

CITY OF SAC CITY, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

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

Table of Contents

	<u>Page</u>	
Officials	1	
Independent Auditor's Report	2-4	
Management's Discussion and Analysis	5-11	
Basic Financial Statements:		<u>Exhibit</u>
Government-wide Financial Statement:		
Statement of Activities and Net Position – Cash Basis	A	12-13
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	14-15
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Position	C	16
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D	17-18
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Position	E	19
Notes to Financial Statements		20-32
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		33-34
Notes Other Information – Budgetary Reporting		35

Table of Contents (continued)

		<u>Page</u>
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	36-37
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Proprietary Funds	2	38
Schedule of Indebtedness	3	39-40
Note Maturities	4	41
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	5	42-43
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 <u>Government Auditing Standards</u>		44-46
Schedule of Findings		47-50

City of Sac City, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Barb Bloes	Mayor	Jan 2016
Teresa Bruening	Mayor Pro Tem	Jan 2016
Bill Brenny	Council Member	Jan 2016
Gary Hansen	Council Member	Jan 2016
Duane Huster	Council Member	Jan 2014
Nich Frohardt	Council Member	Jan 2014
Adam Ledford	City Administrator	Jan 2014
Sandy Tellinghuisen	City Clerk/Treasurer	Jan 2014
Colin McCullough	Attorney	Jan 2014
Matt Wallace	Airport Commission	Jan 2014
Jim Currie	Airport Commission	Jan 2014
Milo Lines	Airport Commission	Jan 2016
Earl Zimmerman	Airport Commission	Jan 2019

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

714 14th Avenue North
Fort Dodge, IA 50501-7098
Phone 515.955.4805 • Fax 515.955.4673

Lowell W. Cornwell, C.P.A.
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.
jjmaher@frontiernet.net

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Sac City, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Sac City as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sac City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 5 through 11 and 33 through 35 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2014 on our consideration of the City of Sac City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Sac City's internal control over financial reporting and compliance.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

March 21, 2014

City of Sac City Management's Discussion & Analysis June 30, 2013

The discussion and analysis is intended to be an easily readable analysis of the City of Sac City's financial activities based on current conditions. This analysis focuses on activities for the year ended June 30, 2013 and should be read in conjunction with the financial statements within this report.

2013 Financial Highlights

- Total governmental funds cash balances increased 56% or approximately \$415,417 from fiscal year 2012 to 2013. This dramatic increase is a direct result of one-time funds from IDOT for the transfer of the Main Street jurisdiction.
- Disbursements of the City's governmental activities increased 9.5% or approximately \$145,000 in fiscal year 2012 to 2013. This increase is most directly a result of realized expenses resulting from the planned 2012 street improvement project.
- Revenues of the City's governmental activities increased 34.6% or approximately \$538,000 from fiscal year 2012 to 2013. This amount is a result of the above mentioned one-time IDOT funds.
- Total business funds cash balances decreased 29% or approximately \$291,000 from fiscal year 2012 to 2013. While many elements are included in this result unanticipated facility and equipment repairs and replacements contributed. Another factor of importance is the ongoing efforts to stabilize the sanitary sewer fund now that major improvements have been successfully completed.
- Disbursements of the City's business activities decreased 2.6% or approximately \$72,000.
- Revenues of the City's business activities decreased 13.8% or approximately \$380,000. This is due to completion of the loan disbursements as part of the sewer projects.

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 State of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

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

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

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

Other Supplementary Information provides detailed information about lower priority governmental funds.

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 readers 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 Position reports information which help answer this question.

The Statement of Activities and Net Position presents the City's net position. 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 Position is divided into two kinds of activities:

- Governmental Activities included public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects. Property taxes, state grants, and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, and municipal gas utilities. 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, 4) the Capital Projects Funds, and 5) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental operations and the basic services it provides. Government fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2. Proprietary funds accounts for the City's Enterprise Funds and for the Internal Service Fund. Enterprise funds are used to report business type activities. The City maintains four enterprise funds to provide separate information for the water, sewer, gas, and garbage funds of which water and gas are determined to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

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

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

Continued on Next Page

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities

	<u>2012-2013</u>	<u>2011-2012</u>
Receipts & transfers:		
<i>Program Receipts:</i>		
Charges for service	69,136	72,032
Intergovernmental	731,270	272,748
Capital Grants	18,909	45,794
<i>General Receipts:</i>		
Property Tax	798,648	755,640
Other City Tax	191,831	185,701
Miscellaneous	124,607	117,992
Use of Money & Property	1,079	1,226
Transfers, Net	155,300	101,875
Bond Proceeds	0	0
Total Receipts:	<u>2,090,780</u>	<u>1,553,008</u>
Disbursements:		
Public Safety	398,268	371,107
Public Works	502,303	496,624
Culture & Recreation	244,083	272,630
Community & Econ Dev	4,342	3,850
General Government	193,566	205,072
Debt Service	279,357	134,430
Capital Projects	53,444	45,794
Total Disbursements:	<u>1,675,363</u>	<u>1,529,507</u>
Change in cash basis net position	415,417	23,501
Cash basis net position beginning of the year	742,313	718,812
Cash basis net position end of the year	<u>1,157,730</u>	<u>742,313</u>

The City's total receipts for government activities for Fiscal Year 2012-2013 were \$2,090,780 compared to \$1,553,008 the previous year. This reflects a 34.6% increase in receipts mostly due to a one-time DOT transfer of jurisdiction of Main Street.

