

CITY OF OKOBOJI

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2013

CITY OF OKOBOJI
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CITY OF OKOBOJI

CITY OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Mary Vander Woude	Mayor	December 31, 2013
Neal Christensen	Council Member	December 31, 2013
Jim Delperdang	Council Member	December 31, 2015
Sue Larsen (resigned April 10, 2013)	Council Member	December 31, 2013
Jim Hentges	Council Member	December 31, 2015
Jerry Robinson	Council Member	December 31, 2013
Steve Dulin (appointed May 14, 2013)	Council Member	December 31, 2013
Dennis Daly	City Administrator / Clerk	December 31, 2013
Michael Chozen	City Attorney	December 31, 2013

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Okoboji
Okoboji, IA 51355

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business type activities and each major fund of the primary government of the City of Okoboji, 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 misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, 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, and each major fund for the primary government of the City of Okoboji 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 accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the City of Okoboji'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 3 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 auditing standards generally accepted in the United States of America. 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, budgetary comparison information on pages 18 through 20, 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 August 31, 2013 on our consideration of the City of Okoboji's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Okoboji's internal control over financial reporting and compliance.

Winter, Starn & Co. LLP

August 31, 2013

BASIC FINANCIAL STATEMENTS

CITY OF OKOBOJI
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

	<u>Disbursements</u>	<u>Program Receipts</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 503,645	\$ -	\$ -	\$ -
Public works	301,455	10,686	77,283	-
Culture and recreation	26,226	-	-	-
Community and economic development	133,180	-	-	-
General government	446,202	-	-	-
Debt service	1,174,753	-	-	-
Capital projects	48,750	-	-	-
Total governmental activities	<u>2,634,211</u>	<u>10,686</u>	<u>77,283</u>	<u>-</u>
Business type activities:				
Water	7,039,702	775,311	-	-
Total business type activities	<u>7,039,702</u>	<u>775,311</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$ 9,673,913</u>	<u>\$ 785,997</u>	<u>\$ 77,283</u>	<u>\$ -</u>

General Receipts and transfers:
 Property and other City tax levied for:
 General purposes

Debt service

Tax increment financing

Local option sales tax

Hotel/motel tax

Unrestricted interest on investments

Bond proceeds

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, expendable:

 Streets

 Urban renewal purposes

 Debt service

 Unrestricted

 Total cash basis net position

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business type Activities	Total
\$ (503,645)	\$ -	\$ (503,645)
(213,486)	-	(213,486)
(26,226)	-	(26,226)
(133,180)	-	(133,180)
(446,202)	-	(446,202)
(1,174,753)	-	(1,174,753)
(48,750)	-	(48,750)
<u>(2,546,242)</u>	<u>-</u>	<u>(2,546,242)</u>
-	(6,264,391)	(6,264,391)
-	<u>(6,264,391)</u>	<u>(6,264,391)</u>
<u>(2,546,242)</u>	<u>(6,264,391)</u>	<u>(8,810,633)</u>
892,384	-	892,384
449,946	-	449,946
65,660	-	65,660
176,413	-	176,413
212,729	-	212,729
4,222	-	4,222
1,162,142	6,730,119	7,892,261
74,578	13,489	88,067
3,000	(3,000)	-
<u>3,041,074</u>	<u>6,740,608</u>	<u>9,781,682</u>
494,832	476,217	971,049
<u>389,799</u>	<u>293,911</u>	<u>683,710</u>
<u>\$ 884,631</u>	<u>\$ 770,128</u>	<u>\$ 1,654,759</u>
\$ 453,533	\$ -	\$ 453,533
15,198	-	15,198
32,820	-	32,820
<u>383,080</u>	<u>770,128</u>	<u>1,153,208</u>
<u>\$ 884,631</u>	<u>\$ 770,128</u>	<u>\$ 1,654,759</u>

