000	650	5,165	70	18,165	720
	$ 88,000	20,000	127,875	26,122	215,875	46,122

(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 5.38% of their annual covered salary and the City is required to contribute 8.07% 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 year ended June 30, 2012, was $5,848 equal to the required contributions for the year.

(5) Other Postemployment Benefits(OPEB)

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 2 active members in the plan. Participants must be age 55 or older at retirement.

The dental and vision benefits are provided through a fully-insured plan with True North. Retirees pay the same premium for the dental benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are $14 for single coverage for vision benefits and $42 for single coverage and $147 for family coverage for dental benefits. The same monthly premiums apply to retirees. For the year ended June 30, 2012 the City contributed $1,264.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. Sick leave hours are accumulated for subsequent use but are not paid upon termination, retirement, or death. Comp time hours are accumulated for subsequent use but are not paid upon termination or retirement. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2012, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount June 30, 2012
Vacation	$ 1,897

This liability has been computed based on rates of pay as of June 30, 2012.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General Fund	Special Revenue:	
	Employee Benefits	$ 1,061
	Enterprise:	
	Water	6,000
	Sewer	6,000
	Electric	61,343
		74,404
Special Revenue:		
Road Use Tax	General	12
Debt Service	Enterprise:	
	Electric	12,808
Enterprise:		
Water	General	9,764
Sewer	General	14,647
Total		$111,635

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

(8) 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.

OTHER INFORMATION

City of Corwith

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

Other Information

Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts	Final to Total
Receipts:					
Property tax	$ 60,931		60,931	60,387	544
Other city tax	24,411		24,411	25,709	(1,298)
Licenses and permits	1,798		1,798	1,755	43
Use of money and property	16,748	37	16,785	135	16,650
Intergovernmental	45,837		45,837	152,100	(106,263)
Charges for services	2,180	451,993	454,173	396,705	57,468
Miscellaneous	40,770	205,863	246,633	5,900	240,733
Total receipts	192,675	657,893	850,568	642,691	207,877
Disbursements:					
Public safety	20,238		20,238	20,701	463
Public works	60,905		60,905	31,018	(29,887)
Culture and recreation	40,154		40,154	41,768	1,614
Community and economic development	5,690		5,690		(5,690)
General government	44,354		44,354	50,932	6,578
Debt service	29,547		29,547	33,015	3,468
Capital projects	11,133		11,133	108,000	96,867
Business type activities		610,388	610,388	376,390	(233,998)
Total disbursements	212,021	610,388	822,409	661,824	(160,585)
Excess (deficiency) of receipts over (under) disbursements	(19,346)	47,505	28,159	(19,133)	47,292
Other financing sources, net	61,740	(61,740)		16,740	(16,740)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	42,394	(14,235)	28,159	(2,393)	30,552
Balances beginning of year	20,510	358,136	378,646	265,934	112,712
Balances end of year	$ 62,904	343,901	406,805	263,541	143,264

See accompanying independent auditor's report.

City of Corwith

Notes to Other Information – Budgetary Reporting

June 30, 2012

The budgetary comparison is presented 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 Fund. 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, Debt Service Fund, Capital Projects Funds and 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 ended June 30, 2012, disbursements exceeded the amounts budgeted in the public works, community and economic development and business type activities functions.

SUPPLEMENTARY INFORMATION

Schedule 1

City of Corwith

Schedule of Indebtedness

Year ended June 30, 2012

Obligation	Date of Issue	Interest Rate	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General Obligation:								
City Hall/Library	12/1/2003	5.00%	$ 150,000	$ 97,000		9,000	88,000	4,850
Revenue Bonds/notes:								
Water treatment note-Prairie Energy	10/15/2004	3.00%	$ 40,000	14,685		4,253	10,432	382
Water treatment note-Corn Belt Power	10/15/2004	3.00	100,000	36,712		10,631	26,081	956
Post office lease participation note	9/30/2004	6.50	150,000	100,769		9,407	91,362	6,290
Total revenue bonds/debt				$ 152,166		24,291	127,875	7,628

See accompanying independent auditor's report.

Schedule 2

City of Corwith

Bond and Note Maturities

June 30, 2012

Year Ending June 30,	GENERAL OBLIGATION City Hall/ Library Issued December 1, 2003		REVENUE NOTES Water Treatment - PE Issued October 15, 2004		Water Treatment - CBP Issued October 15, 2004		Post Office Issued September 30, 2004		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2013	5.00%	$ 9,000	3.00	4,382	3.00	10,955	6.50	10,054	25,391
2014	5.00	10,000	3.00	4,515	3.00	11,288	6.50	10,728	26,531
2015	5.00	10,000	3.00	1,535	3.00	3,838	6.50	11,446	16,819
2016	5.00	11,000					6.50	12,203	12,203
2017	5.00	11,000					6.50	13,030	13,030
2018	5.00	12,000					6.50	13,902	13,902
2019	5.00	12,000					6.50	14,834	14,834
2020	5.00	13,000					6.50	5,165	5,165
Total		**$ 88,000**		**10,432**		**26,081**		**91,362**	**127,875**

See accompanying independent auditor's report.

Renner & Birchem, PC
Certified Public Accountants
"Where people who care make the difference"

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Corwith, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 25, 2012. Our report on the financial statements which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2011. Except as noted in the Independent Auditor's Report, 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

The management of the City of Corwith is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Corwith'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 Corwith's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Corwith's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Corwith's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-12 and I-B-12 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-C-12 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Corwith'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, 2012 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 Corwith'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 Corwith'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 Corwith and other parties to whom the City of Corwith may report, including federal awarding agencies and pass-through entities, and 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 Corwith 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.

October 25, 2012

Renner & Birchem, P.C.

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

I-A-12 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts functions and the cash disbursement functions are all done by the same person.

Recommendation - We realize that with a limited number of office employees segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate this.

Conclusion - 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-12 Preparation of Financial Statements – The City does not have an internal control system designed to provide for the preparation of the financial statements 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. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for the governmental entity similar in population to the City of Corwith. It is the responsibility of 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.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, the City's management and those charged with governance should decide whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – The City will continue to review and monitor procedures currently in place and evaluate the risks to be accepted in preparation of the financial statements.

Conclusion - Response accepted.

I-C-12 Posting of Financial Transactions – Receipts and disbursements were not always posted to the correct accounts.

Recommendation – More care should be exercised when posting transactions to reduce the incidence of mispostings.

Response – In the future, more care will be exercised when posting transactions.

Conclusion – Response accepted.

CITY OF CORWITH

Schedule of Findings

Year Ended June 30, 2012

Part I: Findings Related to the Financial Statements (continued):

Instances of Non-Compliance:
No matters were noted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Questionable Disbursements – We noted no disbursements that do not meet the requirements of public purpose as defined in Attorney General's opinion dated April 25, 1979.

II-B-12 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-C-12 Business Transactions – No business transactions between the City and City officials or employees were noted.

II-D-12 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 insure that the coverage is adequate for current operations.

II-E-12 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-F-12 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-G-12 Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the public works, community and economic development and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – The Budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

II-H-12 Revenue Bonds – No instances of non-compliance with the revenue bond and note resolutions were noted.