The expenditures of all governmental activities for Fiscal Year 2012-2013 were \$1,675,363 compared to \$1,529,507 the previous year. This reflects a 9.5% increase in disbursements due in large part to unexpected realization of project expenses.

Changes in Cash Basis Net Position of Business Type Activities

	<u>2012-2013</u>	<u>2011-2012</u>
Receipts:		
<i>Program Receipts:</i>		
Sewer	418,765	421,946
Gas	1,086,935	1,089,249
Water	532,907	543,216
Non-major (Solid Waste/Storm)	288,167	285,947
<i>General Receipts:</i>		
Miscellaneous	35,149	24,575
Intergovernmental	162,958	488,939
Interest	6,500	4,128
Bond Proceeds	0	0
Transfers In	<u>(155,300)</u>	<u>(101,875)</u>
Total Receipts:	<u>2,376,081</u>	<u>2,756,125</u>
Disbursements:		
Sewer	561,855	932,723
Gas	1,135,527	1,078,339
Water	620,137	470,202
Non-major	<u>349,456</u>	<u>257,970</u>
Total Disbursements:	<u>2,666,975</u>	<u>2,739,234</u>
Change in cash basis net position	(290,894)	16,891
Cash basis net position beginning of year	<u>1,002,243</u>	985,352
Cash basis net position end of year	<u>711,349</u>	<u>1,002,243</u>

Total business activities receipts for the fiscal year were \$2.376 million compared to \$2.756 million last year. The 13.8% decrease occurred as a direct result of reduced grant proceeds.

Total disbursements for the fiscal year were \$2.667 million compared to \$2.739 million last year. The 2.6% decrease in disbursements most directly resulted from the end of the sanitary sewer project.

The balance decreased approximately \$290,894 to \$711,349 from the prior year. The 29% decrease was partially due to unanticipated facility and equipment repairs and replacements in addition to continued difficulty stabilizing the sanitary sewer fund as a result of major previous projects.

Individual Major Governmental Fund Analysis

As Sac City completed the year, its governmental funds reported a combined fund balance of \$1,159,639 and increase of \$415,498 above last year's total of \$744,141.

While the balance in the major funds stayed fairly consistent, the following are major contributors to the changes in fund balances from the prior year.

- The General Fund cash balance increased from \$208,675 to \$763,852. This dramatic change is a direct result of one-time funds from the transfer of Main Street jurisdiction from IDOT to the City.
- The Capital Funds cash balance decreased from \$235,317 to \$68,782. This change resulted from expenses resulting from street related projects.
- The Special Revenue Funds cash balance decreased from \$114,031 to \$113,360.
- The Debt Service Fund cash balance increased from \$63,897 to \$89,893.
- The Permanent Fund cash balance increase from \$86,728 to \$88,728.

Individual Major Business Type Fund Analysis

As Sac City completed the year, its business funds reported a decrease in the combined fund balance above last year's total. While the balance in the major funds stayed fairly consistent, the following are major contributors to the changes in fund balances from the prior year.

- The Gas Fund cash balance decreased from \$665,485 to \$633,649.
- The Sewer Fund cash balance decreased from \$118,019 to (\$45,724). This balance reflects both continued efforts to stabilize a fund post major project and an error in debt service payment reflected elsewhere in the audit results. Utility rates have been increase twice in the last 16 months along with reductions in department expenses in order to resolve the issues.
- The Water Fund cash balance decreased from \$50,062 to \$26,201. This reflects unanticipated facility and equipment repair/replacements.
- The Non-Major Fund (Solid Waste/Storm) cash balance decreased from \$171,152 to \$99,660. This was mostly due to unanticipated realization of major project expenses.

Budgetary Highlights

Over the course of the year, the City amended its budget once for \$669,500. \$600,000 was reported as an increased in expenditures as a result of three projects (2013 Street Overlay Project, 2012 Street Improvement Project, and 2013 Airport Improvement Project). The remaining \$69,500 reflects minor increases mostly resulting from capital purchases originally anticipated in the 2012 budget.

Debt Administration

At June 30, 2013, the City had approximately \$4,896,000 in bonds and other long-term debt, compared to approximately \$6,915,042 the previous year, as shown below.

Outstanding Debt at Year-End

	<u>2013</u>	<u>2012</u>
General Obligation Bonds	<u>\$230,000</u>	<u>\$285,000</u>
Revenue Debt	<u>\$4,666,000</u>	<u>\$6,630,042</u>
Total	<u>\$4,896,000</u>	<u>\$6,915,042</u>

Debt decreased as a result of the elimination in forgivable loans as part of the sanitary sewer department improvements. No new general obligation bonds were created while the City continued to pay down existing bonds.

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 of \$230,000 is significantly below its constitutional debt limit of over \$3 million.

Economic Factors & Next Year's Budget & Rates

Several factors were considered and affected the preparation of the City's 2013 budget, as follows:

- The local economy is moderately stable with some concerns as a result of the ongoing national recession.
- The local unemployment rate has remained lower than the state of Iowa averages.
- The rate lids and property tax rollback imposed by the state of Iowa.
- Grant revenues.

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 any questions about this report or require additional information, contact Charles Adam Ledford, City Administrator, 302 E. Main Street, Sac City, Iowa.

