

City of Keokuk

**Independent Auditor's Report
Management's Discussion and Analysis
Financial Statements and Supplementary Information
Independent Auditor's Reports on Internal Control and Compliance
Schedule of Findings**

June 30, 2014

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City of Keokuk

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tom Marion	Mayor	December 31, 2015
Susan Dunek	Mayor Pro-tem	December 31, 2017
Dan Winn	Council Member-At Large	December 31, 2017
John Helenthal	Council Member-At Large	December 31, 2015
Michael O'Connor	Council Member-Ward 1	December 31, 2017
Michael Moore	Council Member-Ward 2	December 31, 2015
Ron Payne	Council Member-Ward 3	December 31, 2017
Larry Mortimer	Council Member-Ward 4	December 31, 2015
Sandra Pollitt	Council Member-Ward 5	December 31, 2017
Roger Bryant	Council Member-Ward 6	December 31, 2015
Susan Dunek	Council Member-Ward 7	December 31, 2017
John Russell	Finance Manager	Indefinite
Barb Barnes	City Clerk	Indefinite
Audrey Alexander	Attorney	Indefinite
David Hinton	Chief of Police	Indefinite
Gabe Rose	Fire Chief	Indefinite



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Independent Auditor's Report

Honorable Mayor and
Members of the City Council
City of Keokuk, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Keokuk, Iowa (City), 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 presentation 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 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 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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include the financial data for the City's legally separate component units. Accounting principles applicable to the cash basis of accounting require the financial data for those component units be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity which include the financial data for its component units. The City has not issued such reporting entity financial statements. The amounts by which this departure would affect the receipts, disbursements and cash balances of the aggregate discretely presented component units has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City as of June 30, 2014, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting as 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 purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six 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 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, 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.

Other Matters (continued)

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 5 through 12 and 30 through 31, 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 5, 2015 on our consideration of the City'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 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's internal control over financial reporting and compliance.

CPA Associates PC

February 5, 2015

**City of Keokuk
Management's Discussion and Analysis**

The City of Keokuk (City) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which begin on page 13.

2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 47%, or \$10,217,831, from fiscal 2013 to fiscal 2014. The decrease resulted primarily from bond proceeds and operating grants received in the prior period.
- Disbursements of the City's governmental activities decreased 24%, or \$4,618,646, in fiscal 2014 from fiscal 2013 due to decreased expenditures for capital projects and debt refinancing.
- The City's total cash basis net assets decreased 22%, or \$3,013,007, from fiscal 2013 to fiscal 2014. Of this amount, the assets of the governmental activities decreased \$2,944,711 and the assets of business type activities decreased \$68,296.
- In fiscal 2014, the City of Keokuk expended funds for capital projects which included streets, sidewalks, flood wall, waste water treatment, and storm sewer separation. In the area of street construction, the Grand Avenue Street project and the River Road Bluff project continued during the year to be completed in fiscal 2015. 2013 bond funds in the amount of \$4,050,000 are being used to finance work on Grand Avenue. Construction on the 9th Street letdown structure was finished and the River Road bluff stabilization and street repair project was nearly completed. The City has incurred \$608,345 of engineering fees and construction costs in connection with the River Road bluff stabilization project during fiscal 2014. This project is funded 80% with an IDOT grant. The pumps at the flood wall in the amount of \$1,328,303 during 2014 are funded by FEMA. The ongoing CSO storm sewer project had capital expenditures of \$2,970,558, which included the 9th Street letdown structure, continued expenditures for the Victory Park planning, design, and construction, sewer line televising and cleaning and a new project to rehabilitate and improve the waste water treatment plant. These projects, except the let-down structure, are funded by long term loans provided by the State Revolving Fund and a limited amount of grant funds.
- The City of Keokuk was awarded a Community Development Block Grant through IEDA in the spring of 2012. The \$349,990 grant will assist ten low income citizens to rehabilitate their homes making them safer and more enjoyable places to live. These funds also greatly assist with stabilization of neighborhoods in our community. Three homes have been completed, one home is being rehabilitated, and there are six more properties that will be out for bid. The project is taking longer than expected due to a small number of contractors bidding on the project. An extension has been approved for the project.
- The City continues to participate in the Great River Housing Trust Fund. Low and moderate income households are eligible for down payment assistance in the amount of \$5,000 and a maximum amount of \$10,000, which is available for repairs such as roofing, electrical, plumbing, energy efficiency and heating. These funds can be in the form of a low/no interest bearing loan or grant.
- The City demolished 4 single family dwellings, 1 duplex, 2 garages and 2 foundation removals at a total cost to the City of \$30,865.

**City of Keokuk
Management's Discussion and Analysis**

- The City mowed 82 abandoned properties; these properties were mowed 230 times at a total cost of \$15,640.
- In fiscal 2013, the City continued planning for the reconstruction of residential streets as part of a comprehensive \$13 million ten year project.
- \$4,604 was expended to abate junk nuisances and securing/unsecured buildings.

USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.
- The Fund Financial Statements tell how governmental services were financed in the short-term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.
- Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.
- Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

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 accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**City of Keokuk
Management's Discussion and Analysis**

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include solid waste, bridge and the sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Sales Tax, Urban Renewal Tax Increment Financing (TIF) and Employee Benefits, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Other Nonmajor Governmental funds. The governmental fund financial statement provides a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The required financial statement for governmental funds includes a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.
- 2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains the Enterprise Funds to provide separate information for the sewer, bridge, and solid waste funds, considered to be major funds of the City. The Internal Service Fund is an accounting device used to accumulate and allocate costs internally among the City's various functions. The Internal Service Fund utilized by the City accounts for retirees', Keokuk Municipal Waterworks', and Low Rent Housing's group health insurance. The required financial statement for proprietary funds includes a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliations between the government-wide financial statement and each fund financial statement follows the respective fund financial statement.

