

CITY OF IDA GROVE

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

JUNE 30, 2014

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CITY OF IDA GROVE

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Dennis Ernst	Mayor	January 2014
Doug Clough	Council Member	January 2014
Craig Rupert	Council Member	January 2014
Bill Carnine	Council Member	January 2016
Paul Cates	Council Member	January 2016
Robert Fineran	Council Member	January 2016
Edie Ball	Clerk	Indefinite
Laurel Boerner	Attorney	Indefinite
(After January 2014)		
Morris Hurd	Mayor	January 2018
Bill Carnine	Council Member	January 2016
Paul Cates	Council Member	January 2016
Robert Fineran	Council Member	January 2016
Doug Clough	Council Member	January 2018
Ryan Goodman	Council Member	January 2018
Edie Ball	Clerk	Indefinite
Laurel Boerner	Attorney	Indefinite

HUNZELMAN, PUTZIER & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
RICHARD R. MOORE, C.P.A. (RETIRED)
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W. J. HUNZELMAN, C.P.A. 1921-1997

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
Ida Grove, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Ida Grove, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Ida Grove as of June 30, 2014, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Ida Grove'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, 2013 (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 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, the budgetary comparison information on pages 20 through 21 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 February 9, 2015, on our consideration of City of Ida Grove's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Ida Grove's internal control over financial reporting and compliance.

Hungelman, Putzies & Co., PLLC

February 9, 2015

CITY OF IDA GROVE
STATEMENT OF ACTIVITIES AND NET POSITION – CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

Exhibit A

Functions/Programs:	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business Type Activities	Total	
Governmental activities:								
Public safety	\$ 561,485	\$ 18,061	\$ 82,237	\$ 5,000	\$ (456,187)	\$ -	\$ (456,187)	\$ -
Public works	449,362	27,214	219,332	-	(202,816)	-	(202,816)	-
Health and social services	4,886	-	-	-	(4,886)	-	(4,886)	-
Culture and recreation	466,438	152,388	56,032	-	(258,018)	-	(258,018)	-
Community and economic development	4,000	-	-	-	(4,000)	-	(4,000)	-
General government	175,777	6,128	2,127	-	(167,522)	-	(167,522)	-
Debt service	204,049	-	-	-	(204,049)	-	(204,049)	-
Capital projects	91,199	-	86,676	-	(4,523)	-	(4,523)	-
Total governmental activities	<u>1,957,196</u>	<u>203,791</u>	<u>446,404</u>	<u>5,000</u>	<u>(1,302,001)</u>	<u>-</u>	<u>(1,302,001)</u>	<u>-</u>
Business type activities:								
Water	260,993	290,844	-	-	-	29,851	29,851	-
Sewer	202,366	132,840	-	-	-	(69,526)	(69,526)	-
Solid Waste	165,944	172,590	-	-	-	6,646	6,646	-
Total business type activities	<u>629,303</u>	<u>596,274</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(33,029)</u>	<u>(33,029)</u>	<u>-</u>
Total primary government	<u>\$ 2,586,499</u>	<u>\$ 800,065</u>	<u>\$ 446,404</u>	<u>\$ 5,000</u>	<u>(1,302,001)</u>	<u>(33,029)</u>	<u>(1,335,030)</u>	<u>-</u>
Component Unit:								
Ida Grove Community Rec Center Endowment Trust	<u>\$ 1,524</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,524)</u>
General Receipts and Transfers:								
Property and other city tax levied for:								
General purposes					866,578	-	866,578	-
Debt service					29,604	-	29,604	-
Tax increment financing					88,819	-	88,819	-
Local option sales tax					187,606	-	187,606	-
Hotel-motel tax					34,708	-	34,708	-
Unrestricted interest on investments					2,162	-	2,162	2,941
Sale of assets					5,000	-	5,000	-
Miscellaneous					52,303	-	52,303	-
Transfers					67,000	(67,000)	-	-
Total general receipts and transfers					<u>1,333,780</u>	<u>(67,000)</u>	<u>1,266,780</u>	<u>2,941</u>
Change in cash basis net position					31,779	(100,029)	(68,250)	1,417
Cash basis net position beginning of year					<u>1,144,310</u>	<u>266,545</u>	<u>1,410,855</u>	<u>256,531</u>
Cash basis net position end of year					<u>\$ 1,176,089</u>	<u>\$ 166,516</u>	<u>\$ 1,342,605</u>	<u>\$ 257,948</u>