Basic Financial Statements

City of Sac City, Iowa
Statement of Activities and Net Position - Cash Basis
As of and for the year ended June 30, 2013

		Program Receipts		
<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 398,268	5,788	16,388	
Public works	502,303	7,550	698,681	
Culture and recreation	244,083	55,798	16,201	
Community and economic development	4,342	-	-	
General government	193,566	-	-	
Debt service	279,357	-	-	
Capital projects	53,444	-	-	
Total governmental activities	1,675,363	69,136	731,270	
Business type activities:				
Gas	1,135,527	1,086,935	-	
Water	620,137	532,907	-	
Sewer	561,855	418,765	162,958	
Nonmajor	349,456	288,167	-	
Total business type activities	2,666,975	2,326,774	162,958	
Total primary government	4,342,338	2,395,910	894,228	
Component unit:				
Airport	\$ 37,509	25,720	-	
General Receipts:				
Property tax and other city tax levied for:				
General purposes				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Cemetery Perpetual Care				
Expendable:				
Streets				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Unit
Governmental Activities	Business Type Activities	Total	Airport
(376,092)	-	(376,092)	-
203,928	-	203,928	-
(172,084)	-	(172,084)	-
(4,342)	-	(4,342)	-
(193,566)	-	(193,566)	-
(279,357)	-	(279,357)	-
(34,535)	-	(34,535)	-
<u>(856,048)</u>	<u>-</u>	<u>(856,048)</u>	<u>-</u>
-	(48,592)	(48,592)	-
-	(87,230)	-	-
-	19,868	19,868	-
<u>-</u>	<u>(61,289)</u>	<u>(61,289)</u>	<u>-</u>
<u>-</u>	<u>(177,243)</u>	<u>(177,243)</u>	<u>-</u>
<u>(856,048)</u>	<u>(177,243)</u>	<u>(1,033,291)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,789)</u>
798,648	-	798,648	-
-	-	-	-
191,831	-	191,831	-
1,079	6,500	7,579	454
124,607	35,149	159,756	20,335
155,300	(155,300)	-	-
<u>1,271,465</u>	<u>(113,651)</u>	<u>1,157,814</u>	<u>20,789</u>
415,417	(290,894)	124,523	9,000
742,313	1,002,243	1,744,556	64,121
<u>\$ 1,157,730</u>	<u>711,349</u>	<u>1,869,079</u>	<u>73,121</u>
88,728	-	88,728	-
35,024	-	35,024	-
89,893	-	89,893	-
182,142	-	182,142	-
761,943	711,349	1,473,292	73,121
<u>\$ 1,157,730</u>	<u>711,349</u>	<u>1,869,079</u>	<u>73,121</u>

City of Sac City, Iowa
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2013

		Special revenue	
	General	Road Use Tax	Employee Benefits
Receipts:			
Property tax	\$ 480,130	-	287,795
Other city tax	18,018	-	10,924
Licenses and permits	19,453	-	-
Use of money and property	17,972	-	-
Intergovernmental	497,325	229,415	433
Charges for service	53,013	-	-
Special assessments	-	-	-
Miscellaneous	75,759	-	-
Total receipts	1,161,670	229,415	299,152
Disbursements:			
Operating:			
Public safety	398,268	-	-
Public works	272,419	229,884	-
Culture and recreation	241,118	-	-
Community and economic development	4,342	-	-
General government	193,485	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	1,109,632	229,884	-
Excess (deficiency) of receipts over (under) disbursements	52,038	(469)	299,152
Other financing sources (uses):			
Operating transfers in	503,139	-	-
Operating transfers out	-	-	(299,152)
Total other financing sources (uses)	503,139	-	(299,152)
Net change in cash balances	555,177	(469)	-
Cash balances beginning of year	208,675	35,493	-
Cash balances end of year	\$ 763,852	35,024	-
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for:			
Streets	-	35,024	-
Debt service	-	-	-
Capital projects	-	-	-
Other purposes	-	-	-
Unassigned	763,852	-	-
Total cash basis fund balances	\$ 763,852	35,024	-

See notes to financial statements.

Exhibit B

<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
628	-	768,553
-	191,831	220,773
-	-	19,453
-	-	17,972
-	24,160	751,333
-	-	53,013
-	-	-
-	28,624	104,383
<u>628</u>	<u>244,615</u>	<u>1,935,480</u>
-	-	398,268
-	-	502,303
-	2,965	244,083
-	-	4,342
-	-	193,485
279,357	-	279,357
-	53,444	53,444
<u>279,357</u>	<u>56,409</u>	<u>1,675,282</u>
<u>(278,729)</u>	<u>188,206</u>	<u>260,198</u>
304,725	15,000	822,864
-	(368,412)	(667,564)
<u>304,725</u>	<u>(353,412)</u>	<u>155,300</u>
25,996	(165,206)	415,498
63,897	436,076	744,141
<u>89,893</u>	<u>270,870</u>	<u>1,159,639</u>
-	88,728	88,728
-	-	35,024
89,893	-	89,893
-	68,782	68,782
-	113,360	113,360
-	-	763,852
<u>89,893</u>	<u>270,870</u>	<u>1,159,639</u>

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Governmental Funds
As of and for the year ended June 30, 2013

Total governmental funds cash balances (page 15) \$ 1,159,639

Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of the City's payroll to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

(1,909)

Cash basis net position of governmental activities (page 13) \$ 1,157,730

Change in cash balances (page 15) \$ 415,498

Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of the City's payroll to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

(81)

Change in cash basis net position of governmental activities (page 13) \$ 415,417

See notes to financial statements.