**City of Keokuk
Management's Discussion and Analysis**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from \$8,408,424 to \$5,463,713. The analysis below focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities	Year Ended June 30,	
	<u>2014</u>	<u>2013</u>
Receipts:		
Program receipts:		
Charges for services	\$ 415,597	\$ 417,888
Operating grants, contributions and restricted interest	1,551,478	5,569,736
Capital grants, contributions and restricted interest	1,165,836	-
General receipts:		
Property tax	3,552,874	3,398,905
Local option sales tax	1,117,854	1,139,869
Tax increment financing	1,475,276	1,524,770
Debt service	639,348	650,163
Utility excise tax	742,883	746,720
Riverboat gaming tax	392,266	357,916
Hotel/Motel tax	248,872	261,301
Unrestricted interest on investments	92,341	136,393
Bond proceeds	-	7,395,000
Other general receipts	<u>207,134</u>	<u>220,929</u>
Total receipts	<u>11,601,759</u>	<u>21,819,590</u>
Disbursements:		
Public safety	4,449,096	4,316,348
Public works	2,145,765	1,716,981
Culture and recreation	1,389,511	1,313,822
Community and economic development	384,173	352,134
General government	597,587	576,227
Debt service	1,955,098	3,937,346
Capital projects	<u>3,450,778</u>	<u>6,777,796</u>
Total disbursements	<u>14,372,008</u>	<u>18,990,654</u>
Change in cash basis net position before transfers	(2,770,249)	2,828,936
Transfers, net	<u>(174,462)</u>	<u>(54,879)</u>
Change in cash basis net position	(2,944,711)	2,774,057
Cash basis net position beginning of year	<u>8,408,424</u>	<u>5,634,367</u>
Cash basis net position end of year	<u>\$ 5,463,713</u>	<u>\$ 8,408,424</u>

The City's total receipts for governmental activities decreased 47%, or \$10,217,831, from fiscal 2013 to fiscal 2014. The total cost of all programs and services decreased by \$4,618,646 or 24% with no new programs added this year. This decrease in receipts was primarily due to the receipt of bond proceeds and a decrease in operating grants from fiscal 2013. The decrease in expenditures is primarily due to capital expenditures.

**City of Keokuk
Management's Discussion and Analysis**

The cost of all governmental activities this year was \$14,372,008 compared to \$18,990,654 last year. However, as shown in the Statement of Activities and Net Assets on page 13, the amount that our taxpayers ultimately financed for these activities through City taxes was \$11.24 million because some of the cost was paid by those directly benefited from the programs by (\$415,597) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2,717,314).

Change in Cash Basis Net Position of Business Type Activities	Year Ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service:		
Sewer charges	\$ 3,629,722	\$ 3,867,139
Bridge charges	209,088	279,396
Solid waste charges	688,252	698,193
Capital grants, contributions and restricted interest	381,350	-
General receipts:		
Bond proceeds	1,962,453	194,218
Miscellaneous receipts	123,326	154,258
Total receipts	6,994,191	5,193,204
Disbursements:		
Sewer	6,110,753	4,553,872
Bridge	447,789	378,391
Solid waste	678,407	723,470
Total disbursements	7,236,949	5,655,733
Change in cash basis net position before transfers	(242,758)	(462,529)
Transfers, net	174,462	54,879
Change in cash basis net position	(68,296)	(407,650)
Cash basis net position beginning of year	5,456,245	5,863,895
Cash basis net position end of year	\$ 5,387,949	\$ 5,456,245

Total business type activities receipts for the fiscal year were \$6,994,191 compared to \$5,193,204 last year. This increase was due primarily to the receipt of bond proceeds. Total disbursements for the fiscal year increased by 28%, to a total of \$7,236,949, due primarily to a construction project at the waste water treatment plant and continuing combined sewer separation projects.

**City of Keokuk
Management's Discussion and Analysis**

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's funds is to provide information on near-term inflows, outflows and cash balances of spendable resources. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$275,080, a decrease of \$156,996.
- The Road Use Tax Fund (RUTF) cash balance decreased by \$176,968 to \$365,023 due to purchases of equipment.
- The Local Option Sales Tax cash balance decreased by \$136,436 to \$1,088,301. This was due to a decrease of \$27,108 in local option sales tax collections and increased transfers to other funds.
- The Employee Benefits Fund decreased \$85,366 to \$368,161.
- The Urban Renewal TIF Fund increased \$80,329 to \$272,382, due to increased tax collections.
- The Debt Service Fund increased \$25,611 to \$265,199.
- The Capital Projects Fund decreased by \$2,527,152 to \$2,292,290, due to expenditures of bond funds on the Grand Avenue street project and the City's share of other projects funded primarily with grant monies.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Sewer Fund cash balance increased by \$39,096 to \$1,978,450.
- The Bridge Fund cash balance decreased by \$118,017 to \$3,237,311 from normal operations.
- The Solid Waste Fund cash balance increased by \$10,602 to \$138,926.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund-type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the City amended its operating budget. The amendment was approved on May 15, 2014, and resulted in an increase in budgeted revenues of \$1,191,697 and an increase in budgeted operating disbursements of \$3,743,170. Decreases in revenues included other city taxes and charges for services and increases in expenditures included all functions.

**City of Keokuk
Management's Discussion and Analysis**

DEBT ADMINISTRATION

At year end, the City had \$25,125,285 in bonds and other long-term debt compared to \$25,097,303 last year as shown below.

Outstanding Debt	Year Ended June 30,	
	2014	2013
General obligation bonds	\$ 19,615,000	\$ 20,900,000
Revenue bonds	5,430,165	4,057,183
Capital loan notes	<u>80,120</u>	<u>140,120</u>
Total	<u>\$ 25,125,285</u>	<u>\$ 25,097,303</u>

Debt increased as a result of issuing revenue bonds to finance sewer construction projects.

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$19,695,120 is below the City's \$27 million legal debt limit. The City's general obligation bond rating continues to be A2, which has been assigned by Moody's Investor Services.

More detailed information about the City's long-term liabilities is presented in Note 3 to the financial statements. It is important to note that all revenues derived from Keokuk Senior Housing TIF are directed toward internal debt service and bank debt for the industrial development project is being serviced from TIF revenues from that project.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2015 fiscal year budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. The Lee County unemployment rate now stands at 7.3% versus 7.4% a year ago.