(continued)

CITY OF IDA GROVE
STATEMENT OF ACTIVITIES AND NET POSITION – CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

Exhibit A
(continued)

	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Position				
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business Type Activities	Total	
Cash Basis Net Position								
Restricted:								
Expendable:								
Streets				\$ 532,721	\$ -	\$ 532,721	\$ -	
Tax increment financing projects				137,285	-	137,285	-	
Debt service				519	-	519	-	
Other purposes				587,735	-	587,735	-	
Ida Grove Community Rec Center				-	-	-	257,948	
Unrestricted				(82,171)	166,516	84,345	-	
Total cash basis net position				<u>\$ 1,176,089</u>	<u>\$ 166,516</u>	<u>\$ 1,342,605</u>	<u>\$ 257,948</u>	

See notes to financial statements.

CITY OF IDA GROVE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

Exhibit B

	Special Revenue						Total
	General	Road Use Tax	Local Option Sales Tax	Tax Increment Financing	Debt Service	Nonmajor	
Receipts:							
Property tax	\$ 742,175	\$ -	\$ -	\$ -	\$ 29,603	\$ 124,403	\$ 896,181
Tax increment financing	-	-	-	88,818	-	-	88,818
Other city tax	34,708	-	187,607	-	-	-	222,315
Licenses and permits	7,533	-	-	-	-	-	7,533
Use of money and property	25,759	-	-	-	-	-	25,759
Intergovernmental	35,653	213,887	-	-	-	91,675	341,215
Charges for services	136,197	-	-	-	-	-	136,197
Miscellaneous	198,957	-	-	-	-	5,000	203,957
Total receipts	<u>1,180,982</u>	<u>213,887</u>	<u>187,607</u>	<u>88,818</u>	<u>\$ 29,603</u>	<u>221,078</u>	<u>1,921,975</u>
Disbursements:							
Operating:							
Public safety	421,334	-	-	-	-	140,151	561,485
Public works	201,225	206,770	-	-	-	41,367	449,362
Health and social services	4,886	-	-	-	-	-	4,886
Culture and recreation	410,413	-	-	-	-	56,025	466,438
Community and economic development	-	-	-	4,000	-	-	4,000
General government	146,642	-	-	-	-	29,135	175,777
Debt service	-	-	-	-	204,049	-	204,049
Capital Projects	-	-	-	-	-	91,199	91,199
Total disbursements	<u>1,184,500</u>	<u>206,770</u>	<u>-</u>	<u>4,000</u>	<u>204,049</u>	<u>357,877</u>	<u>1,957,196</u>
Excess (deficiency) of receipts over disbursements	<u>(3,518)</u>	<u>7,117</u>	<u>187,607</u>	<u>84,818</u>	<u>(174,446)</u>	<u>(136,799)</u>	<u>(35,221)</u>
Other financing sources (uses):							
Operating transfers in	74,592	-	-	-	194,397	37,769	306,758
Operating transfers out	-	-	(122,861)	(116,897)	-	-	(239,758)
Total other financing sources (uses)	<u>74,592</u>	<u>-</u>	<u>(122,861)</u>	<u>(116,897)</u>	<u>194,397</u>	<u>37,769</u>	<u>67,000</u>
Net change in cash balances	71,074	7,117	64,746	(32,079)	19,951	(99,030)	31,779
Cash balances beginning of year	<u>252,201</u>	<u>525,604</u>	<u>469,283</u>	<u>169,364</u>	<u>(19,432)</u>	<u>(252,710)</u>	<u>1,144,310</u>
Cash balances end of year	<u>\$ 323,275</u>	<u>\$ 532,721</u>	<u>\$ 534,029</u>	<u>\$ 137,285</u>	<u>\$ 519</u>	<u>\$ (351,740)</u>	<u>\$ 1,176,089</u>

CITY OF IDA GROVE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

Exhibit B
 (continued)

	Special Revenue				Debt Service	Nonmajor	Total
	General	Road Use Tax	Local Option Sales Tax	Tax Increment Financing			
Cash Basis Fund Balances							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 519	\$ -	\$ 519
Streets	-	347,999	-	-	-	-	347,999
Tax increment financing projects	-	-	-	137,285	-	-	137,285
Other purposes	-	-	534,029	-	-	53,706	587,735
Assigned for equipment	-	184,722	-	-	-	-	184,722
Unassigned	323,275	-	-	-	-	(405,446)	(82,171)
Total cash basis fund balances	\$ 323,275	\$ 532,721	\$ 534,029	\$ 137,285	\$ 519	\$ (351,740)	\$ 1,176,089

See notes to financial statements.

