

CITY OF REDFIELD

Redfield, Iowa

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

June 30, 2013

With Independent Auditor's Reports

CITY OF REDFIELD
Contents

	<u>Pages</u>
City Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-9
Cash Basis Statement of Activities and Net Position	10-11
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Governmental Funds	12-13
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Proprietary Funds	14
Notes to the Financial Statements	15-21
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Cash Balances – Budget and Actual (Cash Basis) All Governmental Funds and Proprietary Funds	22-23
Notes to Other Information – Budgetary Reporting	24
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	25-26
Schedule of Long-Term Debt and Interest	27-28
Bond Maturities	29-30
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>	31-32
Schedule of Findings	33-36

CITY OF REDFIELD
City Officials
June 30, 2013

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Darci Alt	Mayor	December 31, 2013
Pam Danielson	Mayor Pro Tem	December 31, 2013
Darrell Bowman	Council Member	December 31, 2015
Heather Godwin-Pote	Council Member	December 31, 2013
Jon Hoy	Council Member	December 31, 2015
Dustin Lantz	Council Member	December 31, 2015
Debbra Light	City Clerk	Indefinite
Beverly Wild	City Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I 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 Redfield, 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 as listed in the table of contents of this report.

Management Responsibilities 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 Responsibilities

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I express no such opinion. An audit also includes evaluating the appropriateness of the accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Redfield, Iowa at June 30, 2013, 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.

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. My opinion is not modified with respect to this matter.

Other Matters

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Redfield's basic financial statements. The supplementary information included on pages 25 through 30 is presented for the purpose 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 my 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 my 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 budgetary comparison information on pages 4 through 9 and 22 through 23 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated February 18, 2014 on my consideration of the City of Redfield's internal control over financial reporting and my 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 my 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 the City of Redfield's internal control over financial reporting and compliance.

S/ Stanley E. Siebke

Urbandale, Iowa
February 18, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Redfield 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, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013 Financial Highlights

Total cash basis net assets of the City of Redfield at the close of the fiscal year, June 30, 2013, were \$693,688. Of this amount, the assets of the governmental activities were \$291,540 and the assets of the business-type activities were \$402,148.

Revenues of the City's governmental activities totaled \$1,858,182. Property taxes were \$236,253 and intergovernmental receipts totaled \$305,392. Proceeds of long term debt were \$1,091,232.

Total disbursements for governmental activities were \$1,706,365 for the year, public safety disbursements totaled \$77,305, public works \$135,010, community and economic development was \$96,877, culture & recreation was \$71,486 and capital projects totaled \$1,140,336.

Using this annual report

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

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

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

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

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

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 non-major 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 reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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

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

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

The required financial statements for proprietary funds includes 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 following shows the cash balances for governmental activities for fiscal 2013.

CASH BASIS NET ASSETS OF GOVERNMENTAL ACTIVITIES

Revenues:

Program revenues:

Charge for services	\$ 62,084
Licenses & permits	1,858
Use of money and property	795
Intergovernmental	305,392
Miscellaneous	18,561

General Revenues:

Taxes	236,253
TIF Revenue	25,636
Other City Taxes	<u>116,371</u>

Total revenues 766,950

Expenses:	
Public Safety	77,305
Public Works	135,010
Culture & Recreation	71,486
Community & Economic Development	96,877
General Government	90,212
Debt Service	95,139
Capital Projects	<u>1,140,336</u>
Total Expenses	<u>1,706,365</u>

Deficit of Receipts	
Under Disbursements	(939,415)
Proceeds of Long Term Debt	1,091,232
Cash balances – beginning of year	<u>139,723</u>
Cash balances – end of year	<u>\$ 291,540</u>

**CHANGES IN CASH BASIS NET ASSETS OF BUSINESS TYPE
ACTIVITIES**

Receipts:	
Program receipts:	
Charges for Service:	
Water	\$ 305,735
Sewer	133,528
Use of money & property	<u>414</u>
Total	<u>439,677</u>
Total Disbursements	<u>1,029,896</u>
Proceeds of long-term debt	<u>567,417</u>
Decrease in cash balance	(22,802)
Cash balances at beginning of year	<u>424,950</u>
Cash balances at end of year	<u>\$ 402,148</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Redfield completed the year, its governmental funds reported receipts of \$1,858,182 and disbursements of \$1,706,365, an excess of \$151,817. The General Fund showed receipts of \$301,670 and disbursements of \$278,623 for an excess of \$28,047, leaving a fund balance of \$39,295. The Road Use Tax Fund had receipts of \$80,669 and disbursements of \$65,208 for a surplus of \$15,461, leaving a fund balance of \$73,190. The Debt Service Fund had receipts of \$25,458 and disbursements of \$95,139, leaving a deficit of \$69,681 which leaves a fund balance deficit of \$20,568.