The continued poor economy, high unemployment regionally, the increased cost of public pensions and a rollback on commercial property taxable valuation has caused the City to continue to experience cuts in revenues resulting in decreased operating revenues for the City especially in general fund departmental operations. There is also concern regarding future property tax revenues resulting from State legislation which could overhaul the property tax system. Changes are currently in effect and will significantly impact the City in future years.

EXCLUDED COMPONENT UNITS

Keokuk Municipal Waterworks (Waterworks) is a component unit of the City of Keokuk. Waterworks and the City of Keokuk are considered separate legal entities. Waterworks meets the component unit definition because the City Council appoints the Board of Trustees of Waterworks. However, since Waterworks operates under the accrual method of accounting and the City of Keokuk operates under the cash method of accounting, this component unit has not been presented in the accompanying financial statements. The financial statements of Waterworks are available at Waterworks' office, 20 North 4th Street, Keokuk, Iowa.

**City of Keokuk
Management's Discussion and Analysis**

Keokuk Public Library Foundation (Foundation) is a component unit of the City of Keokuk. The Foundation, a separate legal entity, exists for the purpose of attracting funds to benefit the Public Library which serves the Keokuk area and to disburse those funds in a manner which will benefit the Library. The Foundation meets the definition of a component unit since it raises funds on behalf of the Library. The financial statements of the Foundation have not been audited, so this component unit has not been presented in the accompanying financial statements.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be directed to the Finance Manager at 415 Blondeau Street, Keokuk, Iowa 52632 or telephone at 319-524-2050.

BASIC FINANCIAL STATEMENTS

City of Keokuk
Cash Basis Statement of Activities and Net Position
As of and for the Year Ended June 30, 2014

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service and Sales	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions / Programs:							
Governmental activities:							
Public safety	\$ 4,449,096	\$ 44,179	\$ 88,916	\$ -	\$ (4,316,001)	\$ -	\$ (4,316,001)
Public works	2,145,765	122,217	1,172,772	-	(850,776)	-	(850,776)
Culture and recreation	1,389,511	115,836	96,715	-	(1,176,960)	-	(1,176,960)
Community and economic development	384,173	-	145,891	-	(238,282)	-	(238,282)
General government	597,587	133,365	47,184	-	(417,038)	-	(417,038)
Debt service	1,955,098	-	-	-	(1,955,098)	-	(1,955,098)
Capital projects	3,450,778	-	-	1,165,836	(2,284,942)	-	(2,284,942)
Total government activities	<u>14,372,008</u>	<u>415,597</u>	<u>1,551,478</u>	<u>1,165,836</u>	<u>(11,239,097)</u>	<u>-</u>	<u>(11,239,097)</u>
Business type activities:							
Sewer	6,110,753	3,629,722	-	381,350	-	(2,099,681)	(2,099,681)
Bridge	447,789	209,088	-	-	-	(238,701)	(238,701)
Solid waste	678,407	688,252	-	-	-	9,845	9,845
Total business type activities	<u>7,236,949</u>	<u>4,527,062</u>	<u>-</u>	<u>381,350</u>	<u>-</u>	<u>(2,328,537)</u>	<u>(2,328,537)</u>
Total	<u>\$ 21,608,957</u>	<u>\$ 4,942,659</u>	<u>\$ 1,551,478</u>	<u>\$ 1,547,186</u>	<u>(11,239,097)</u>	<u>(2,328,537)</u>	<u>(13,567,634)</u>
General Receipts and Transfers:							
Property and other city tax levied for:							
General purposes					3,552,874	-	3,552,874
Debt service					639,348	-	639,348
Tax increment financing					1,475,276	-	1,475,276
Local option sales tax					1,117,854	-	1,117,854
Utility excise tax					742,883	-	742,883
Riverboat gaming tax					392,266	-	392,266
Hotel/Motel tax					248,872	-	248,872
Grants and contributions not restricted to specific purposes					200,000	-	200,000
Unrestricted investment earnings					92,341	121,187	213,528
Sale of capital assets					7,134	-	7,134
Bond proceeds					-	1,962,453	1,962,453
Transfers					(174,462)	174,462	-
Miscellaneous					-	2,139	2,139
Total general receipts and transfers					<u>8,294,386</u>	<u>2,260,241</u>	<u>10,554,627</u>
Change in cash basis net position					(2,944,711)	(68,296)	(3,013,007)
Cash basis net position beginning of year					<u>8,408,424</u>	<u>5,456,245</u>	<u>13,864,669</u>
Cash basis net position end of year					<u>\$ 5,463,713</u>	<u>\$ 5,387,949</u>	<u>\$ 10,851,662</u>
Cash Basis Net Position							
Restricted:							
Nonexpendable					\$ 410,342	\$ -	\$ 410,342
Expendable					4,651,356	76,500	4,727,856
Unrestricted					<u>402,015</u>	<u>5,311,449</u>	<u>5,713,464</u>
Total cash basis net position					<u>\$ 5,463,713</u>	<u>\$ 5,387,949</u>	<u>\$ 10,851,662</u>

See notes to financial statements.