CITY OF IDA GROVE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

Exhibit C

	Enterprise			
	Water	Sewer	Solid Waste	Total
Operating receipts:				
Charges for services	\$ 278,706	\$ 132,578	\$ 172,590	\$ 583,874
Miscellaneous	12,138	262	-	12,400
Total operating receipts	290,844	132,840	172,590	596,274
Operating disbursements:				
Business type activities	260,993	202,366	165,944	629,303
Excess (deficiency) of operating receipts over operating disbursements	29,851	(69,526)	6,646	(33,029)
Operating transfers out	(67,000)	-	-	(67,000)
Net change in cash balances	(37,149)	(69,526)	6,646	(100,029)
Cash balances beginning of year	380,831	(196,407)	82,121	266,545
Cash balances end of year	\$ 343,682	\$ (265,933)	\$ 88,767	\$ 166,516
Cash Basis Fund Balances				
Unrestricted	\$ 343,682	\$ (265,933)	\$ 88,767	\$ 166,516

See notes to financial statements.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Ida Grove is a political subdivision of the State of Iowa located in Ida County. It was first incorporated in 1878 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, general government services. The City also provides water, sewer, and solid waste utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Ida Grove 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.

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

Discretely Presented Component Unit

The Ida Grove Community Rec Center Endowment Trust was established as a non-profit trust in accordance with Section 450.4(2) of the Code of Iowa. The Trust is legally separate from the City but is so intertwined with the City that it is, in substance, the same as the City. The Trust receives donations for maintaining and improving the facilities, programs, and physical plant of the Rec Center and Community building. These donations are to be used for items which are not included in the City's budget.

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 or appoint representatives to the following boards and commissions: Ida County Assessor's Conference Board, Ida County Public Safety and Communications Commission, and Ida County Landfill Commission.

Payments made to Ida County Public Safety and Communications Commission during the year ended June 30, 2014, were \$301,742.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation

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

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

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. Enabling legislation did not result in any restricted net position.

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for monies received to be used for property tax relief and community betterment.

The Tax Increment Financing Fund is used to account for projects financed by tax increment financing.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - (Continued)

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 City reports the following major proprietary funds:

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

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

The Solid Waste Fund accounts for the operation and maintenance of the City's system of solid waste removal.

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general receipts.

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

Unassigned – All amounts not included in the preceding classifications.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the public safety, community and economic development, and capital projects functions.

2. CASH

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 3, as amended by Statement 40.

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) to 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 PAYABLE

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

Year Ending	<u>General Obligation Bonds</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	131,433	20,069
2016	136,433	15,370
2017	141,433	10,380
2018	16,433	5,103
2019	16,433	4,667
2020-2024	82,165	15,653
2025-2026	32,871	2,062
	<u>\$ 557,201</u>	<u>\$ 73,304</u>

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013, 2012, were \$42,757, \$39,588, and \$35,882, respectively, equal to the required contributions for each year.

5. 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 vacation payable to employees at June 30, 2014, primarily relating to the General Fund, is as follows:

Type of Benefit

Vacation	\$ <u>20,824</u>
----------	------------------

This liability has been computed based on rates of pay in effect at June 30, 2014.

6. SERVICE AGREEMENTS

The City has an agreement with Ida County Sanitation, Inc. for refuse collection and hauling of solid waste and recyclable materials. Payments under this agreement were \$161,289 for the year ended June 30, 2014.