The Local Option Sales Tax fund had receipts of \$115,679 and disbursements of \$468 leaving a balance of \$177,524. The Capital Projects Fund had receipts including proceeds of long-term debt totaling \$1,181,300 and disbursements of \$1,140,336 for a surplus of \$40,964, leaving a deficit balance of \$8,657.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund reported \$305,735 in charges for services and interest income of \$301. Disbursements totaled \$320,495, resulting in a deficit of \$14,459. The Sewer Fund reported \$133,528 in charges for service and interest income of \$113. Proceeds of long-term debt totaled \$567,417, with disbursements of \$709,401, resulting in a deficit of \$8,343.

BUDGETARY HIGHLIGHTS

The City amended its budget on May 20, 2013, to provide for additional disbursements in certain City departments. The City of Redfield received funds from Region XII Housing Grant as well as funds from a CDBG Grant and SRF Loan for a new Water Treatment Plant, and also refinanced a Sewer Lagoon loan borrowed funds for a street project.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The City of Redfield’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates, and fees that will be charged for various City activities.

Debt Outstanding

Outstanding Debt at Year End

Governmental:		
General Obligation		\$1,181,290
Business-type:		
Revenue Debt		1,600,544
Landfill Closure		<u>40,306</u>
	Total	<u>\$2,822,140</u>

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 \$1,181,290 is below the constitutional debt limit of \$1,575,041.

TIF Rebates

The City has TIF Rebate agreements for Brooklyn Estates. The agreement with Brooklyn Estates requires that all taxes received for this development shall be paid to the developer. Taxes to be paid are based on an estimate of taxable value added at the time of development. Any non-payment of taxes results in a dollar for dollar reduction in the rebate paid to Brooklyn Estates. An amount of \$1,706 leftover from fiscal year 2012 was paid in 2013, causing a deficit this year of \$1,706. The rebate is now paid in full.

	<u>Rebate Scheduled</u>	<u>Actual Rebate</u>
Brooklyn Estates	\$22,152	\$23,858

TAX Rebates

The City of Redfield approved a three-year tax rebate to Heartland Co-Op on December 7, 2010. This property is located within the Urban Renewal Area. This rebate is for 100% of the increase in property taxes due to the increase in valuation of the property. The final tax rebate will be paid on June 30, 2013.

<u>2012/13 Rebate</u>
\$3,484

The City of Redfield approved a tax rebate to Smith Real Estate Company, L.L.C., on January 8, 2013, as this property is located within the Urban Renewal Area. This tax rebate will be for a period of 10 years at 100% of the increase in property taxes due to the increase in valuation created by the improvements made on the property. As of June 30, 2013, the valuations did not increase.

Financial Contact

The City’s financial statements are designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City’s finances and to demonstrate the City’s accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Deb Light, City Clerk at 808 First Street, PO Box 127, Redfield, IA 50233 or by phone at 515-833-2512.

CITY OF REDFIELD
Cash Basis Statement of Activities and Net Position
As of and For the Year Ended June 30, 2013

	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Program Receipts Operating Grants, Contributions, and Restricted Interest</u>
Function / Programs:			
Governmental activities:			
Public safety	\$ 77,305	90	30,918
Public works	135,010	62,084	87,260
Culture and recreation	71,486	0	18,856
Community and economic development	96,877	190	68,471
General government	90,212	0	0
Debt service	95,139	0	0
Capital projects	1,140,336	0	0
Total Governmental Activities	1,706,365	62,364	205,505
Business type activities:			
Water	320,495	305,735	301
Sewer	709,401	133,528	113
Total Business Type Activities	1,029,896	439,263	414
Total	\$ 2,736,261	501,627	205,919

General Receipts:

Property tax levied for:
General purposes
Tax increment financing
Debt service
Local option sales tax
Unrestricted interest on investments
Proceeds of long-term debt
Miscellaneous

Total General Receipts

Change in Cash Basis Net Position

Cash Basis Net Position at Beginning of Year

Cash Basis Net Position at End of Year

Cash Basis Net Position:

Restricted:
Nonexpendable - Permanent Fund
Expendable:
Streets
Debt service
Other
Unrestricted

Total Cash Basis Net Position

The accompanying notes are an integral part of these financial statements.