City of Keokuk
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the Year Ended June 30, 2014

	Special Revenue					Debt Service	Capital Projects	Other Nonmajor Governmental	Total
	General	Road Use Tax	Local Option Sales Tax	Employee Benefits	Urban Renewal TIF				
Receipts:									
Property tax	\$ 2,227,191	\$ -	\$ -	\$ 1,256,856	\$ -	\$ 639,348	\$ -	\$ 68,827	\$ 4,192,222
Tax increment financing collections	-	-	-	-	1,475,276	-	-	-	1,475,276
Other city taxes	1,042,939	-	1,117,854	227,999	-	100,601	-	12,482	2,501,875
Use of money and property	91,338	-	-	-	-	-	-	-	91,338
Licenses and permits	133,055	-	-	-	-	-	-	-	133,055
Intergovernmental	394,627	1,076,424	-	-	-	-	212,291	128,728	1,812,070
Charges for services	251,948	-	-	-	-	-	-	-	251,948
Miscellaneous	139,592	-	-	19,340	-	-	953,546	24,363	1,136,841
Total receipts	4,280,690	1,076,424	1,117,854	1,504,195	1,475,276	739,949	1,165,837	234,400	11,594,625
Disbursements:									
Governmental activities:									
Public safety	4,449,148	-	-	-	-	-	-	-	4,449,148
Public works	892,383	1,253,392	-	-	-	-	-	-	2,145,775
Culture and recreation	1,389,520	-	-	-	-	-	-	-	1,389,520
Community and economic development	112,686	-	-	-	154,187	-	-	117,302	384,175
General government	597,592	-	-	-	-	-	-	-	597,592
Debt service	-	-	-	-	-	1,955,098	-	-	1,955,098
Capital projects	-	-	-	-	-	-	3,450,778	-	3,450,778
Total disbursements	7,441,329	1,253,392	-	-	154,187	1,955,098	3,450,778	117,302	14,372,086
Excess (deficiency) of receipts over disbursements	(3,160,639)	(176,968)	1,117,854	1,504,195	1,321,089	(1,215,149)	(2,284,941)	117,098	(2,777,461)
Other financing sources (uses):									
Sale of capital assets	7,134	-	-	-	-	-	-	-	7,134
Operating transfers in (out)	2,996,509	-	(1,254,290)	(1,589,561)	(1,240,760)	1,240,760	(242,211)	(84,909)	(174,462)
Change in cash balances	(156,996)	(176,968)	(136,436)	(85,366)	80,329	25,611	(2,527,152)	32,189	(2,944,789)
Cash balances beginning of year	432,076	541,991	1,224,737	453,527	192,053	239,588	4,819,442	538,275	8,441,689
Cash balances end of year	\$ 275,080	\$ 365,023	\$ 1,088,301	\$ 368,161	\$ 272,382	\$ 265,199	\$ 2,292,290	\$ 570,464	\$ 5,496,900
Cash Basis Fund Balances									
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 410,342	\$ 410,342
Restricted	-	365,023	-	368,161	272,382	265,199	2,292,290	-	3,563,055
Committed	-	-	1,088,301	-	-	-	-	-	1,088,301
Assigned	-	-	-	-	-	-	-	160,122	160,122
Unassigned	275,080	-	-	-	-	-	-	-	275,080
Total cash basis fund balances	\$ 275,080	\$ 365,023	\$ 1,088,301	\$ 368,161	\$ 272,382	\$ 265,199	\$ 2,292,290	\$ 570,464	\$ 5,496,900

See notes to financial statements.

City of Keokuk
Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Governmental Funds
As of and for the Year Ended June 30, 2014

Total governmental funds cash balances (page 14)	\$ 5,496,900
 <i>Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:</i>	
The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position.	<u>(33,187)</u>
Cash basis net position of governmental activities (page 13)	<u>\$ 5,463,713</u>
Change in cash balances (page 14)	\$(2,944,789)
 <i>Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:</i>	
The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.	<u>78</u>
Change in cash basis net position of governmental activities (page 13)	<u>\$(2,944,711)</u>

See notes to financial statements.

City of Keokuk
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the Year Ended June 30, 2014

	Enterprise Funds				Internal
	<u>Sewer</u>	<u>Bridge</u>	<u>Solid Waste</u>	<u>Total</u>	<u>Service Fund</u> <u>Employee</u> <u>Health</u>
Operating Receipts:					
Charges for service	\$ 3,627,132	\$ 209,088	\$ 688,252	\$ 4,524,472	\$ 467,055
Total operating receipts	<u>3,627,132</u>	<u>209,088</u>	<u>688,252</u>	<u>4,524,472</u>	<u>467,055</u>
Operating Disbursements:					
Governmental activities:					
Public safety	-	-	-	-	239,956
Public works	-	-	-	-	46,254
Culture and recreation	-	-	-	-	43,375
Community and economic development	-	-	-	-	7,755
General government	-	-	-	-	23,638
Business type activities	<u>2,292,818</u>	<u>439,917</u>	<u>589,591</u>	<u>3,322,326</u>	<u>105,976</u>
Total operating disbursements	<u>2,292,818</u>	<u>439,917</u>	<u>589,591</u>	<u>3,322,326</u>	<u>466,954</u>
Excess (deficiency) of operating receipts over operating disbursements	<u>1,334,314</u>	<u>(230,829)</u>	<u>98,661</u>	<u>1,202,146</u>	<u>101</u>
Nonoperating receipts (disbursements):					
Intergovernmental	381,350	-	-	381,350	
Interest on investments	684	120,503	-	121,187	-
Licenses and permits	2,590	-	-	2,590	-
Miscellaneous	1,193	184	762	2,139	-
Bond proceeds	1,962,453	-	-	1,962,453	-
Capital projects	(3,187,384)	(7,875)	-	(3,195,259)	-
Debt service	<u>(630,566)</u>	<u>-</u>	<u>(88,821)</u>	<u>(719,387)</u>	<u>-</u>
Net nonoperating receipts (disbursements)	<u>(1,469,680)</u>	<u>112,812</u>	<u>(88,059)</u>	<u>(1,444,927)</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(135,366)</u>	<u>(118,017)</u>	<u>10,602</u>	<u>(242,781)</u>	<u>101</u>
Transfers in (out)	<u>174,462</u>	<u>-</u>	<u>-</u>	<u>174,462</u>	<u>-</u>
Change in cash balances	39,096	(118,017)	10,602	(68,319)	101
Cash balances beginning of year	<u>1,939,354</u>	<u>3,355,328</u>	<u>128,324</u>	<u>5,423,006</u>	<u>(26)</u>
Cash balances end of year	<u>\$ 1,978,450</u>	<u>\$ 3,237,311</u>	<u>\$ 138,926</u>	<u>\$ 5,354,687</u>	<u>\$ 75</u>
Cash Basis Fund Balances					
Restricted for debt service	\$ -	\$ -	\$ 76,500	\$ 76,500	\$ -
Unrestricted	<u>1,978,450</u>	<u>3,237,311</u>	<u>62,426</u>	<u>5,278,187</u>	<u>75</u>
Total cash basis fund balances	<u>\$ 1,978,450</u>	<u>\$ 3,237,311</u>	<u>\$ 138,926</u>	<u>\$ 5,354,687</u>	<u>\$ 75</u>

See notes to financial statements.