7. HOSPITAL REVENUE NOTES

The City has issued a total of \$8,860,000 of hospital revenue notes for Horn Memorial Hospital under the provisions of Chapter 419 of the Code of Iowa, of which \$6,100,209 is outstanding at June 30, 2014. The bonds and related interest are payable solely from the revenue of the hospital, and the bond principal and interest do not constitute liabilities of the City.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

8. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2014, consisted of the following:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Local Option Sales Tax	<u>\$ 74,592</u>
Debt Service	Special Revenue: Local Option Sales Tax Tax Increment Financing Enterprise: Water	10,500 116,897 <u>67,000</u>
		<u>194,397</u>
Nonmajor	Special Revenue: Local Option Sales Tax	<u>37,769</u>
Total		<u>\$ 306,758</u>

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

9. RISK MANAGEMENT

The City 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 700 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 determined by the Board not to exceed 300% of total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

9. RISK MANAGEMENT – (Continued)

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2014 were \$12,196.

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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance 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 casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

City of Ida Grove 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.

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The City operates a single-employer benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 10 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with United Health Care. 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 \$395-\$973 for single coverage and \$386 for spouse only coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2014, the City contributed \$77,424 and plan members eligible for benefits contributed \$3,860 to the plan.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

11. DEFICIT FUND BALANCE

The special revenue, FEMA fund, the Capital Projects fund, and the Sewer fund had deficit balances of \$127,730, \$277,716 and \$265,933, respectively at June 30, 2014. These deficit balances are a result of project costs incurred prior to availability of funds. These deficit balances will be eliminated by intergovernmental receipts, special assessments, and transfers from other funds, increased rates, or cost reductions.

12. INTERGOVERNMENTAL AGREEMENT

The City entered into an agreement with Ida County to provide for the disposal of solid waste.

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. State regulations also require the County to maintain a closure account as financial assurance for the closure costs pertaining to operating a transfer station. The costs to the County for compliance with these requirements have been estimated at \$324,125 and \$2,312, respectively according to the County's latest audit report available which was for the year ended June 30, 2013. The Ida County Landfill closed during fiscal year 2008.

The County has begun to accumulate resources to fund these costs and, at June 30, 2013, assets of \$375,131 are restricted for these purposes.

13. PROSPECTIVE ACCOUNTING CHANGE

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

14. SUBSEQUENT EVENTS

Subsequent to the year ending June 30, 2014, the City entered into various contracts for the purchase of land, rec center upgrades, and sewer plant improvements totaling approximately \$1,130,000. These projects will be funded from general obligation bond proceeds, sewer revenue bond proceeds, and funds on hand.

OTHER INFORMATION

CITY OF IDA GROVE
 BUDGETARY COMPARISON SCHEDULE OF
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES –
 BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
 OTHER INFORMATION
 YEAR ENDED JUNE 30, 2014

	Governmental	Proprietary	Total	Budgeted Amounts		Final
	Funds	Funds		Original	Final	To
	Actual	Actual				Total
						Variance
Receipts:						
Property tax	\$ 896,181	\$ -	\$ 896,181	\$ 853,627	\$ 853,627	\$ 42,554
Tax increment financing	88,818	-	88,818	91,182	91,182	(2,364)
Other city tax	222,315	-	222,315	256,749	256,749	(34,434)
Licenses and permits	7,533	-	7,533	6,425	6,425	1,108
Use of money and property	25,759	-	25,759	23,600	27,600	(1,841)
Intergovernmental	341,215	-	341,215	231,433	231,433	109,782
Charges for service	136,197	583,874	720,071	770,937	770,937	(50,866)
Miscellaneous	203,957	12,400	216,357	190,706	332,601	(116,244)
Total receipts	<u>1,921,975</u>	<u>596,274</u>	<u>2,518,249</u>	<u>2,424,659</u>	<u>2,570,554</u>	<u>(52,305)</u>
Disbursements:						
Public safety	561,485	-	561,485	415,813	509,200	(52,285)
Public works	449,362	-	449,362	446,629	568,754	119,392
Health and social services	4,886	-	4,886	4,886	4,886	-
Culture and recreation	466,438	-	466,438	444,886	486,999	20,561
Community and economic development	4,000	-	4,000	-	-	(4,000)
General government	175,777	-	175,777	205,819	212,819	37,042
Debt service	204,049	-	204,049	316,980	316,980	112,931
Capital projects	91,199	-	91,199	-	-	(91,199)
Business type activities	-	629,303	629,303	717,516	717,516	88,213
Total disbursements	<u>1,957,196</u>	<u>629,303</u>	<u>2,586,499</u>	<u>2,552,529</u>	<u>2,817,154</u>	<u>230,655</u>
Excess (deficiency) of receipts over disbursements	(35,221)	(33,029)	(68,250)	(127,870)	(246,600)	178,350
Other financing sources (uses)	<u>67,000</u>	<u>(67,000)</u>	<u>-</u>	<u>-</u>	<u>23,078</u>	<u>(23,078)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	31,779	(100,029)	(68,250)	(127,870)	(223,522)	155,272
Balance, beginning of year	<u>1,144,310</u>	<u>266,545</u>	<u>1,410,855</u>	<u>1,288,285</u>	<u>1,288,285</u>	<u>122,570</u>
Balance, end of year	<u>\$ 1,176,089</u>	<u>\$ 166,516</u>	<u>\$ 1,342,605</u>	<u>\$ 1,160,415</u>	<u>\$ 1,064,763</u>	<u>\$ 277,842</u>