City of Sac City, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2013

	Enterprise Funds		
	Gas	Water	Sewer
Operating receipts:			
Charges for service	\$ 1,086,935	532,907	418,765
Miscellaneous	<u>11,871</u>	<u>11,000</u>	<u>7,531</u>
Total operating receipts	<u>1,098,806</u>	<u>543,907</u>	<u>426,296</u>
Operating disbursements:			
Governmental activities:			
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	-	-	-
General government	-	-	-
Business type activities	<u>1,135,565</u>	<u>619,291</u>	<u>304,193</u>
Total operating disbursements	<u>1,135,565</u>	<u>619,291</u>	<u>304,193</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(36,759)</u>	<u>(75,384)</u>	<u>122,103</u>
Non-operating receipts (disbursements):			
Interest on investments	5,864	122	464
Intergovernmental	-	-	162,958
Debt service	-	-	(70,785)
Capital projects	<u>-</u>	<u>(846)</u>	<u>(186,877)</u>
Total non-operating receipts (disbursements)	<u>5,864</u>	<u>(724)</u>	<u>(94,240)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(30,895)</u>	<u>(76,108)</u>	<u>27,863</u>
Ttransfers in	20,059	90,000	57,000
Ttransfers out	<u>(21,000)</u>	<u>(37,753)</u>	<u>(248,606)</u>
Total transfers	<u>(941)</u>	<u>52,247</u>	<u>(191,606)</u>
Net change in cash balances	(31,836)	(23,861)	(163,743)
Cash balances beginning of year	<u>665,485</u>	<u>50,062</u>	<u>118,019</u>
Cash balances end of year	<u>\$ 633,649</u>	<u>26,201</u>	<u>(45,724)</u>
Cash Basis Fund Balances			
Unrestricted	<u>\$ 633,649</u>	<u>26,201</u>	<u>(45,724)</u>
Total cash basis fund balances	<u>\$ 633,649</u>	<u>26,201</u>	<u>(45,724)</u>

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>	<u>Internal Service Fund Employee Payroll</u>
288,167	2,326,774	-
<u>4,747</u>	<u>35,149</u>	<u>1,096,029</u>
<u>292,914</u>	<u>2,361,923</u>	<u>1,096,029</u>
-	-	207,127
-	-	178,297
-	-	75,104
-	-	25,128
<u>349,456</u>	<u>2,408,505</u>	<u>610,416</u>
<u>349,456</u>	<u>2,408,505</u>	<u>1,096,072</u>
<u>(56,542)</u>	<u>(46,582)</u>	<u>(43)</u>
50	6,500	-
-	162,958	-
-	(70,785)	-
<u>-</u>	<u>(187,723)</u>	<u>-</u>
<u>50</u>	<u>(89,050)</u>	<u>-</u>
<u>(56,492)</u>	<u>(135,632)</u>	<u>(43)</u>
-	167,059	-
<u>(15,000)</u>	<u>(322,359)</u>	<u>-</u>
<u>(15,000)</u>	<u>(155,300)</u>	<u>-</u>
(71,492)	(290,932)	(43)
<u>171,152</u>	<u>1,004,718</u>	<u>(4,303)</u>
<u>99,660</u>	<u>713,786</u>	<u>(4,346)</u>
<u>99,660</u>	<u>713,786</u>	<u>(4,346)</u>
<u>99,660</u>	<u>713,786</u>	<u>(4,346)</u>

Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
to the Statement of Activities and Net Position -
Proprietary Funds
As of and for the year ended June 30, 2013

Total enterprise funds cash balances (page 18) \$ 713,786

*Amounts reported for business type activities in the Statement of
Activities and Net Position are different because:*

The Internal Service Fund is used by management to charge the costs of the City's payroll to individual funds. The assets of the Internal Service Fund are included in business type activities in the Statement of Net Position. (2,437)

Cash basis net position of business type activities (page 13) \$ 711,349

Net change in cash balances (page 18) \$ (290,932)

*Amounts reported for business type activities in the Cash Basis Statement of
Activities and Net Position are different because:*

The Internal Service Fund is used by management to charge the costs of the City's payroll to individual funds. The change in net position of the Internal Service Fund is reported with business type activities. 38

Change in cash basis net position of business type activities (page 13) \$ (290,894)

See notes to financial statements.

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

The City of Sac City is a political subdivision of the State of Iowa located in Sac County. It was first incorporated in 1875 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer and gas utilities for its citizens.

A. Reporting Entity

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

Discretely Presented Component Unit

These financial statements present the City of Sac City (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

City of Sac City, Iowa
Notes to Financial Statements
June 30, 2013

The Sac City Municipal Airport Authority (Authority) was established pursuant to Chapter 330A of the Code of Iowa to operate the City's airport facility. The Authority is governed by a five member board appointed by the Sac City, City Council. The board members serve at the pleasure of the City. The City annually provides significant operating subsidies to the Authority. In accordance with criteria set by the Governmental Accounting Standards Board, the Authority meets the definition of a component unit which should be discretely presented. The Authority is accounted for as a Governmental Fund in these financial statements.

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: Sac County Emergency Management Commission, Sac County Landfill Commission, Sac County Joint E911 Service Board, Recreation Center Board, and Kid's World Board.

B. Basis of Presentation

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

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

City of Sac City, Iowa
Notes to Financial Statements
June 30, 2013

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management which can be removed or modified.

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

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

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general 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 tax receipts levied to pay employee benefits for the governmental funds.