City of Keokuk
Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Proprietary Funds
As of and for the Year Ended June 30, 2014

Total enterprise funds cash balances (page 16) \$ 5,354,687

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

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in business type activities in the Cash Basis Statement of Activities and Net Position.

33,262

Cash basis net position of business type activities (page 13) \$ 5,387,949

Change in cash balances (page 16) \$ (68,319)

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

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

23

Change in cash basis net position of business type activities (page 13) \$ (68,296)

See notes to financial statements.

City of Keokuk
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The City of Keokuk (City) is a political subdivision of the State of Iowa located in Lee County. It was incorporated in 1847 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 solid waste removal and sewer utilities for its citizens.

Reporting Entity

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

These financial statements present the City of Keokuk (the primary government) and exclude the City's component units. The component units discussed below are not included in the City's reporting entity although their operational or financial relationship with the City is significant.

Excluded Component Units

Keokuk Municipal Waterworks (Waterworks) is a component unit of the City of Keokuk. Waterworks and the City of Keokuk are considered separate legal entities. Waterworks meets the component unit definition because the City Council appoints the Board of Trustees of Waterworks. However, since Waterworks operates under the accrual method of accounting and the City of Keokuk operates under the cash method of accounting, this component unit has not been presented in the accompanying financial statements. The financial statements of Waterworks are available at Waterworks' office, 20 North 4th Street, Keokuk, Iowa.

Keokuk Public Library Foundation (Foundation) is a component unit of the City of Keokuk. The Foundation, a separate legal entity, exists for the purpose of attracting funds to benefit the public library which serves the Keokuk area, and to disburse those funds in a manner that will benefit the library. The Foundation meets the definition of a component unit since it raises funds on behalf of the library. The financial statements of the Foundation have not been audited, so this component unit has not been presented in the accompanying financial statements.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Keokuk Economic Development Corporation and Great River Regional Waste Authority. See Note 14.

City of Keokuk
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Presentation

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

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

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

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

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. 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 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 road use tax allocation from the State of Iowa to be used for road construction and maintenance.

City of Keokuk
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

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

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and is used for property tax relief, infrastructure, parks and recreation services.

The Employee Benefits Fund is used to account for the employee benefits paid.

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 used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

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

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

The Bridge Fund accounts for the operation and maintenance of the City's bridge.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of employee benefits purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

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 accounting principles generally accepted in the United States of America.

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

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

City of Keokuk
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Proprietary funds distinguish operating receipts and disbursements from nonoperating 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 nonoperating receipts and disbursements.

Governmental Cash Basis Fund Balances

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

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

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

Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council.

Assigned - Amounts the City Council intends to use for a specific purpose.

Unassigned - All amounts not included in the preceding classifications.

Budgets and Budgetary Accounting

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

Subsequent Events

The City performed an evaluation of subsequent events through February 5, 2015, which is the date the financial statements were issued. There are no subsequent events that require disclosure or recognition in the financial statements as of June 30, 2014.

Note 2. Cash and Pooled Investments

The City's deposits 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.

City of Keokuk
Notes to Financial Statements

Note 2. Cash and Pooled Investments (continued)

At June 30, 2014, the City held the following investments :

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Maturity</u>
Certificates of deposit	\$ 1,024,857	\$ 1,024,857	Various
United States Treasury Note	498,125	550,352	2/29/2016
United States Treasury Note	503,828	514,922	2/15/2021
United States Treasury Note	<u>1,016,875</u>	<u>1,270,313</u>	2/15/2041
Total	<u>\$ 3,043,685</u>	<u>\$ 3,360,444</u>	

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$5,880,233 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

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.

Credit risk - The City's investment in the Iowa Public Agency Investment Trust is unrated.

Note 3. Bonds and Notes Payable

A summary of the City's June 30, 2014 general obligation, revenue bond and urban renewal indebtedness is as follows:

<u>Year Ended June 30,</u>	<u>General Obligation and Capital Loan Notes</u>		<u>Revenue Notes</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,425,120	\$ 576,081	\$ 1,349,000	\$ 162,800	\$ 2,774,120	\$ 738,881
2016	1,105,000	486,946	407,000	168,566	1,512,000	655,512
2017	1,105,000	471,744	737,131	158,451	1,842,131	630,195
2018	1,210,000	455,149	428,000	147,979	1,638,000	603,128
2019	1,250,000	431,649	442,000	137,299	1,692,000	568,948
2020-2024	6,685,000	1,723,131	958,033	368,855	7,643,033	2,091,986
2025-2029	5,580,000	774,505	766,000	121,830	6,346,000	896,335
2030-2033	<u>1,335,000</u>	<u>83,870</u>	<u>343,000</u>	<u>15,510</u>	<u>1,678,000</u>	<u>99,380</u>
	<u>\$ 19,695,120</u>	<u>\$ 5,003,075</u>	<u>\$ 5,430,164</u>	<u>\$ 1,281,290</u>	<u>\$ 25,125,284</u>	<u>\$ 6,284,365</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

City of Keokuk
Notes to Financial Statements

Note 3. Bonds and Notes Payable (continued)

Revenue Notes

The City has pledged future solid waste customer receipts, net of specified operating disbursements, to repay \$765,000 in solid waste revenue notes issued in April 2008. The notes are payable solely from solid waste customer net receipts and are payable through 2019. The total principal and interest remaining to be paid on the notes is \$442,674. For the current year, principal and interest paid and total customer net receipts were \$88,321 and \$98,661, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$11,064,500 in sewer revenue notes issued between December 2009 and December 2013. The notes are payable solely from sewer customer net receipts and are payable through 2031. Sewer user charges must be established at a level which produces and maintains net revenues at a level not less than 110% of principal and interest requirements upon completion of the project. The total principal and interest remaining to be paid on the notes is \$6,268,780. For the current year, principal and interest paid and total customer net receipts were \$597,849 and \$1,334,314, respectively.