See Notes to Financial Statements

CITY OF OKOBOJI
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

	General	Special Revenue	
		Road Use Tax	Urban Renewal Tax Increment
RECEIPTS:			
Property tax	\$ 892,384	\$ -	\$ -
Tax increment financing	-	-	65,660
Other city tax	389,142	-	-
Licenses and permits	13,886	-	-
Use of money and property	4,222	-	-
Intergovernmental	-	77,283	-
Charges for service	10,686	-	-
Miscellaneous	60,692	-	-
TOTAL RECEIPTS	1,371,012	77,283	65,660
DISBURSEMENTS:			
Operating:			
Public safety	503,645	-	-
Public works	213,127	88,328	-
Culture and recreation	26,226	-	-
Community and economic development	133,180	-	-
General government	446,202	-	-
Debt service	-	-	67,300
Capital projects	-	-	-
TOTAL DISBURSEMENTS	1,322,380	88,328	67,300
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	48,632	(11,045)	(1,640)
OTHER FINANCING SOURCES:			
Bond proceeds	-	-	-
Operating transfers in	3,000	-	-
TOTAL OTHER FINANCING SOURCES	3,000	-	-
CHANGE IN CASH BALANCES	51,632	(11,045)	(1,640)
CASH BALANCES - BEGINNING OF YEAR	331,448	32,836	16,838
CASH BALANCES - END OF YEAR	\$ 383,080	\$ 21,791	\$ 15,198
CASH BASIS FUND BALANCES:			
Restricted for:			
Urban renewal purposes.....	\$ -	\$ -	\$ 15,198
Streets.....	-	21,791	-
Debt service.....	-	-	-
Unassigned.....	383,080	-	-
TOTAL CASH BASIS FUND BALANCES	\$ 383,080	\$ 21,791	\$ 15,198

See Notes to Financial Statements

Exhibit B

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 449,946	\$ -	\$ 1,342,330
-	-	65,660
-	-	389,142
-	-	13,886
-	-	4,222
-	-	77,283
-	-	10,686
-	-	60,692
<u>449,946</u>	<u>-</u>	<u>1,963,901</u>
-	-	503,645
-	-	301,455
-	-	26,226
-	-	133,180
-	-	446,202
1,107,453	-	1,174,753
-	48,750	48,750
<u>1,107,453</u>	<u>48,750</u>	<u>2,634,211</u>
<u>(657,507)</u>	<u>(48,750)</u>	<u>(670,310)</u>
681,650	480,492	1,162,142
-	-	3,000
<u>681,650</u>	<u>480,492</u>	<u>1,165,142</u>
24,143	431,742	494,832
8,677	-	389,799
<u>\$ 32,820</u>	<u>\$ 431,742</u>	<u>\$ 884,631</u>
\$ -	\$ -	\$ 15,198
-	431,742	453,533
32,820	-	32,820
-	-	383,080
<u>\$ 32,820</u>	<u>\$ 431,742</u>	<u>\$ 884,631</u>

See Notes to Financial Statements

CITY OF OKOBOJI
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGE IN CASH BALANCES
PROPRIETARY FUND
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

	<u>Water</u>
OPERATING RECEIPTS:	
Charges for service	\$ 775,311
Miscellaneous	<u>13,489</u>
TOTAL OPERATING RECEIPTS	<u>788,800</u>
DISBURSEMENTS:	
Business type activities	<u>285,795</u>
TOTAL OPERATING DISBURSEMENTS	<u>285,795</u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	<u>503,005</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS):	
Bond proceeds	6,730,119
Debt service	(5,519,976)
Capital projects	<u>(1,233,931)</u>
NET NON-OPERATING RECEIPTS (DISBURSEMENTS)	<u>(23,788)</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	479,217
OTHER FINANCING USES:	
Operating transfers out	<u>(3,000)</u>
CHANGE IN CASH BALANCE	476,217
CASH BALANCE - BEGINNING OF YEAR	<u>293,911</u>
CASH BALANCE - END OF YEAR	<u>\$ 770,128</u>
CASH BASIS FUND BALANCE:	
Unrestricted.....	<u>\$ 770,128</u>
TOTAL CASH BASIS FUND BALANCE	<u>\$ 770,128</u>

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Okoboji is a political subdivision of the State of Iowa located in Dickinson County. It was first incorporated in 1922 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water utility services for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Okoboji has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Government Accounting Standards Board criteria.

Related Organizations - The City participates with the City of Arnolds Park in the operation of Central Water System (System), which is organized under the Code of Iowa, Chapter 28E, and provides water system services to the two municipalities and an unrelated regional water system. The System is a component unit of the City of Arnolds Park, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board. The System is operated by the parties through a joint Board of Directors consisting of one member from each city council, or such other individual as that council shall designate, and a third member appointed and approved by a majority vote of the city councils of the municipalities. Water services purchased by the City from the System during the year ended June 30, 2013 totaled \$154,561, approximately 46% of total System revenues. The financial statements of the System are separately audited and are presented on the accrual basis of accounting. Complete financial statements of Central Water System can be obtained from their administrative offices.