See accompanying independent auditor's report.

CITY OF IDA GROVE
NOTES TO OTHER INFORMATION – BUDGETARY REPORTING
JUNE 30, 2014

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, 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, 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 ended June 30, 2014 the budget was amended one time which increase budgeted disbursements by \$264,625. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the public safety, community and economic development, and capital projects functions.

SUPPLEMENTARY INFORMATION

CITY OF IDA GROVE
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

Schedule 1

	Special Revenue				
	Employee	FEMA	Capital		Total
	Benefits		Projects		
Receipts:					
Property tax	\$ 124,403	\$ -	\$ -	\$ 124,403	
Intergovernmental	-	5,000	86,675	91,675	
Miscellaneous	-	-	5,000	5,000	
Total receipts	124,403	5,000	91,675	221,078	
Disbursements:					
Operating:					
Public safety	4,481	135,670	-	140,151	
Public works	41,367	-	-	41,367	
Culture and recreation	56,025	-	-	56,025	
General government	29,135	-	-	29,135	
Capital Projects	-	-	91,199	91,199	
Total disbursements	131,008	135,670	91,199	357,877	
Excess (deficiency) of receipts over disbursements	(6,605)	(130,670)	476	(136,799)	
Other financing sources:					
Transfers in	-	-	37,769	37,769	
Net change in cash balances	(6,605)	(130,670)	38,245	(99,030)	
Cash balances beginning of year	60,311	2,940	(315,961)	(252,710)	
Cash balances end of year	\$ 53,706	\$ (127,730)	\$ (277,716)	\$ (351,740)	
Cash Basis Fund Balances					
Restricted for:					
Other purposes	\$ 53,706	\$ -	\$ -	\$ 53,706	
Unassigned	-	(127,730)	(277,716)	(405,446)	
Total cash basis fund balances	\$ 53,706	\$ (127,730)	\$ (277,716)	\$ (351,740)	

See accompanying independent auditor's report.

CITY OF IDA GROVE
 SCHEDULE OF INDEBTEDNESS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

Schedule 2

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
General obligation bonds:								
Corporate purpose	October 1, 2006	3.80-3.90	\$ 1,010,000	\$ 470,000	\$ 110,000	\$ 360,000	\$ 18,045	\$ -
Infrastructure Note	November 1, 2011	2.00-4.25	246,500	213,634	16,433	197,201	6,491	-
Total				<u>\$ 683,634</u>	<u>\$ 126,433</u>	<u>\$ 557,201</u>	<u>\$ 24,536</u>	<u>\$ -</u>

See accompanying independent auditor's report.

CITY OF IDA GROVE
BOND AND NOTE MATURITIES
JUNE 30, 2014

Schedule 3

<u>Year</u> <u>Ending</u> <u>June 30</u>	<u>General Obligation Bonds</u>			
	<u>Corporate Purpose</u> <u>Issued October 1, 2006</u>		<u>Infrastructure Note</u> <u>Issued November 1, 2011</u>	
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
2015	3.80 %	\$ 115,000	2.00%	\$ 16,433
2016	3.85	120,000	2.25	16,433
2017	3.90	125,000	2.45	16,433
2018		-	2.65	16,433
2019		-	2.85	16,433
2020-2024		-	3.05-3.85	82,167
2025-2026		-	4.05-4.25	32,869
		\$ 360,000		\$ 197,201

See accompanying independent auditor's report.