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

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) A Solid Waste Enterprise Revenue Debt Service Reserve Fund of \$76,500 shall be maintained and used solely for the purpose of paying principal of and interest on the Note and Parity Obligations as the same shall become due and payable.
- (c) Solid Waste Net Revenues must be sufficient to produce and maintain net revenues at a level not less than 130% of the principal and interest requirements of the fiscal year.
- (d) Sewer Net Revenues must be sufficient to produce and maintain net revenues at a level not less than 110% of the principal and interest requirements of the fiscal year.
- (e) Sufficient monthly transfers shall be made to separate solid waste revenue bond sinking accounts for the purpose of making the bond principal and interest payments when due.

At June 30, 2014, the City had an outstanding contract between the Iowa Department of Economic Development (IDED) and a city business for a Community Economic Betterment Account (CEBA) loan. Although the note bears the name of the City, the City has no obligation for such debt beyond the resources provided by the business entity upon whose behalf it is issued. Accordingly, the loan is not reported as a liability in the accompanying financial statements.

Note 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.

City of Keokuk
Notes to Financial Statements

Note 4. Pension and Retirement Benefits (continued)

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, and 2012, were \$235,150, \$220,010, and \$204,542, respectively, equal to the required contributions for each year.

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th Street, Urbandale, Iowa 50322.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate may not be less than 30.12% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2014, 2013, and 2012 was \$622,576, \$522,247, and \$494,446, respectively, equal to the required contributions for each year.

Note 5. Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical, prescription drug, dental, and vision benefits for retirees and their spouses. There are 131 active and 16 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical, prescription drug, dental and vision 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, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$499 for single coverage, \$1,178 for employee/spouse coverage, \$1,147 for employee/child coverage and \$1,404 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2014, the City contributed \$1,248,169 and plan members eligible for benefits contributed \$125,305 to the plan.

City of Keokuk
Notes to Financial Statements

Note 6. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death, or normal retirement. Upon retirement each employee is entitled to 100% of his accumulated sick leave up to a maximum of 71 days or 568 hours. City management employees may accumulate a maximum of 90 days or 720 hours. The fire department employees are entitled to 900 hours of accumulated sick leave due to their longer average work week. Fire and police administration employees are entitled to 720 hours of accumulated sick leave.

Accumulated sick leave and vacation are not recognized as expenditures by the City until used or paid. The City's maximum liability for unrecognized accrued employee benefits as of June 30, 2014, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 448,127
Sick leave	<u>167,831</u>
	<u>\$ 615,958</u>

This liability has been computed based on rates of pay as of June 30, 2014.

Note 7. Self-Insured Health Benefits

The City of Keokuk has agreed to provide certain health benefits to its employees. The City pays 100% of the premium for health insurance for all full-time employees selecting single coverage. For full-time employees selecting family coverage, the City pays 90% of the premium for health insurance. The total maximum reimbursement liability to be paid by the City is \$549,000. The City's cost related to this reimbursement for the year ended June 30, 2014 was approximately \$256,954.

Note 8. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special revenue	\$ 2,920,115
Debt service	Special revenue	1,240,760
Capital projects	Special revenue	5,045
General	Permanent	3,600
Enterprise funds	Capital projects	174,462
Special revenue	Special revenue	200,000
General	Capital projects	72,794

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

City of Keokuk
Notes to Financial Statements

Note 9. Revolving Loan Fund

The City has entered into an agreement with Southeast Iowa Regional Planning Commission (SEIRPC) to establish a revolving loan fund for commercial business growth and to assist in new business development. The City received a matching grant of \$99,000 from the United States Department of Agriculture - Rural Business Enterprise Grant. The City transferred \$100,000 in fiscal year 2007 to SEIRPC, which administers and manages the revolving loan fund. At June 30, 2014, these loans to businesses had outstanding balances totaling \$29,618. At June 30, 2014, SEIRPC held cash of \$134,098 for the City, which represents loan repayments received from participating businesses that is available to fund future commercial business growth loans.

Note 10. Industrial Development Revenue Bonds

The City issued \$8,745,000 of industrial revenue bonds of which \$3,980,000 is outstanding at June 30, 2014, for the purpose of constructing privately owned manufacturing and other related facilities within the City. The bonds are not direct or contingent liabilities of the City, as the revenue from lease agreements and property purchased with the bond proceeds are pledged for the total payment of principal and interest on the bonds and the bondholders can only look to these sources for repayment.

Note 11. Operating Leases - Lessor

The City leases land to Crown Castle in Tolmie Park. The original lease had a term of five years, expiring December 2010, with the option to renew for three additional five-year periods. During the year ended June 30, 2011, Crown Castle renewed the lease through December 2015. Rental income for the year ended June 30, 2014 totaled \$14,548. Future minimum lease payments for the year ended June 30, 2015 are \$9,258.

The City leases hangar space to individuals on a month-to-month basis. Rental income for the year ended June 30, 2014 totaled \$26,520.

Note 12. Related Party Transactions

The City had business transactions between the City and City officials totaling \$3,985 during the year ended June 30, 2014. Keokuk Municipal Waterworks pays the City on an annual basis. This amounted to \$200,000 for the year ended June 30, 2014 and is included as revenue in the general fund.

City of Keokuk
Notes to Financial Statements

Note 13. 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 estimated for the fiscal 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, reinsurance premiums, losses and loss expenses for property risk estimated for the fiscal 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 sufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2014 were \$108,590.

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 for 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 the 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, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

City of Keokuk
Notes to Financial Statements

Note 13. Risk Management (continued)

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.