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

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2013

The City reports the following major proprietary funds:

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

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 waste water treatment and sanitary sewer system.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the City's payroll, which is then allocated to the City's departments on a cost reimbursement basis.

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 is both restricted and unrestricted cash basis net position 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.

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2013

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.

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.

F. Subsequent Events

The City has evaluated subsequent events through March 21, 2014, the date which the financial statements were available to be issued.

(2) Cash and Pooled Investments

The City and its component unit's deposits in banks at June 30, 2013 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.

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2013

The City and its component unit are 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 and its component unit had no investments at June 30, 2013. The City and its component unit invested its excess funds in savings accounts and certificates of deposit.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

Year Ending <u>June 30,</u>	General Obligation		Revenue Bpnds		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	55,000	10,557	131,000	139,980	186,000	150,537
2015	55,000	8,083	136,000	136,050	191,000	144,133
2016	60,000	5,580	140,000	131,970	200,000	137,550
2017	60,000	2,820	145,000	127,770	205,000	130,590
2018-2022	-	-	796,000	570,900	796,000	570,900
2023-2027	-	-	935,000	443,400	935,000	443,400
2028-2032	-	-	1,097,000	293,730	1,097,000	293,730
2033-2037	-	-	1,286,000	114,090	1,286,000	114,090
Total	\$ 230,000	27,040	4,666,000	1,957,890	4,896,000	1,984,930

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2013

Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements to repay \$4,793,000 of sewer revenue bonds issued in January 2010. Proceeds from the bonds provided financing for the construction of improvements to the sewer system. Annual principal and interest payments on the bonds are expected to require less than 90 percent of net receipts. The bonds are payable solely from the sewer customer net receipts and are payable through 2037. Total principal and interest remaining to be paid on the bonds is \$6,623,890. For the current year, interest paid and total customer net receipts were \$269,655 and \$122,103 respectively.

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

- (a) The bonds will only be redeemed from the future net revenues of the municipal sanitary sewer system of the City, a sufficient portion of which has been ordered to be set aside and pledged for that purpose.
- (b) Monthly transfers shall be made to the Sewer Revenue Sinking Fund for the purpose of making the bond principal and interest payments when due.
- (c) Rates shall be established at a level sufficient to meet the operation and maintenance expenses of the Wastewater Treatment System and to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue bond.

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2013

(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 5.78% of their annual covered salary and the City is required to contribute 8.67% 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, 2013, 2012 and 2011 were \$94,884, \$88,405 and \$75,561, respectively, equal to the required contributions for each year.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The city operates a single-employer health benefit plan which provides medical/dental benefits for employees, retirees and their spouses. There are 23 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/dental benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/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 benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$573 for single coverage, \$1,216 for 2-person coverage, and \$1,637 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2013, the City contributed \$260,501.

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2013

(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 is payable upon retirement in limited situations. 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 payments payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 43,000
Sick Leave	<u>-</u>
	<u>\$ 43,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2013.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Employee Benefits	\$ 299,152
	Local Option Sales Tax	153,465
	Long-term Capital - Fire Dept.	9,522
	Enterprise:	
	Gas	21,000
	Water	10,000
	Sewer	<u>10,000</u>
		<u>503,139</u>

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2013

Debt Service	Enterprise:	
	Water	27,753
	Sewer	238,606
	Special Revenue:	
	Local Option Sales Tax	<u>38,366</u>
		<u>304,725</u>
Capital Projects:	Enterprise:	
Special Assessment	Garbage	<u>15,000</u>
		<u>15,000</u>
Enterprise:	Special Revenue:	
Gas	Revolving Loan	<u>20,059</u>
Water	Capital Projects:	
	Special Assessment	<u>90,000</u>
Sewer	Capital Projects:	
	Special Assessment	<u>57,000</u>
Total		\$ <u>995,702</u>

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 of Sac City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2013

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determine by the Board not to exceed 300% of total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2013 were \$105,416.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000 such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2013

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation in the amount of \$27,479. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Intergovernmental Agreements

The County entered into an agreement with the Sac County Solid Waste Agency, in accordance with Chapter 28E of the Code of Iowa, to provide for the disposal of solid waste. For the year ended June 30, 2013 \$85,760 was paid for landfill fees pursuant to the agreement.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The cost to the Agency for compliance with these requirements have been estimated at \$1,009,013 according to the Agency's latest audit report available, which was for the year ended June 30, 2012.

The Agency has demonstrated financial assurance for closure and post closure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(9) of the Iowa Administrative Code.

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2013

(10) Early Childhood Development Project

A management agreement is in effect where Kid's World will repay the City the amount it advanced plus interest. The balance owing to the City at June 30, 2013, including interest, is \$188,959.61.

(11) Construction Commitments

The City of Sac City has committed to a street project for approximately \$480,000. This project will be paid from a combination of GO bonds and special assessments. The City of Sac City has also committed to an airport project for approximately \$150,000. The majority of this project will be financed from a federal grant. The City has also been awarded a facade grant for approximately \$150,000.

(12) Deficit Balance

The Sewer Fund had a deficit balance of \$45,724 at June 30, 2013. The deficit was a result of sewer rates being insufficient to cover the debt payments due for the prior year improvements. This deficit will be eliminated upon increase of sewer rates.

(13) Capital Leases

The City entered into a capital lease for the purchase of a Holland tractor. This lease is from March 28, 2013 through April 1, 2018. During the year ended June 30, 2013, the City disbursed \$56,238 for this lease, including a down payment of \$33,304.

Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2014	\$ 17,958	4,976	22,934
June 30, 2015	19,091	3,843	22,934
June 30, 2016	20,296	2,638	22,934
June 30, 2017	<u>21,512</u>	<u>1,422</u>	<u>22,934</u>
	<u>\$ 78,857</u>	<u>12,879</u>	<u>91,736</u>

Other Information

City of Sac City, Iowa

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, 2013

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 768,553	-
Other city tax	220,773	-
Licenses and permits	19,453	-
Use of money and property	17,972	6,500
Intergovernmental	751,333	162,958
Charges for service	53,013	2,326,774
Special assessments	-	-
Miscellaneous	104,383	1,131,178
Total receipts	<u>1,935,480</u>	<u>3,627,410</u>
Disbursements:		
Public safety	398,268	207,127
Public works	502,303	178,297
Health and social services	-	-
Culture and recreation	244,083	75,104
Community and economic development	4,342	-
General government	193,485	25,128
Debt service	279,357	-
Capital projects	53,444	-
Business type activities	-	3,277,429
Total disbursements	<u>1,675,282</u>	<u>3,763,085</u>
Excess (deficiency) of receipts over (under) disbursements	260,198	(135,675)
Other financing sources (uses), net	<u>155,300</u>	<u>(155,300)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	415,498	(290,975)
Balances beginning of year	<u>744,141</u>	<u>1,000,415</u>
Balances end of year	<u>\$ 1,159,639</u>	<u>709,440</u>

See accompanying independent auditor's report.

Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
		Original	Final	
-	768,553	729,176	729,176	39,377
-	220,773	178,847	178,847	41,926
-	19,453	8,500	8,500	10,953
-	24,472	18,450	18,450	6,022
-	914,291	261,987	811,987	102,304
-	2,379,787	2,691,140	2,691,140	(311,353)
-	-	-	-	-
<u>1,096,029</u>	<u>139,532</u>	<u>158,950</u>	<u>158,950</u>	<u>(19,418)</u>
<u>1,096,029</u>	<u>4,466,861</u>	<u>4,047,050</u>	<u>4,597,050</u>	<u>(130,189)</u>
207,127	398,268	369,450	413,450	15,182
178,297	502,303	405,180	560,180	57,877
-	-	-	-	-
75,104	244,083	276,920	291,920	47,837
-	4,342	4,500	5,000	658
25,128	193,485	250,600	275,600	82,115
-	279,357	350,778	350,778	71,421
-	53,444	39,301	139,301	85,857
<u>610,416</u>	<u>2,667,013</u>	<u>2,358,970</u>	<u>2,688,970</u>	<u>21,957</u>
<u>1,096,072</u>	<u>4,342,295</u>	<u>4,055,699</u>	<u>4,725,199</u>	<u>382,904</u>
(43)	124,566	(8,649)	(128,149)	252,715
-	-	-	-	-
(43)	124,566	(8,649)	(128,149)	252,715
<u>(4,303)</u>	<u>1,748,859</u>	<u>1,748,859</u>	<u>1,748,859</u>	<u>-</u>
<u>(4,346)</u>	<u>1,873,425</u>	<u>1,740,210</u>	<u>1,620,710</u>	<u>252,715</u>

City of Sac City, Iowa

Notes to Other Information – Budgetary Reporting

June 30, 2013

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 Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$669,500, and budgeted receipts by \$550,000. The budget amendment is reflected in the final budgeted amounts.

Supplementary Information

City of Sac City, Iowa

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

As of and for the year ended June 30, 2013

	Special Revenue			
	Unemployment Compensation	Local Option	Arts Council	Long-term Capital Fire Department
Receipts:				
Property tax	\$ -	-	-	-
Other city tax	-	191,831	-	-
Intergovernmental	-	-	-	5,251
Special assessments	-	-	-	-
Miscellaneous	-	-	300	-
Total receipts	-	191,831	300	5,251
Disbursements				
Operating:				
Culture and recreation	-	-	-	-
Capital projects	-	-	-	-
Total Disbursements	-	-	-	-
Excess (deficiency) of receipts over (under) disbursements	-	191,831	300	5,251
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	(191,831)	-	(9,522)
Total other financing sources (uses)	-	(191,831)	-	(9,522)
Net change in cash balances	-	-	300	(4,271)
Cash balances beginning of year	9,042	-	1,930	102,214
Cash balances end of year	9,042	-	2,230	97,943
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	-	-	-	-
Restricted for:				
Capital projects	-	-	-	-
Other purposes	9,042	-	2,230	97,943
Total cash basis fund balances	\$ 9,042	-	2,230	97,943

See accompanying independent auditor's report.