CITY OF IDA GROVE
SCHEDULE OF RECEIPTS BY SOURCE AND
DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

Schedule 4

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Receipts:										
Property tax	\$ 896,181	\$ 854,120	\$ 829,035	\$ 775,057	\$ 722,906	\$ 700,117	\$ 701,960	\$ 635,260	\$ 603,344	\$ 537,045
Tax increment financing	88,818	66,612	157	105,358	42,301	43,268	42,211	4	34,908	99,718
Other city tax	222,315	217,873	208,068	239,915	204,590	72,214	27,497	60,731	44,748	41,729
Licenses and permits	7,533	7,285	7,380	6,233	6,711	6,606	7,979	7,921	6,870	9,008
Use of money and property	25,759	22,650	23,851	27,507	32,485	51,975	73,213	77,191	63,353	47,954
Intergovernmental	341,215	237,430	235,957	255,820	455,288	222,154	452,118	472,970	291,748	237,346
Charges for service	136,197	143,796	172,231	146,348	140,798	240,967	211,320	202,664	203,660	196,288
Special assessments	-	-	-	-	-	-	1,298	542	578	2,043
Miscellaneous	203,957	167,542	205,377	196,492	361,048	486,841	245,726	128,480	132,011	210,108
Total	<u>\$1,921,975</u>	<u>\$1,717,308</u>	<u>\$1,682,056</u>	<u>\$1,752,730</u>	<u>\$1,966,127</u>	<u>\$1,824,142</u>	<u>\$1,763,322</u>	<u>\$1,585,763</u>	<u>\$1,381,220</u>	<u>\$1,381,239</u>
Disbursements:										
Operating:										
Public safety	\$ 561,485	\$ 399,556	\$ 387,153	\$ 319,776	\$ 476,719	\$ 306,370	\$ 306,781	\$ 325,842	\$ 280,524	\$ 257,594
Public works	449,362	435,505	349,456	400,783	497,260	309,886	420,950	427,731	325,179	295,948
Health and social services	4,886	4,667	4,667	4,667	6,693	6,819	7,464	10,040	20,328	20,763
Culture and recreation	466,438	447,888	471,360	400,499	379,793	572,838	373,495	376,070	383,305	317,698
Community and economic development	4,000	-	-	-	125,000	-	-	-	-	-
General government	175,777	173,900	215,152	236,835	211,800	197,899	213,503	218,002	188,092	180,540
Debt service	204,049	217,065	146,665	161,398	166,612	161,443	182,727	112,965	90,965	131,605
Capital projects	91,199	57,398	426,957	223,680	458,523	72,891	158,749	505,168	207,824	466,939
Total	<u>\$1,957,196</u>	<u>\$1,735,979</u>	<u>\$2,001,410</u>	<u>\$1,747,638</u>	<u>\$2,322,400</u>	<u>\$1,628,146</u>	<u>\$1,663,669</u>	<u>\$1,975,818</u>	<u>\$1,496,217</u>	<u>\$1,671,087</u>

See accompanying independent auditor's report.

HUNZELMAN, PUTZIER & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
RICHARD R. MOORE, C.P.A. (RETIRED)
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council
Ida Grove, Iowa

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of City of Ida Grove, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 9, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items A, B, C, and D, to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Ida Grove'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, 2014, 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 Ida Grove's Responses to Findings

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

Hunnegelman, Putzier & Co., PLC

February 9, 2015

CITY OF IDA GROVE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled by either of two individuals.

Recommendation – We realize that 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 – The City continually monitors accounting procedures and in a small office it is difficult to have segregation of duties, as auditors would like. However, when fully staffed there are three employees available to divide the work so it isn't all done by two people.

Conclusion – Response accepted.

- (B) Separately Maintained Records - The Centennial Commission and youth recreational organizations currently maintain bank accounts which are not included in the City's financial records. Chapter 384.20 of the Iowa Code states in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property. Public moneys may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – These funds should be included in the City's financial records and any disbursements should be budgeted.