CITY OF REDFIELD

Cash Basis Statement of Activities and Net Position
As of and For the Year Ended June 30, 2013

Capital Grants, Contributions, and Restricted <u>Interest</u>	Net Disbursements(Receipts) and <u>Changes in Cash Basis Net Assets</u>		
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
0	46,297	0	46,297
0	(14,334)	0	(14,334)
0	52,630	0	52,630
0	28,216	0	28,216
0	90,212	0	90,212
0	95,139	0	95,139
102,486	1,037,850	0	1,037,850
<u>102,486</u>	<u>1,336,010</u>	<u>0</u>	<u>1,336,010</u>
0	0	14,459	14,459
0	0	575,760	575,760
<u>0</u>	<u>0</u>	<u>590,219</u>	<u>590,219</u>
<u>102,486</u>	<u>1,336,010</u>	<u>590,219</u>	<u>1,926,229</u>
	210,795	0	210,795
	25,636	0	25,636
	25,458	0	25,458
	115,679	0	115,679
	507	0	507
	1,091,232	567,417	1,658,649
	18,520	0	18,520
	<u>1,487,827</u>	<u>567,417</u>	<u>2,055,244</u>
	151,817	(22,802)	129,015
	139,723	424,950	564,673
	<u>\$ 291,540</u>	<u>402,148</u>	<u>693,688</u>
	\$ 46,607	0	46,607
	73,190	0	73,190
	0	37,580	37,580
	187,738	0	187,738
	(15,995)	364,568	348,573
	<u>\$ 291,540</u>	<u>402,148</u>	<u>693,688</u>

CITY OF REDFIELD
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and For the Year Ended June 30, 2013

	<u>General</u>	<u>Special Revenue</u>		<u>Debt Service</u>
		<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>	
Receipts:				
Property tax	\$ 166,602	0	0	25,458
TIF revenues	0	0	0	0
Other city taxes	692	0	115,679	0
Licenses and permits	1,858	0	0	0
Use of money and property	729	0	0	0
Intergovernmental	53,766	80,669	0	0
Charges for services	62,084	0	0	0
Miscellaneous	15,939	0	0	0
Total Receipts	301,670	80,669	115,679	25,458
Disbursements:				
Operating:				
Public safety	74,065	0	0	0
Public works	56,257	65,208	0	0
Culture and recreation	65,206	0	0	0
Community and economic development	2,351	0	468	0
General government	79,403	0	0	0
Debt service	0	0	0	95,139
Capital projects	0	0	0	0
Total Disbursements	277,282	65,208	468	95,139
Excess (Deficit) of Receipts over (under) Disbursements	24,388	15,461	115,211	(69,681)
Other Financing Sources (Uses):				
Proceeds of long-term debt	0	0	0	12,418
Operating transfers in (out)	(1,341)	0	0	0
Total Other Financing Sources (Uses)	(1,341)	0	0	12,418
Net Change in Cash Balances	23,047	15,461	115,211	(57,263)
Cash Balances at Beginning of Year	16,248	57,729	62,313	36,695
Cash Balances at End of Year	\$ 39,295	73,190	177,524	(20,568)
Cash Basis Fund Balances:				
Nonspendable - Permanent Fund	\$ 0	0	0	0
Restricted for:				
Streets	0	73,190	0	0
Debt service	0	0	0	0
Other purposes	0	0	177,524	0
Unrestricted	39,295	0	0	(20,568)
Total Cash Basis Fund Balances	\$ 39,295	73,190	177,524	(20,568)

The accompanying notes are in integral part of these financial statements.

CITY OF REDFIELD
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and For the Year Ended June 30, 2013

<u>Capital Projects</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
0	44,193	236,253
0	25,636	25,636
0	0	116,371
0	0	1,858
0	66	795
102,486	68,471	305,392
0	0	62,084
0	2,622	18,561
<u>102,486</u>	<u>140,988</u>	<u>766,950</u>
0	3,240	77,305
0	13,545	135,010
0	6,280	71,486
0	94,058	96,877
0	10,809	90,212
0	0	95,139
1,140,336	0	1,140,336
<u>1,140,336</u>	<u>127,932</u>	<u>1,706,365</u>
<u>(1,037,850)</u>	<u>13,056</u>	<u>(939,415)</u>
1,078,814	0	1,091,232
0	1,341	0
<u>1,078,814</u>	<u>1,341</u>	<u>1,091,232</u>
40,964	14,397	151,817
(49,621)	16,359	139,723
<u>(8,657)</u>	<u>30,756</u>	<u>291,540</u>
0	46,607	46,607
0	0	73,190
0	0	0
0	10,214	187,738
(8,657)	(26,065)	(15,995)
<u>(8,657)</u>	<u>30,756</u>	<u>291,540</u>

CITY OF REDFIELD
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Proprietary Funds
As of and For the Year Ended June 30, 2013