		Capital Projects			Permanent	
Revolving Loan	Library	Capital Improvements	Special Assessment	Airport Improvements	Cemetery Perpetual Care	Total
-	-	-	-	-	-	-
-	-	-	-	-	-	191,831
-	-	-	-	18,909	-	24,160
-	-	-	-	-	-	-
<u>20,059</u>	<u>6,265</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>28,624</u>
<u>20,059</u>	<u>6,265</u>	<u>-</u>	<u>-</u>	<u>18,909</u>	<u>2,000</u>	<u>244,615</u>
-	2,965	-	-	-	-	2,965
-	-	39,300	-	14,144	-	53,444
-	<u>2,965</u>	<u>39,300</u>	<u>-</u>	<u>14,144</u>	<u>-</u>	<u>56,409</u>
<u>20,059</u>	<u>3,300</u>	<u>(39,300)</u>	<u>-</u>	<u>4,765</u>	<u>2,000</u>	<u>188,206</u>
-	-	-	15,000	-	-	15,000
<u>(20,059)</u>	<u>-</u>	<u>-</u>	<u>(147,000)</u>	<u>-</u>	<u>-</u>	<u>(368,412)</u>
<u>(20,059)</u>	<u>-</u>	<u>-</u>	<u>(132,000)</u>	<u>-</u>	<u>-</u>	<u>(353,412)</u>
-	3,300	(39,300)	(132,000)	4,765	2,000	(165,206)
-	<u>845</u>	<u>39,300</u>	<u>196,017</u>	<u>-</u>	<u>86,728</u>	<u>436,076</u>
-	<u>4,145</u>	<u>-</u>	<u>64,017</u>	<u>4,765</u>	<u>88,728</u>	<u>270,870</u>
-	-	-	-	-	88,728	88,728
-	-	-	64,017	4,765	-	68,782
-	<u>4,145</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,360</u>
-	<u>4,145</u>	<u>-</u>	<u>64,017</u>	<u>4,765</u>	<u>88,728</u>	<u>270,870</u>

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

As of and for the year ended June 30, 2013

	Enterprise Funds		
	<u>Storm Sewer</u>	<u>Garbage</u>	<u>Total</u>
Operating receipts:			
Charges for service	\$ 59,393	228,774	288,167
Miscellaneous	-	4,747	4,747
Total operating receipts	<u>59,393</u>	<u>233,521</u>	<u>292,914</u>
Operating disbursements:			
Business type activities	<u>135,338</u>	<u>214,118</u>	<u>349,456</u>
Total operating disbursements	<u>135,338</u>	<u>214,118</u>	<u>349,456</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(75,945)</u>	<u>19,403</u>	<u>(56,542)</u>
Non-operating receipts (disbursements):			
Interest on investments	-	50	50
Total non-operating receipts (disbursements):	<u>-</u>	<u>50</u>	<u>50</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(75,945)</u>	<u>19,453</u>	<u>(56,492)</u>
Other financing sources:			
Transfers in	-	-	-
Transfers out	-	(15,000)	(15,000)
Total other financing sources	<u>-</u>	<u>(15,000)</u>	<u>(15,000)</u>
Net change in cash balances	(75,945)	4,453	(71,492)
Cash balances beginning of year	<u>170,138</u>	<u>1,014</u>	<u>171,152</u>
Cash balances end of year	<u>\$ 94,193</u>	<u>5,467</u>	<u>99,660</u>
Cash Basis Fund Balances			
Unrestricted	<u>94,193</u>	<u>5,467</u>	<u>99,660</u>
Total cash basis fund balances	<u>\$ 94,193</u>	<u>5,467</u>	<u>99,660</u>

See accompanying independent auditor's report.

City of Sac City, Iowa

Schedule of Indebtedness

Year ended June 30, 2013

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds/notes:			
Corporate purpose	Jul 15, 2006	4.15-4.70%	660,000
Revenue Bonds:			
Sewer - Forgivable	Jan 27, 2010	0.00%	\$ 2,000,000
Sewer - Non-forgivable	Jan 27, 2010	3.00%	\$ 4,793,000
Total			

See accompanying independent auditor's report.

Schedule 3

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
<u>\$ 285,000</u>	<u>-</u>	<u>55,000</u>	<u>230,000</u>	<u>13,005</u>	<u>-</u>
2,000,000	-	2,000,000	-	-	-
<u>4,630,042</u>	<u>162,958</u>	<u>127,000</u>	<u>4,666,000</u>	<u>142,655</u>	<u>-</u>
<u>\$ 6,630,042</u>	<u>162,958</u>	<u>2,127,000</u>	<u>4,666,000</u>	<u>142,655</u>	<u>-</u>

Bond and Note Maturities

June 30, 2013

Year Ending June 30,	General Obligation Notes		Revenue Bonds	
	Corporate Purpose Issued July 15, 2006		Sewer - Non-forgivable Issued January 27, 2010	
	Interest Rates	Amount	Interest Rates	Amount
2014	4.50 %	\$ 55,000	3.00 %	\$ 131,000
2015	4.55	55,000	3.00	136,000
2016	4.60	60,000	3.00	140,000
2017	4.70	60,000	3.00	145,000
2018			3.00	149,000
2019			3.00	154,000
2020			3.00	159,000
2021			3.00	164,000
2022			3.00	170,000
2023			3.00	175,000
2024			3.00	181,000
2025			3.00	187,000
2026			3.00	193,000
2027			3.00	199,000
2028			3.00	206,000
2029			3.00	212,000
2030			3.00	219,000
2031			3.00	226,000
2032			3.00	234,000
2033			3.00	241,000
2034			3.00	249,000
2035			3.00	257,000
2036			3.00	265,000
2037			3.00	274,000
Total		<u>\$ 230,000</u>		<u>\$ 4,666,000</u>

See accompanying independent auditor's report.