The City participates with the City of Arnolds Park in the operation of Arnolds Park/Okoboji Fire and Rescue (Department), which is organized under Chapter 28E of the Code of Iowa and provides fire and rescue services to the two municipalities. The Department is a component unit of the City of Arnolds Park, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board. The Department is operated by the parties through a joint Board of Directors consisting of one member from each city council, or such other individual as that council shall designate, and a third member appointed and approved by a majority vote of the city councils of the municipalities. The financial statements of the Department are separately audited and are presented on the cash basis of accounting. Complete financial statements of Arnolds Park/Okoboji Fire and Rescue can be obtained from their administrative offices.

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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: Dickinson County Emergency Management Commission, Dickinson County Sanitary Landfill Commission, Dickinson County Water Quality Committee, and Dickinson County Joint E911 Service 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 services.

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

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 not meeting the definition of the preceding category. Unrestricted net position often has 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 the proprietary fund. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements. There are no governmental funds 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 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.

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation - Continued

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 Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

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.

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

The City reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

D. Governmental Cash Basis Fund Balances

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

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 classification.

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Budgets and Budgetary Accounting

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

F. Management's Review

Management has evaluated subsequent events through the date of the auditors' report, which is the date the financial statements were available to be issued.

2. CASH AND POOLED INVESTMENTS

The City'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.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

3. BONDS AND NOTES PAYABLE

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

Year Ending <u>June 30,</u>	General Obligation Notes and Bonds	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 710,000	\$ 223,505
2015	720,000	203,489
2016	730,000	184,715
2017	725,000	165,562
2018	685,000	146,334
2019 - 2023	2,405,000	521,400
2024 - 2028	1,845,000	259,062
2029 - 2032	<u>925,000</u>	<u>65,493</u>
Total	<u>\$8,745,000</u>	<u>\$1,769,560</u>

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS - Continued

3. BONDS AND NOTES PAYABLE - Continued

The Code of Iowa requires principal and interest on general obligation bonds and notes be paid from the Debt Service Fund unless payable from a special revenue fund as noted below.

Certain general obligation bonds and notes were issued for the purpose of defraying a portion of the costs of carrying out projects within the urban renewal district of the City. The bonds and notes are payable solely from the tax increment financing (TIF) receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds of bonds being repaid from TIF receipts shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. Total principal and interest remaining on the bonds expected to be paid from TIF receipts is \$446,880, payable through June 2020. For the current year, interest paid and total TIF receipts were \$17,300 and \$65,660, respectively.

Certain general obligation notes were issued for the purpose of defraying a portion of the costs related to the Center Water System plant expansion project and refunding water revenue bonds. The notes are payable from water customer net receipts and are payable through 2032. The total principal and interest expected to be paid on the notes issued is \$6,940,025. For the current year, principal (other than retirement of refunded bonds) and interest paid and total customer net receipts were \$411,458 and \$503,005, respectively.

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 contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$38,639, \$35,466, and \$30,559, 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/prescription drug benefits for employees and retirees. There are nine active and no retired members in the plan. Eligible retirees receive health care coverage through the same plans that are available for active employees. Retired participants must be age 55 or older at retirement. Benefits terminate upon attaining Medicare eligibility.

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS - Continued

5. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued

Contributions are required for retiree coverage. The retiree contributions are based on and equal to the historical full cost of active members. Retiree expenses are then offset by retiree contributions.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$617 for single coverage and \$1,543 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2013, the City made no contributions to the retiree benefit plan.

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. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2013 is \$18,015, primarily relating to the General Fund. This liability has been computed based on rates of pay as of June 30, 2013.

7. RISK MANAGEMENT

The City of Okoboji is a member of 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 officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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 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.

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS - Continued

7. RISK MANAGEMENT - Continued

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 annual contributions to the Pool for the year ended June 30, 2013 were \$30,098.

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 that 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 company coverage since the pool's inception.

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 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% of its casualty capital contributions. However, the refund is reduced by 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 of Okoboji also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation. 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.

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS - Continued

8. LITIGATION

The City is party to routine legal proceedings and litigation arising in the normal course of governmental operations. These legal proceedings are not expected to have a material adverse impact on the City's financial condition.

9. COMMITMENTS AND CONTINGENCIES

The City has committed to provide funding along with the City of Arnolds Park to Central Water System for a plant expansion project. The commitment will be paid as the project progresses from the proceeds of general obligation capital loan notes and an \$875,000 grant. At June 30, 2013, \$5,496,603 has been paid to Central Water System, with capital advances of \$4,621,603 and grant proceeds of \$875,000 received. The remaining commitment will be paid with cash on hand and funds from Iowa Lakes Regional Water for their portion of project costs.