	<u>Water</u>	<u>Enterprise Funds Sewer</u>	<u>Total</u>
Operating Receipts:			
Charges for services	\$ 300,450	133,528	433,978
Miscellaneous	5,285	0	5,285
Total Operating Receipts	<u>305,735</u>	<u>133,528</u>	<u>439,263</u>
Operating Disbursements:			
Business type activities	197,683	106,189	303,872
Total Disbursements	<u>197,683</u>	<u>106,189</u>	<u>303,872</u>
Excess of Operating Receipts over Disbursements	<u>108,052</u>	<u>27,339</u>	<u>135,391</u>
Non-Operating Receipts (Disbursements):			
Use of money and property	301	113	414
Proceeds of long-term debt	0	567,417	567,417
Debt service	(122,812)	(603,212)	(726,024)
Total Non-Operating Receipts (Disbursements)	<u>(122,511)</u>	<u>(35,682)</u>	<u>(158,193)</u>
Net Change in Cash Balances	(14,459)	(8,343)	(22,802)
Cash Balances at Beginning of Year	223,111	201,839	424,950
Cash Balances at End of Year	<u>\$ 208,652</u>	<u>193,496</u>	<u>402,148</u>
Cash Basis Fund Balances:			
Restricted for debt service	\$ 37,580	0	37,580
Unrestricted	171,072	193,496	364,568
Total Cash Basis Fund Balances	<u>\$ 208,652</u>	<u>193,496</u>	<u>402,148</u>

The accompanying notes are an integral part of these financial statements.

CITY OF REDFIELD
Notes to the Financial Statements
June 30, 2013

(1) Summary of Significant Accounting Policies

The City of Redfield is a political subdivision of the State of Iowa located in Dallas County. 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 its citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water, sewer and garbage collection for its citizens.

Reporting Entity

For financial reporting purposes, the City of Redfield has included all funds, organizations, account groups, 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 of Redfield has no component units.

The City also participates in jointly governed organizations that provide goods or services to the citizens 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 Dallas County Zoning Board and the Dallas County E911 Service Board.

Basis of Presentation

Government-wide Financial Statements

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 services.

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 balances 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.

Unrestricted net position consists of cash balances that do not meet the definition of the preceding categories. Unrestricted net position often has constraints on cash balances imposed by management, which can be removed or modified.

CITY OF REDFIELD

Notes to the Financial Statements – Continued

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:

General Fund – The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue Funds:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the collection and disbursement of local option sales tax. This fund is to be used for economic development or other general purposes.

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

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

The City reports the following major proprietary funds:

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

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

Measurement Focus and Basis of Accounting

The City of Redfield 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 or results of operations of the funds in accordance with U.S. generally accepted accounting principles.

CITY OF REDFIELD

Notes to the Financial Statements – Continued

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 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.

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 grantors, creditors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

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

Unassigned – All amounts not included in other spendable classifications.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

(2) Pooled Deposits and Investments

The City's deposits 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.

Funds that have deficit cash in bank balances are considered to have borrowed cash from other funds.

The City is authorized, by its investment policy, to invest public funds only in certificates of deposit or other evidences of deposit at federally insured depository institutions within the State of Iowa.

CITY OF REDFIELD

Notes to the Financial Statements - Continued

(3) Long-Term Debt

A summary of the City's June 30, 2013 general obligation, landfill closure and postclosure costs and revenue bonds is as follows:

Year Ending June 30,	Interest Rates	General Obligation Bonds and Notes		Landfill Closure and Postclosure	Water Revenue Bonds		
		Principal	Interest	Costs	Principal	Interest	Total
2014	.06 - 4.16%	\$ 110,441	24,464	3,099	54,544	48,016	240,564
2015	.06 - 4.16	111,744	22,714	3,099	64,000	46,380	247,937
2016	.08 - 4.16	102,186	20,766	3,099	67,000	44,460	237,511
2017	1.25 - 3.00	91,995	19,451	3,099	69,000	42,450	225,995
2018	1.25 - 3.00	92,505	18,007	3,099	71,000	40,380	224,991
		<u>508,871</u>	<u>105,402</u>	<u>15,495</u>	<u>325,544</u>	<u>221,686</u>	<u>1,176,998</u>
2019-2023	1.65 - 3.00	367,419	66,698	15,495	391,000	168,540	1,009,152
2024-2028	3.00	160,000	36,600	9,316	460,000	105,900	771,816
2029-2032	3.00	145,000	11,110	0	424,000	32,310	612,420
		<u>\$ 1,181,290</u>	<u>219,810</u>	<u>40,306</u>	<u>1,600,544</u>	<u>528,436</u>	<u>3,570,386</u>

Interest paid on General Obligation Bonds and Notes amounted to \$20,899 and interest paid on Revenue Bonds amounted to \$72,683 for the year ended June 30, 2013. The entire amount of \$93,582 was expensed.

Assets restricted for the payment of the bonds at June 30, 2013 are as follows:

Water	<u>\$37,580</u>
-------	-----------------

The Water Revenue Bonds provide for annual transfers to the Water Sinking Fund from the Water Revenue Fund sufficient to cover the annual principal and interest payments on the Water Revenue Bonds. Minimum annual sinking fund requirements are as follows:

Year Ending June 30,	
2014	\$ 102,560
2015	110,380
2016	111,460
2017	111,450
2018	<u>111,380</u>
	547,230
2019-2032	<u>1,581,750</u>
	<u>\$ 2,128,980</u>

During the year ended June 30, 1997, the City of Redfield, along with seven other defendants, reached an agreement on the closure/post-closure costs relating to the operation of the South Dallas County Landfill Agency.