City of Sac City, Iowa

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

For the Last Ten Years

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Receipts:				
Property tax	\$ 768,553	\$ 726,089	672,860	818,521
Other city tax	220,773	215,252	190,998	199,271
Licenses and permits	19,453	20,086	18,553	20,274
Use of money and property	17,972	31,860	17,372	12,623
Intergovernmental	751,333	318,543	568,903	638,323
Charges for service	53,013	57,772	52,356	45,536
Special assessments	-	1,836	2,367	9,164
Miscellaneous	104,383	79,695	99,839	73,522
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 1,935,480</u>	<u>\$ 1,451,133</u>	<u>1,623,248</u>	<u>1,817,234</u>
Disbursements:				
Operating				
Public safety	\$ 398,268	\$ 371,107	400,363	335,507
Public works	502,303	496,624	361,042	311,642
Culture and recreation	244,083	272,630	270,683	291,850
Community and economic development	4,342	3,850	3,600	3,850
General government	193,485	205,045	198,890	343,673
Debt service	279,357	134,430	134,420	302,415
Capital projects	53,444	45,794	319,624	196,035
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 1,675,282</u>	<u>\$ 1,529,480</u>	<u>1,688,622</u>	<u>1,784,972</u>

See accompanying independent auditor's report.

Schedule 5

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
811,747	810,620	825,999	820,574	809,303	795,773
197,818	157,567	216,251	73,857	36,744	44,795
35,770	38,336	7,167	5,532	8,748	6,948
5,730	3,677	704	1,243	602	724
257,207	408,955	346,795	307,071	259,114	254,058
50,232	59,131	81,176	82,927	59,870	69,455
3,457	5,880	6,946	2,602	14,049	23,349
<u>134,723</u>	<u>52,228</u>	<u>70,527</u>	<u>53,246</u>	<u>30,516</u>	<u>15,493</u>
<u>1,496,684</u>	<u>1,536,394</u>	<u>1,555,565</u>	<u>1,347,052</u>	<u>1,218,946</u>	<u>1,210,595</u>
372,935	322,888	298,221	315,358	295,179	272,397
358,469	341,981	312,692	280,860	263,854	268,324
231,848	240,422	237,138	225,204	226,173	215,432
54,268	-	-	-	-	-
161,786	177,950	170,766	181,399	154,047	140,806
377,345	407,980	304,999	278,800	320,740	315,860
<u>53,444</u>	<u>156,472</u>	<u>339,278</u>	<u>82,364</u>	<u>-</u>	<u>5,000</u>
<u>1,610,095</u>	<u>1,647,693</u>	<u>1,663,094</u>	<u>1,363,985</u>	<u>1,259,993</u>	<u>1,217,819</u>

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

714 14th Avenue North
Fort Dodge, IA 50501-7098
Phone 515.955.4805 • Fax 515.955.4673

Lowell W. Cornwell, C.P.A.
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.
jjmaher@frontiernet.net

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

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Sac City, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 21, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Sac City's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Sac City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Sac City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as describe in the accompanying Schedule of Findings, we identified deficiencies in internal control that we consider to be material weaknesses and 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 the City of Sac City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-13 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 deficiencies described in Part I of the accompanying Schedule of Findings as item I-B-13 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sac City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters 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, 2013 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 Sac City's Responses to Findings

The City of Sac City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Sac City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the

City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Sac City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Cornwell, Frideres, Maher & Associates, P.L.C.

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

March 21, 2014

City of Sac City, Iowa

Schedule of Findings

Year ended June 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-13 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noticed that certain functions are not entirely segregated, such as preparing receipts and posting utility billing.

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

Response – We feel we are doing the best we can and that no further segregation is possible without additional staff.

Conclusion – Response accepted.

II-B-13 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. The City of Sac City does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

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

City of Sac City, Iowa

Schedule of Findings

Year ended June 30, 2013

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

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

Conclusion – Response accepted.

Part II: Other Findings Related to Statutory Reporting:

- II-A-13 Certified Budget – Disbursements during the year ended June 30, 2013 did not exceed the amounts budgeted.
- II-B-13 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-13 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-13 Business Transactions – No business transactions between the City and City officials were noted.
- II-E-13 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that coverage is adequate for current operations.
- II-F-13 Council Minutes – No transactions were found that we believe should have been approved on the council minutes but were not.

City of Sac City, Iowa

Schedule of Findings

Year ended June 30, 2013

II-G-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

II-H-13 Revenue Bonds and Notes – The City has not complied with all the revenue bond and note provisions. The Sewer fund did not maintain net revenues of 110% of the amount of principal and interest on the bonds/notes falling due in 2013. Also, the Sewer fund had a deficit balance of \$45,724 as of June 30, 2013.

Recommendation – The City should evaluate the rates currently being charged to customers to see if increases need to be implemented in order to meet the 110% net revenue requirement.

Response – The City has implemented a rate increase effective July 1, 2014, which we anticipate will cover the deficit and be adequate to maintain our loan covenants.

Conclusion – Response accepted.

II-I-13 Insurance Levy – The City levies for liability and property insurance. As of June 30, 2013, the amount of property taxes received exceeded the actual expenditures.

Recommendation – The City should review its procedures for levying property taxes for tort liability so that the tax collected is not in excess of the amount needed.

Response – The City will lower the rate on the insurance levy for the fiscal year ending June 30, 2014.

Conclusion – Response accepted.

City of Sac City, Iowa

Schedule of Findings

Year ended June 30, 2013

II-J-13 Equipment Lease – It was noted during the course of our audit that the City entered into a lease purchase for a tractor without holding a public hearing.

Recommendation – The City should have held a public hearing in accordance with Chapter 384 of the Code of Iowa before this agreement was signed.

Response – This was overlooked this year as we were not aware this was a debt subject to the requirements of Chapter 384 of the Code of Iowa. We will hold public hearings in the future, if applicable.

Conclusion – Response accepted.