The City has approved contracts for drainage projects and parking lot improvements of approximately \$496,000. The commitment will be paid from the proceeds of general obligation capital loan note issued in April 2013.

10. 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 fund	Enterprise: Water	\$ 3,000

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

OTHER INFORMATION

CITY OF OKOBOJI
 BUDGETARY COMPARISON SCHEDULE OF
 RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 OTHER INFORMATION (UNAUDITED)
 YEAR ENDED JUNE 30, 2013

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
RECEIPTS:		
Property tax	\$ 1,342,330	\$ -
Tax increment financing	65,660	-
Other city tax	389,142	-
Licenses and permits	13,886	-
Use of money and property	4,222	-
Intergovernmental	77,283	-
Charges for service	10,686	775,311
Miscellaneous	60,692	13,489
TOTAL RECEIPTS	<u>1,963,901</u>	<u>788,800</u>
DISBURSEMENTS:		
Public safety	503,645	-
Public works	301,455	-
Culture and recreation	26,226	-
Community and economic development	133,180	-
General government	446,202	-
Debt service	1,174,753	-
Capital projects	48,750	-
Business type activities	-	7,039,702
TOTAL DISBURSEMENTS	<u>2,634,211</u>	<u>7,039,702</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS	(670,310)	(6,250,902)
OTHER FINANCING SOURCES	<u>1,165,142</u>	<u>6,727,119</u>
NET CHANGE IN CASH BALANCES	494,832	476,217
CASH BALANCES - BEGINNING OF YEAR	<u>389,799</u>	<u>293,911</u>
CASH BALANCES - END OF YEAR	<u>\$ 884,631</u>	<u>\$ 770,128</u>

<u>Total</u>	<u>Budgeted Amounts</u>		<u>Final to Total Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 1,342,330	\$ 1,329,257	\$ 1,329,257	\$ 13,073
65,660	67,300	67,300	(1,640)
389,142	408,427	410,348	(21,206)
13,886	12,800	10,050	3,836
4,222	-	-	4,222
77,283	89,104	89,429	(12,146)
785,997	2,723,500	7,482,315	(6,696,318)
74,181	21,300	22,510	51,671
<u>2,752,701</u>	<u>4,651,688</u>	<u>9,411,209</u>	<u>(6,658,508)</u>
503,645	415,251	589,494	85,849
301,455	310,068	369,063	67,608
26,226	29,800	31,300	5,074
133,180	163,704	170,804	37,624
446,202	449,495	449,495	3,293
1,174,753	514,754	1,196,404	21,651
48,750	-	48,750	-
7,039,702	2,621,922	7,579,069	539,367
<u>9,673,913</u>	<u>4,504,994</u>	<u>10,434,379</u>	<u>760,466</u>
(6,921,212)	146,694	(1,023,170)	(5,898,042)
<u>7,892,261</u>	<u>-</u>	<u>1,162,142</u>	<u>6,730,119</u>
971,049	146,694	138,972	<u>\$ 832,077</u>
<u>683,710</u>	<u>413,344</u>	<u>599,698</u>	
<u>\$ 1,654,759</u>	<u>\$ 560,038</u>	<u>\$ 738,670</u>	

CITY OF OKOBOJI
NOTES TO OTHER INFORMATION - BUDGETARY REPORTING (UNAUDITED)
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 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, business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Proprietary Fund. 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 \$5,929,385. The budget amendment is reflected in the final budgeted amounts.

SUPPLEMENTARY INFORMATION

CITY OF OKOBOJI
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2013

<u>Obligation</u>	<u>Date of Issue</u>	<u>Amount Interest Rates</u>	<u>Originally Issued</u>
<u>General Obligation Bonds and Notes:</u>			
General Obligation Bonds	October 1, 2002	3.00 - 3.20%	<u>\$ 705,000</u>
General Obligation Refunding Notes Paid from TIF	October 1, 2005	3.00 - 4.35%	<u>\$1,045,000</u>
General Obligation Bonds	May 1, 2007	3.65 - 4.00%	<u>\$1,100,000</u>
General Obligation Capital Loan Notes	April 1, 2008	3.75 - 4.10%	<u>\$ 550,000</u>
General Obligation Capital Loan Notes	June 1, 2009	3.25 - 4.625%	<u>\$1,500,000</u>
General Obligation Capital Loan Notes	August 30, 2010	3.25%	<u>\$ 125,000</u>
General Obligation Capital Loan Notes Paid from water	June 1, 2009	3.00%	<u>\$4,398,000</u>
General Obligation Refunding Notes Paid from water	January 1, 2013	2.00 - 3.00%	<u>\$5,945,000</u>
General Obligation Capital Loan Notes	April 24, 2013	1.25 - 2.00%	<u>\$1,140,000</u>
<u>Revenue Notes:</u>			
Water Revenue Capital Loan Notes	October 1, 2008	3.00%	<u>\$1,283,000</u>
TOTAL			