CITY OF REDFIELD
Notes to the Financial Statements – Continued

Future payments by the City of Redfield are as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2014	\$ 3,099
2015	3,099
2016	3,099
2017	3,099
2018	3,099
	15,495
2019-2026	24,811
	\$ 40,306

During the year ended June 30, 2013, the City issued new General Obligation Bonds which partially refinanced sewer revenue bonds. The purpose of the new bond issue was to finance current capital projects and take advantage of lower interest rates in paying off the old bond issue. The proformaed comparative cash flow between the previous issue and that portion of the current issue is as follows:

Year Ending <u>June 30,</u>	<u>Prior Debt Service</u>			<u>Current Debt Service</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 0	0	0	28,527	7,585	36,112
2014	10,470	25,325	35,795	38,901	10,132	49,033
2015	10,942	24,853	35,795	38,901	9,899	48,800
2016	11,434	24,361	35,795	38,901	9,588	48,489
2017	11,948	23,847	35,795	38,901	9,277	48,178
2018	12,486	23,309	35,795	38,901	8,790	47,691
	57,280	121,695	178,975	223,032	55,271	278,303
2019 - 2023	71,382	107,593	178,975	181,538	34,316	215,854
2024 - 2028	88,955	90,020	178,975	82,989	18,984	101,973
2029 - 2033	110,854	68,121	178,975	75,209	5,757	80,966
2034 - 2038	138,145	40,830	178,975	0	0	0
2039 - 2041	96,152	8,668	104,820	0	0	0
	\$ 562,768	436,927	999,695	562,768	114,328	677,096

It is estimated that the present value of the savings on the new bond issue is approximately \$185,000.

(4) Retirement System - IPERS

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 administered 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.

CITY OF REDFIELD
Notes to the Financial Statements – Continued

Most regular plan members are required to contribute 5.78% of their annual salary and the City is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2013 was \$12,803, equal to the required contributions for the year.

- (5) General Long-Term Debt Account Group
Changes in the general long-term debt account group during the year ended June 30, 2013 are summarized as follows:

	General Obligation Capital Loan	Landfill Closure and Postclosure	Total
	<u>Notes</u>	<u>Costs</u>	<u>Total</u>
Balance at beginning of year	\$ 185,383	43,405	228,788
New debt issued	1,085,000	0	1,085,000
Principal payments during year	(89,093)	(3,099)	(92,192)
Balance at end of year	\$ 1,181,290	40,306	1,221,596

- (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. City employees also accumulate a limited amount of earned but unused sick leave hours for subsequent use. Sick leave is payable when used. It is not paid upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate maximum liability for unrecognized accrued employee benefits is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 2,689
Sick leave	6,777
	\$ 9,466

The liability has been computed based on rates of pay as of June 30, 2013.

- (7) Risk Management
The City of Redfield is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.
- (8) Property Tax Calendar
Property taxes are collected and remitted to the City by the county government. Taxes are levied annually on July 1 based on an assessment as of January 1. Taxes are due one-half on September 30 in the year following the levy and one-half on the subsequent March 31. The lien date is July 1. Current and delinquent tax payments are recognized as receipts by the City when received.

CITY OF REDFIELD
Notes to the Financial Statements – Continued

(9) Budget Overexpenditure
Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the function level. During the year ended June 30, 2013, disbursements in the debt service and business type activities functions exceeded the amounts budgeted.

(10) Interfund Transfers
The detail of interfund transfers during the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Emergency Fund	\$ 4,828
IJOBS	General Fund	1
Permanent Fund	General Fund	6,168
		<u>\$ 10,997</u>

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

(11) Deficit Fund Balances
The Debt Service Fund had a deficit fund balance of \$20,568 at June 30, 2013 as a result of disbursements exceeding receipts during the year ended June 30, 2013. The deficit will be eliminated through future debt service property tax collections.

The Capital Projects Fund had a deficit fund balance of \$8,657 at June 30, 2013 as a result of disbursements exceeding receipts during the year ended June 30, 2012. The deficit will be eliminated through future transfers to the Capital Projects Fund.

The Employee Benefits Fund had a deficit fund balance of \$8,392 at June 30, 2013 as a result of disbursements exceeding receipts during the year ended June 30, 2012. The deficit will be eliminated through future property tax collections.

The Housing Rehab Fund had a deficit fund balance of \$17,673 at June 30, 2013 as a result of disbursements exceeding receipts during the years ended June 30, 2012 and 2011. This deficit will be eliminated through the future receipt of grant funds.