The City also carries commercial insurance purchased from other insurers for coverage associated with workmen's compensation and various types of liability insurance. 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.

Note 14. Jointly Governed Organization

The City is a participant in Great River Regional Waste Authority, a political subdivision pursuant to the Code of Iowa Chapter 28E. The purpose of the agreement is to provide area governments with solid waste disposal sources. The City currently provides one member of the five member board. The City paid \$173,901 in fees in fiscal year June 30, 2014. Great River Regional Waste Authority's audited financial statements are available at City Hall.

Note 15. Cash Basis Fund Balances

The detail of the governmental fund cash basis fund balances for the year ended June 30, 2014 is as follows:

	General	Road Use	Sales Tax	Employee Benefits	Urban Renewal TIF	Debt Service	Capital Projects	Other Nonmajor	Total
Nonspendable for cemetery perpetual care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 410,342	\$ 410,342
Restricted for:									
Road use purposes	-	365,023	-	-	-	-	-	-	365,023
Employee benefits	-	-	-	368,161	-	-	-	-	368,161
Urban renewal projects	-	-	-	-	272,382	-	-	-	272,382
Debt service	-	-	-	-	-	265,199	-	-	265,199
Other capital projects	-	-	-	-	-	-	2,292,290	-	2,292,290
Committed to:									
Local option sales tax	-	-	1,088,301	-	-	-	-	-	1,088,301
Assigned to:									
Community & economic development	-	-	-	-	-	-	-	160,122	160,122
Unassigned	<u>275,080</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>275,080</u>
Total	<u>\$ 275,080</u>	<u>\$ 365,023</u>	<u>\$ 1,088,301</u>	<u>\$ 368,161</u>	<u>\$ 272,382</u>	<u>\$ 265,199</u>	<u>\$ 2,292,290</u>	<u>\$ 570,464</u>	<u>\$ 5,496,900</u>

City of Keokuk
Notes to Financial Statements

Note 16. Commitments

In the normal course of business, the City has various outstanding commitments that are not reflected in the accompanying financial statements. The principal commitments of the City at June 30, 2014 are as follows:

	<u>Amount</u>
Street projects	\$ 269,933
Sewer projects	<u>1,135,079</u>
Total	<u>\$ 1,405,012</u>

Note 17. 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.

OTHER INFORMATION

City of Keokuk
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 Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds Not Required to be <u>Budgeted</u>	<u>Net</u>	Budget <u>Original</u>	Budget <u>Final</u>	Final to Actual Variance Favorable (Unfavorable)
Receipts:							
Property tax	\$ 4,192,222	\$ -	\$ -	\$ 4,192,222	\$ 4,201,380	\$ 4,201,380	\$ (9,158)
Tax increment financing collections	1,475,276	-	-	1,475,276	1,489,720	1,489,720	(14,444)
Other city taxes	2,501,875	-	-	2,501,875	2,533,936	2,503,789	(1,914)
Use of money and property	91,338	121,187	-	212,525	222,877	224,015	(11,490)
Licenses and permits	133,055	-	-	133,055	69,675	71,799	61,256
Intergovernmental	1,812,070	381,350	-	2,193,420	2,311,012	3,816,210	(1,622,790)
Charges for services	251,948	4,991,527	467,055	4,776,420	5,156,240	4,861,850	(85,430)
Miscellaneous	1,136,841	4,729	-	1,141,570	138,900	146,674	994,896
Total receipts	<u>11,594,625</u>	<u>5,498,793</u>	<u>467,055</u>	<u>16,626,363</u>	<u>16,123,740</u>	<u>17,315,437</u>	<u>(689,074)</u>
Disbursements:							
Public safety	4,449,148	239,956	239,956	4,449,148	4,420,193	4,468,774	19,626
Public works	2,145,775	46,254	46,254	2,145,775	1,920,004	2,252,479	106,704
Culture and recreation	1,389,520	43,375	43,375	1,389,520	1,378,572	1,432,160	42,640
Community and economic development	384,175	7,755	7,755	384,175	158,823	514,428	130,253
General government	597,592	23,638	23,638	597,592	590,966	602,649	5,057
Debt service	1,955,098	-	-	1,955,098	1,653,922	1,955,100	2
Capital projects	3,450,778	-	-	3,450,778	2,172,130	4,556,314	1,105,536
Business type	-	7,342,948	105,976	7,236,972	7,890,586	8,146,462	909,490
Total disbursements	<u>14,372,086</u>	<u>7,703,926</u>	<u>466,954</u>	<u>21,609,058</u>	<u>20,185,196</u>	<u>23,928,366</u>	<u>2,319,308</u>
Excess (deficiency) of receipts over disbursements	(2,777,461)	(2,205,133)	101	(4,982,695)	(4,061,456)	(6,612,929)	1,630,234
Other financing sources, net	<u>(167,328)</u>	<u>2,136,915</u>	<u>-</u>	<u>1,969,587</u>	<u>4,007,800</u>	<u>3,378,542</u>	<u>(1,408,955)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,944,789)	(68,218)	101	(3,013,108)	(53,656)	(3,234,387)	221,279
Cash balances beginning of year	<u>8,441,689</u>	<u>5,422,980</u>	<u>(26)</u>	<u>13,864,695</u>	<u>11,968,022</u>	<u>13,864,669</u>	<u>26</u>
Cash balances end of year	<u>\$ 5,496,900</u>	<u>\$ 5,354,762</u>	<u>\$ 75</u>	<u>\$ 10,851,587</u>	<u>\$ 11,914,366</u>	<u>\$ 10,630,282</u>	<u>\$ 221,305</u>

See accompanying independent auditor's report.

City of Keokuk
Other Information
Notes to Other Information - Budgetary Reporting
Year Ended 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, except blended component units, internal service, non-expendable trust, and agency funds (when they exist). 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. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, budget amendments increased budgeted disbursements by \$3,743,170. The budget amendments are reflected in the final budgeted amounts.