<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>\$ 40,000</u>	<u> </u>	<u>\$ 40,000</u>	<u> </u>	<u>\$ 1,540</u>	<u> </u>
<u>430,000</u>	<u> </u>	<u>50,000</u>	<u>\$ 380,000</u>	<u>17,300</u>	<u> </u>
<u>780,000</u>	<u> </u>	<u>780,000</u>	<u> </u>	<u>31,925</u>	<u> </u>
<u>410,000</u>	<u> </u>	<u>60,000</u>	<u>350,000</u>	<u>16,220</u>	<u> </u>
<u>1,225,000</u>	<u> </u>	<u>100,000</u>	<u>1,125,000</u>	<u>49,356</u>	<u> </u>
<u>105,000</u>	<u> </u>	<u>25,000</u>	<u>80,000</u>	<u>3,412</u>	<u> </u>
<u>3,387,600</u>	<u>\$ 807,261</u>	<u>4,194,861</u>	<u> </u>	<u>73,160</u>	<u> </u>
<u> </u>	<u>5,945,000</u>	<u>275,000</u>	<u>5,670,000</u>	<u>45,396</u>	<u> </u>
<u> </u>	<u>1,140,000</u>	<u> </u>	<u>1,140,000</u>	<u> </u>	<u> </u>
<u>930,000</u>	<u> </u>	<u>930,000</u>	<u> </u>	<u>17,902</u>	<u> </u>
<u>\$7,307,600</u>	<u>\$7,892,261</u>	<u>\$6,454,861</u>	<u>\$8,745,000</u>	<u>\$256,211</u>	<u> </u>

CITY OF OKOBOJI
BOND AND NOTE MATURITIES
JUNE 30, 2013

Year Ending June 30,	General Obligation Bonds and Notes							
	Refunding Notes Issued 10-1-2005		Capital Loan Notes Issued 4-1-2008		Capital Loan Notes Issued 6-1-2009		Capital Loan Notes Issued 8-30-2010	
	Rate	Interest Amount	Rate	Interest Amount	Rate	Interest Amount	Rate	Interest
2014	3.75%	\$ 45,000	4.00%	\$ 60,000	3.25%	\$ 100,000	3.25%	\$ 25,000
2015	3.85	50,000	3.75	65,000	4.00	100,000	3.25	25,000
2016	3.95	50,000	3.85	65,000	4.00	100,000	3.25	30,000
2017	4.05	55,000	4.00	80,000	4.00	100,000		
2018	4.15	55,000	4.10	80,000	4.00	100,000		
2019	4.25	60,000			4.00	100,000		
2020	4.35	65,000			4.00	100,000		
2021					4.20	100,000		
2022					4.375	100,000		
2023					4.50	100,000		
2024					4.625	125,000		
2025								
2026								
2027								
2028								
2029								
2030								
2031								
2032								
TOTALS		<u>\$380,000</u>		<u>\$350,000</u>		<u>\$1,125,000</u>		<u>\$ 80,000</u>

Schedule 2

<u>Refunding Loan Notes Issued 1-1-2013</u>		<u>Capital Loan Notes Issued 4-24-2013</u>		
<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Total</u>
2.00%	\$ 300,000	2.00%	\$ 180,000	\$ 710,000
2.00	300,000	2.00	180,000	720,000
2.00	300,000	2.00	185,000	730,000
2.00	300,000	2.00	190,000	725,000
2.00	300,000	2.00	150,000	685,000
2.00	300,000	1.25	50,000	510,000
1.375	300,000	1.25	50,000	515,000
1.50	300,000	2.00	50,000	450,000
1.75	300,000	2.00	50,000	450,000
2.00	325,000	2.00	55,000	480,000
2.00	325,000			450,000
2.125	325,000			325,000
2.25	350,000			350,000
2.375	350,000			350,000
2.50	370,000			370,000
2.625	255,000			255,000
2.625	220,000			220,000
3.00	225,000			225,000
3.00	<u>225,000</u>		<u> </u>	<u>225,000</u>
	<u>\$5,670,000</u>		<u>\$1,140,000</u>	<u>\$8,745,000</u>