CITY OF REDFIELD
 Budgetary Comparison Schedule of Receipts, Disbursements
 and Changes in Cash Balances - Budget and Actual (Cash Basis)
 All Governmental Funds and Proprietary Funds
 Year Ended June 30, 2013

	Governmental <u>Funds</u>	Proprietary <u>Funds</u>	<u>Total</u>
Receipts:			
Property tax	\$ 236,253	0	236,253
TIF revenues	25,636	0	25,636
Other city taxes	116,371	0	116,371
Licenses and permits	1,858	0	1,858
Use of money and property	795	414	1,209
Intergovernmental	305,392	0	305,392
Charges for services	62,084	439,263	501,347
Miscellaneous	18,561	0	18,561
Other financing sources	1,091,232	567,417	1,658,649
	<u>1,858,182</u>	<u>1,007,094</u>	<u>2,865,276</u>
Total Receipts			
Disbursements:			
Public safety	77,305	0	77,305
Public works	135,010	0	135,010
Culture and recreation	71,486	0	71,486
Community and economic development	96,877	0	96,877
General government	90,212	0	90,212
Debt service	95,139	0	95,139
Capital projects	1,140,336	0	1,140,336
Business type activities	0	1,029,896	1,029,896
Transfers out	0	0	0
	<u>1,706,365</u>	<u>1,029,896</u>	<u>2,736,261</u>
Total Disbursements			
Excess of Receipts over Disbursements	151,817	(22,802)	129,015
Balances at Beginning of Year	139,723	424,950	564,673
Balances at End of Year	<u>\$ 291,540</u>	<u>402,148</u>	<u>693,688</u>

CITY OF REDFIELD
 Budgetary Comparison Schedule of Receipts, Disbursements
 and Changes in Cash Balaces - Budget and Actual (Cash Basis)
 All Governmental Funds and Proprietary Funds
 Year Ended June 30, 2013

<u>Budgeted Amounts</u>		<u>Variance to Final</u>
<u>Original</u>	<u>Amended</u>	
226,433	226,433	9,820
25,035	25,035	601
68,996	68,996	47,375
1,780	1,780	78
3,150	3,150	(1,941)
125,220	302,720	2,672
412,550	475,550	25,797
11,350	11,350	7,211
113,338	1,238,838	419,811
<u>987,852</u>	<u>2,353,852</u>	<u>511,424</u>
80,075	80,575	3,270
214,990	152,050	17,040
73,595	92,095	20,609
51,595	121,895	25,018
78,700	131,450	41,238
24,917	90,200	(4,939)
0	1,163,250	22,914
399,399	446,399	(583,497)
113,338	91,378	91,378
<u>1,036,609</u>	<u>2,369,292</u>	<u>(366,969)</u>
(48,757)	(15,440)	144,455
531,798	494,406	70,267
<u>483,041</u>	<u>478,966</u>	<u>214,722</u>

CITY OF REDFIELD
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. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based on nine major classes of disbursements, known as functions, not by fund. These functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$1,366,000 and increased budgeted disbursements by \$1,332,683. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, amounts expended exceeded budgeted amounts in the debt service and business type activities functions.

CITY OF REDFIELD
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances -
Nonmajor Governmental Funds
As of and for the Year Ended June 30, 2013

	<u>IJOBS</u>	<u>Employee Benefits</u>	<u>Special Emergency</u>
Receipts:			
Property tax	\$ 0	39,270	4,923
TIF revenues	0	0	0
Use of money and property - interest	0	0	0
Intergovernmental	0	0	0
Miscellaneous	0	0	0
Total Receipts	0	39,270	4,923
Disbursements:			
Operating:			
Public safety	0	3,240	0
Public works	0	13,545	0
Culture and recreation	0	6,280	0
Community and economic development	0	0	0
General government	0	10,809	0
Total Disbursements	0	33,874	0
Excess (Deficit) of Receipts over (under) Disbursements	0	5,396	4,923
Other Financing Sources - Transfers	1	0	(4,828)
Net Change in Cash Balances	1	5,396	95
Cash Balances at Beginning of Year	(1)	(13,788)	4,421
Cash Balances at End of Year	\$ 0	(8,392)	4,516
Cash Basis Fund Balances:			
Nonspendable - Permanent Fund	\$ 0	0	0
Restricted for:			
Other purposes	0	0	4,516
Unrestricted	0	(8,392)	0
	\$ 0	(8,392)	4,516

CITY OF REDFIELD
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances -
Nonmajor Governmental Funds
As of and for the Year Ended June 30, 2013