Response – The youth recreational programs (Summer Rec, Youth Sports, Football, and Major/Minors) organizations were moved into the City accounting system in August, 2014. We will be requesting our accountants provide assistance to the City with the Centennial Committee issue.

Conclusion – Response accepted.

- (C) Payroll - There was no indication the time cards had been reviewed and approved by appropriate supervisory personnel prior to preparation of the payroll. Also, annual salary increases for City employees were approved based upon a percentage and the actual approved wages were not documented in the City Council minutes.

Recommendation - Time cards should be reviewed and approved by appropriate supervisory personnel prior to preparation of payroll. The approval should be evidenced by the signature or initials of the reviewer and the date of the review. Salaries of employees should be adequately documented in the City Council minutes.

Response – Procedures are now in place for the City Clerk, Library Director, Rec Center Director, Fire Chief and Payroll Clerk to sign or initial the appropriate timecards and or payroll sheets. Salary increases will be from this point forward documented through resolution to show the actual rate of pay.

Conclusion – Response accepted.

CITY OF IDA GROVE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

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

INTERNAL CONTROL DEFICIENCIES – (continued)

- (D) Financial Reporting – During our audit, we noted the City does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with the cash basis of accounting. As is inherent in most organizations of this size, the City has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully apply the cash basis of accounting in preparing the financial statements and the related disclosures.

Recommendation – The City should consider obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses.

Response – The City Council is committed to employee training and encourages staff to seek ways to expand their knowledge base, but having an accounting degree is not yet a requirement of the job. The City will continue employing certified accounting personnel to prepare year-end financial statements or any necessary financial statements, and conduct an audit.

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget - Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public safety, community and economic development, and capital projects functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The disbursements were for purchasing a grass rig for the Fire Department, providing LMI funds for low income housing rehabilitation to Western Iowa Community Improvement Regional Housing Trust Fund, and demolishing a downtown building which provided space for new construction in the downtown. The City Clerk will increase monitoring fund balances to avoid deficits in budget amendments throughout the fiscal year.

Conclusion – Response accepted.

- (2) Questionable Disbursements – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

- (3) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- (4) Business Transactions - We noted no business transactions between the City and City officials or employees.

- (5) Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

CITY OF IDA GROVE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part II: Other Findings Related to Required Statutory Reporting: - (continued)

- (6) Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- (8) Excess Balances - The following funds have balances at June 30, 2014, in excess of one year's expenditures:

Special Revenue - Road Use
- Local Option Sales Tax

Recommendation - While it appears that these funds may have an excessive balance, this can usually be justified if the City has a specific plan for future expenditures. The City should consider the necessity of maintaining these substantial balances and, where financially feasible, consider reducing the balances in an orderly manner through revenue reductions.

Response - Excess funds in Road Use will be spent on replacing two city bridges that are currently in the final stages of design, and the Local Option Tax excess funds were spent on purchasing land for developing an industrial park and a west entrance into the community.

Conclusion - Response accepted.

- (9) Financial Condition - At June 30, 2014, the City had deficit balances in the Special Revenue, FEMA Fund, Capital Projects Fund, and the Sewer Fund of \$127,730, \$277,716 and \$265,933, respectively.

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial condition.

Response - Revenues were received for FEMA, and the City Council approved a sewer rate increase which will over the next 5 years bring the sewer fund in a positive fund balance. The other fund balances will be reviewed by City Staff and the City Council and transfer funds as appropriate.

Conclusion - Response accepted.

- (10) Code of Ordinances - The City Code of Ordinances has not been updated in accordance with Iowa Code Chapter 380.8.

Recommendation - Chapter 380.8 of the Iowa Code requires that the Code be updated at least annually by compiling a supplement or compile the Code at least every five years.

Response - The City is in the process of updating the City Code of Ordinances.

Conclusion - Response accepted.

CITY OF IDA GROVE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part II: Other Findings Related to Required Statutory Reporting: - (continued)

- (11) Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1, 2013. However, the beginning and ending cash balances, disbursements, and debt outstanding reported on the Levy Authority Summary do not agree with the City’s records.

Recommendation – The City should ensure the balances reported on the Levy Authority Summary agree with the City’s records.

Response – The wrong year for the GO Bond payment was entered and has been corrected on the report.

Conclusion – Response accepted.