CITY OF OKOBOJI
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	\$ 1,333,043	\$ 1,360,713	\$ 1,065,298	\$ 1,000,356
Tax increment financing collections	65,660	113,194	42,929	75,310
Other city tax	419,759	412,601	417,031	364,536
Licenses and permits	13,886	21,701	15,489	10,956
Use of money and property	4,222	3,822	5,025	14,721
Intergovernmental	77,283	76,545	78,638	76,065
Charges for service	10,686	12,425	11,484	10,931
Special assessments	-	-	-	-
Miscellaneous	39,362	51,017	77,154	78,655
TOTAL	<u>\$ 1,963,901</u>	<u>\$ 2,052,018</u>	<u>\$ 1,713,048</u>	<u>\$ 1,631,530</u>
DISBURSEMENTS:				
Operating:				
Public safety	\$ 503,645	\$ 313,783	\$ 317,850	\$ 345,873
Public works	301,455	335,113	255,502	301,882
Culture and recreation	26,226	28,724	25,525	33,202
Community and economic development	133,180	171,698	153,896	171,530
General government	446,202	392,922	413,848	363,606
Debt service	1,174,753	621,577	667,829	722,655
Capital projects	48,750	-	181,604	1,759,499
TOTAL	<u>\$ 2,634,211</u>	<u>\$ 1,863,817</u>	<u>\$ 2,016,054</u>	<u>\$ 3,698,247</u>

Schedule 3

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 908,324	\$ 875,381	\$ 807,564	\$ 778,482	\$ 741,016	\$ 670,899
546,769	471,519	433,158	340,613	324,043	260,566
409,698	407,692	421,773	373,107	363,002	358,850
15,705	17,581	36,315	7,298	9,928	16,183
11,201	11,372	46,095	33,710	6,661	5,552
68,035	70,252	68,342	73,261	76,800	76,078
11,692	13,040	13,868	11,954	16,886	-
-	-	-	-	1,856	22,266
45,262	49,285	77,087	53,910	51,941	60,004
<hr/>					
\$ 2,016,686	\$ 1,916,122	\$ 1,904,202	\$ 1,672,335	\$ 1,592,133	\$ 1,470,398
<hr/>					
\$ 315,060	\$ 309,038	\$ 273,470	\$ 275,750	\$ 253,819	\$ 216,384
237,557	319,433	240,756	330,831	443,906	152,108
23,696	25,306	20,341	35,711	18,345	17,132
192,160	208,064	193,782	142,225	188,613	150,192
343,442	366,915	356,488	321,609	370,559	322,433
672,055	604,428	759,187	561,211	435,825	1,327,440
653,629	969,634	236,575	1,308,172	84,713	24,587
<hr/>					
\$ 2,437,599	\$ 2,802,818	\$ 2,080,599	\$ 2,975,509	\$ 1,795,780	\$ 2,210,276
<hr/>					

INDEPENDENT AUDITORS' 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 Okoboji, IA 51355

We have audited in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, and each major fund of the City of Okoboji, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the basic financial statements of the City's primary government, and have issued our report thereon dated August 31, 2013. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursement, a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control we consider to be a material weakness.

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's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a

combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 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.

City of Okoboji's Responses to Finding

The City of Okoboji's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The 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 Okoboji 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.

Winter, Starn & Co., LLP

August 31, 2013

CITY OF OKOBOJI
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements

Internal Control Deficiency:

I-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. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

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

Response - We will consider a review of our control procedures.

Conclusion - Response accepted.

Instances of Noncompliance:

No matters were noted.

CITY OF OKOBOJI
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2013

Part II: Other Findings Related to Required Statutory Reporting

II-A-13 Certified Budget - Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the public works and business type activities functions prior to the budget amendment. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

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

Conclusion - Response accepted.

II-B-13 Questionable Disbursements - We noted no expenditures that did 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 expenditures 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 or employees 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 should be reviewed annually to ensure that the coverage is adequate for current operations.

II-F-13 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-13 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-H-13 Urban Renewal Annual Report - The urban renewal annual report was approved and certified to the Iowa Department of Management on or before December 1. However, the amount reported by the City as TIF debt outstanding was understated by \$64,057.

Recommendation - The City should ensure the debt amounts reported on the Levy Authority summary agree with the City's records.

Response - This item will be corrected on next year's report.

Conclusion - Response accepted.