<u>Revenue</u>				
<u>TIF</u>	<u>Housing Rehab</u>	<u>FEMA Assistance</u>	<u>Permanent Fund</u>	<u>Total</u>
0	0	0	0	44,193
25,636	0	0	0	25,636
0	0	0	66	66
0	68,471	0	0	68,471
0	0	0	2,622	2,622
<u>25,636</u>	<u>68,471</u>	<u>0</u>	<u>2,688</u>	<u>140,988</u>
0	0	0	0	3,240
0	0	0	0	13,545
0	0	0	0	6,280
27,342	66,716	0	0	94,058
0	0	0	0	10,809
<u>27,342</u>	<u>66,716</u>	<u>0</u>	<u>0</u>	<u>127,932</u>
(1,706)	1,755	0	2,688	13,056
<u>0</u>	<u>0</u>	<u>0</u>	<u>6,168</u>	<u>1,341</u>
(1,706)	1,755	0	8,856	14,397
1,766	(19,428)	5,638	37,751	16,359
<u>60</u>	<u>(17,673)</u>	<u>5,638</u>	<u>46,607</u>	<u>30,756</u>
0	0	0	46,607	46,607
60	0	5,638	0	10,214
0	(17,673)	0	0	(26,065)
<u>60</u>	<u>(17,673)</u>	<u>5,638</u>	<u>46,607</u>	<u>30,756</u>

CITY OF REDFIELD
Schedule of Long-Term Debt and Interest
Year Ended June 30, 2013

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount Originally Issued</u>
General Obligation:			
Fire truck	3/15/05	4.16%	\$ 177,000
First State Bank	9/30/11	3.00%	115,000
G.O. Street Improvement and Refunding	9/6/12	.6 - 3.0%	1,085,000
Total G.O. Capital Loan Notes			
Revenue Bonds:			
Water 2010 SRF	12/23/11	3.00%	1,669,940
Sewer	12/08/00	4.50%	646,000
Total Revenue Bonds			
Landfill Closure and Postclosure Costs		0.00%	103,745
Grand Total			

CITY OF REDFIELD
Schedule of Long-Term Debt and Interest
Year Ended June 30, 2013

<u>Outstanding June 30, 2012</u>	<u>Principal</u>		<u>Outstanding June 30, 2013</u>	<u>Interest Paid</u>
	<u>Issued</u>	<u>Redeemed</u>		
\$ 70,383	0	19,085	51,298	\$ 2,731
115,000	0	15,008	99,992	3,545
0	1,085,000	55,000	1,030,000	14,623
<u>185,383</u>	<u>1,085,000</u>	<u>89,093</u>	<u>1,181,290</u>	<u>20,899</u>
1,063,730	598,814	62,000	1,600,544	42,259
572,788	0	572,788	0	30,424
<u>1,636,518</u>	<u>598,814</u>	<u>634,788</u>	<u>1,600,544</u>	<u>72,683</u>
<u>43,405</u>	<u>0</u>	<u>3,099</u>	<u>40,306</u>	<u>0</u>
<u>\$ 1,865,306</u>	<u>1,683,814</u>	<u>726,980</u>	<u>2,822,140</u>	<u>\$ 93,582</u>

CITY OF REDFIELD
 Bond Maturities
 June 30, 2013

General Obligation

Year Ending June 30,	<u>Capital Loan Notes</u> Issued 3/15/05		<u>First State Bank</u> Issued 9/30/11		<u>Street Improvement and Refunding</u> Issued 9/6/12		<u>Total</u>
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	
2014	4.16%	\$ 19,888	3.00	15,553	0.06	75,000	110,441
2015	4.16	20,724	3.00	16,020	0.06	75,000	111,744
2016	4.16	10,686	3.00	16,500	0.08	75,000	102,186
2017	--	--	3.00	16,995	1.25	75,000	91,995
2018	--	--	3.00	17,505	1.25	75,000	92,505
2019	--	--	3.00	17,419	1.65	75,000	92,419
2020	--	--	--	--	1.65	75,000	75,000
2021	--	--	--	--	2.05	85,000	85,000
2022	--	--	--	--	2.05	85,000	85,000
2023	--	--	--	--	3.00	30,000	30,000
2024	--	--	--	--	3.00	30,000	30,000
2025	--	--	--	--	3.00	30,000	30,000
2026	--	--	--	--	3.00	30,000	30,000
2027	--	--	--	--	3.00	35,000	35,000
2028	--	--	--	--	3.00	35,000	35,000
2029	--	--	--	--	3.00	35,000	35,000
2030	--	--	--	--	3.00	35,000	35,000
2031	--	--	--	--	3.00	35,000	35,000
2032	--	--	--	--	3.00	40,000	40,000
		<u>\$ 51,298</u>		<u>99,992</u>		<u>1,030,000</u>	<u>1,181,290</u>

CITY OF REDFIELD
 Bond Maturities
 June 30, 2011

<u>South Dallas County Landfill</u>		<u>Water Revenue Bonds SRF Issued 12/23/11</u>	
Interest		Interest	
<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>
--	3,099	3.00	54,544
--	3,099	3.00	64,000
--	3,099	3.00	67,000
--	3,099	3.00	69,000
--	3,099	3.00	71,000
--	3,099	3.00	73,000
--	3,099	3.00	76,000
--	3,099	3.00	78,000
--	3,099	3.00	81,000
--	3,099	3.00	83,000
--	3,099	3.00	86,000
--	3,099	3.00	89,000
--	3,118	3.00	92,000
--	--	3.00	95,000
--	--	3.00	98,000
--	--	3.00	101,000
--	--	3.00	104,000
--	--	3.00	108,000
--	--	3.00	111,000
	<u>40,306</u>		<u>1,600,544</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

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

I have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Redfield, Iowa, as of and for the year ended June 30, 2013, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued my report thereon dated February 18, 2014. My 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 my audit of the financial statements, I considered the City of Redfield's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the City of Redfield's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Redfield's internal control.

My 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 significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control that I consider to be significant deficiencies but none that I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the internal 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 Redfield's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or 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. I consider the deficiency described in Part II of the accompanying Schedule of Findings to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Redfield's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City of Redfield's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements. Since my 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 Redfield's Responses to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over 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.

S/ Stanley E. Siebke

Urbandale, Iowa
February 18, 2014

CITY OF REDFIELD
Schedule of Findings
Year Ended June 30, 2013

Part I: Summary of Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements which were prepared in conformity with another comprehensive basis of accounting.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF REDFIELD
Schedule of Findings
Year Ended June 30, 2013

Part II: Findings Related to the Financial Statements

Instances of Non-compliance

No matters were noted.

Significant Deficiency

13-II-A Segregation of Duties

One important aspect of the internal control over financial reporting is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that one employee is involved in cash receipts, bank deposits, cash disbursements, bank reconciliations, utility billing and general ledger accounting.

I realize that with the limited number of employees, improvement of these controls is not economically feasible. However, I believe management of the City should be aware of the situation.

Response: The Council is aware of the situation.

Conclusion: Response accepted.

CITY OF REDFIELD
Schedule of Findings
Year Ended June 30, 2013

Part III: Other Findings Related to Statutory Reporting

13-III-A Certified Budget

City expenditures during the year ended June 30, 2013 exceeded amounts budgeted therefore in the debt service and business type activities functions. Chapter 384 of the Code of Iowa prohibits such budget overruns. City officials should carefully monitor expenditures and prepare budget amendments when necessary.

Response: We will carefully monitor expenditures to avoid budget overruns.

Conclusion: Response accepted.

13-III-B Questionable Disbursements

I noted no expenditures for parties, banquets, or other entertainment for employees that I believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

13-III-C Travel Expense

No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.

13-III-D Business Transactions

During the year ended June 30, 2013, there were no business transactions between the City and City officials.

13-III-E Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions.

13-III-F Council Minutes

No transactions were found that I believe should have been approved in the Council minutes but were not.

I did note occasions when the Council minutes were not published within fifteen days of the Council meeting in accordance with Chapter 372.13(6) of the Code of Iowa. In addition, the published minutes did not include the summary of receipts. The City should publish the Council minutes and required information within fifteen days of the Council meeting.

Response: We will attempt to publish the Council minutes within fifteen days of the meeting and include all necessary items.

Conclusion: Response accepted.

13-III-G Water Revenue Bonds

The provisions of the resolutions for the issuance of the revenue bonds relating to the funding of the sinking funds were followed.

CITY OF REDFIELD
Schedule of Findings
Year Ended June 30, 2013

13-III-H Deposits and Investments

The City has adopted an appropriate resolution regarding the deposit of public funds in an approved financial institution. During the year ended June 30, 2013, the maximum deposit amount specified in the resolution was exceeded. I noted no other instances of non-compliance with the deposit and investments provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

Response: We will evaluate the maximum deposit amount to determine if it needs to be increased.

Conclusion: Response accepted.

13-III-I Deficit Fund Balances

The Debt Service Fund had a deficit fund balance of \$20,568 at June 30, 2013. This deficit is to be eliminated through future property tax collections. The Capital Projects Fund had a deficit fund balance of \$8,657 at June 30, 2013. This deficit is to be eliminated through transfers to the Capital Projects Fund. The Employee Benefits Fund had a deficit fund balance of \$8,392 at June 30, 2013. This deficit is to be eliminated through future property tax collections. The Housing Rehab Fund had a deficit fund balance of \$17,673 at June 30, 2013. This deficit is to be eliminated through future grant receipts. The City should carefully monitor these funds to be sure the deficits are eliminated.

Response: We will monitor the deficits to be certain they are eliminated.

Conclusion: Response accepted.

13-III-J Invoice Processing

It was noted that the City erroneously paid \$113.94 of sales tax on an invoice to the library. It was also noted that the City overpaid two invoices in the amount of \$305.90 that were not clerically accurate. The City should contact the vendors about the erroneous payments to receive refunds of the overpayments. The City should also monitor invoices more carefully to prevent future erroneous payments.

Response: We will improve the methods of monitoring invoices and obtain a refunds from the vendors.

Conclusion: Response accepted.