SUPPLEMENTARY INFORMATION

City of Keokuk
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the Year Ended June 30, 2014

	<u>Special Revenue</u>		<u>Permanent</u>	<u>Total</u>
	<u>Economic</u> <u>Development</u>	<u>Emergency</u> <u>Tax Levy</u>	<u>Cemetery</u> <u>Perpetual</u> <u>Care</u>	
Receipts:				
Property tax	\$ -	\$ 68,827	\$ -	\$ 68,827
Other city taxes	-	12,482	-	12,482
Intergovernmental	128,728	-	-	128,728
Miscellaneous	<u>17,163</u>	<u>-</u>	<u>7,200</u>	<u>24,363</u>
Total receipts	<u>145,891</u>	<u>81,309</u>	<u>7,200</u>	<u>234,400</u>
Disbursements:				
Community and economic development	<u>117,302</u>	<u>-</u>	<u>-</u>	<u>117,302</u>
Total disbursements	<u>117,302</u>	<u>-</u>	<u>-</u>	<u>117,302</u>
Excess (deficiency) of receipts over disbursements	<u>28,589</u>	<u>81,309</u>	<u>7,200</u>	<u>117,098</u>
Other financing sources (uses):				
Operating transfer in (out)	<u>-</u>	<u>(81,309)</u>	<u>(3,600)</u>	<u>(84,909)</u>
Total other financing sources (uses)	<u>-</u>	<u>(81,309)</u>	<u>(3,600)</u>	<u>(84,909)</u>
Change in cash balances	28,589	-	3,600	32,189
Cash balances beginning of year	<u>131,533</u>	<u>-</u>	<u>406,742</u>	<u>538,275</u>
Cash balances end of year	<u>\$ 160,122</u>	<u>\$ -</u>	<u>\$ 410,342</u>	<u>\$ 570,464</u>
Cash Basis Fund Balances				
Nonspendable	\$ -	\$ -	\$ 410,342	\$ 410,342
Assigned	<u>160,122</u>	<u>-</u>	<u>-</u>	<u>160,122</u>
Total cash basis fund balances	<u>\$ 160,122</u>	<u>\$ -</u>	<u>\$ 410,342</u>	<u>\$ 570,464</u>

See accompanying independent auditor's report.

City of Keokuk
Statement of Indebtedness
Year Ended June 30, 2014

<u>Obligation</u>	<u>Date of Issuance</u>	<u>Interest Rate</u>	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation bonds:									
Capital loan notes	8/01/06	4.20-6.00%	\$ 3,000,000	\$ 110,000	\$ -	\$ 25,000	\$ 85,000	\$ 105,406	\$ -
Capital loan notes	5/01/09	4.25-5.25%	3,000,000	2,595,000	-	110,000	2,485,000	127,370	-
Capital loan notes	10/01/09	2.00-4.70%	2,565,000	1,970,000	-	-	1,970,000	86,021	-
Capital loan notes	12/01/10	1.20-4.40%	4,225,000	3,825,000	-	225,000	3,600,000	121,050	-
Capital loan notes	11/19/12	0.30-2.50%	2,300,000	2,010,000	-	285,000	1,725,000	28,448	-
Refunding capital loan notes	5/01/13	0.30-0.60%	600,000	600,000	-	135,000	465,000	2,725	-
Refunding capital loan notes	5/01/13	0.50-2.00%	2,410,000	2,410,000	-	-	2,410,000	-	-
Urban renewal bonds	5/01/13	0.30-2.00%	3,330,000	3,330,000	-	275,000	3,055,000	39,185	-
Urban renewal bonds	5/01/13	1.00-2.80%	4,050,000	<u>4,050,000</u>	<u>-</u>	<u>230,000</u>	<u>3,820,000</u>	<u>76,600</u>	<u>-</u>
Total				<u>20,900,000</u>	<u>-</u>	<u>1,285,000</u>	<u>19,615,000</u>	<u>586,805</u>	<u>-</u>
Revenue bonds:									
Solid waste capital loan note	4/24/08	3.94%	765,000	465,000	-	70,000	395,000	18,321	-
Sewer revenue capital loan note	12/16/09	0.00%	440,000	418,471	-	418,471	-	-	-
Sewer revenue capital loan note	1/20/10	3.00%	3,889,000	2,421,000	-	101,000	2,320,000	72,630	-
Sewer revenue capital loan note	3/16/11	0.00%	610,000	610,000	-	-	610,000	-	-
Sewer revenue capital loan note	9/21/11	0.00%	340,000	142,712	197,288	-	340,000	-	-
Sewer revenue capital loan note	9/27/13	0.00%	452,500	-	318,131	-	318,131	-	-
Sewer revenue capital loan note	12/20/13	1.75%	5,333,000	-	<u>1,447,034</u>	<u>-</u>	<u>1,447,034</u>	<u>5,748</u>	<u>-</u>
Total				<u>4,057,183</u>	<u>1,962,453</u>	<u>589,471</u>	<u>5,430,165</u>	<u>96,699</u>	<u>-</u>
Capital loan notes:									
Capital loan - Industrial development project	11/03/06	4.78%	470,120	<u>140,120</u>	<u>-</u>	<u>60,000</u>	<u>80,120</u>	<u>6,784</u>	<u>-</u>
Total of all debt				<u>\$ 25,097,303</u>	<u>\$ 1,962,453</u>	<u>\$ 1,934,471</u>	<u>\$ 25,125,285</u>	<u>\$ 690,288</u>	<u>\$ -</u>

See accompanying independent auditor's report.

**City of Keokuk
Bond and Note Maturities
June 30, 2014**

General Obligation Bonds																			
Year Ending June 30,	<u>Capital Loan Notes</u> Issued August 1, 2006		<u>Capital Loan Notes</u> Issued May 1, 2009		<u>Capital Loan Notes</u> Issued October 1, 2009		<u>Capital Loan Notes</u> Issued December 1, 2010		<u>Capital Loan Notes</u> Issued November 19, 2012		<u>Refunding Capital Loan Notes</u> Issued May 1, 2013		<u>Refunding Capital Loan Notes</u> Issued May 1, 2013		<u>Urban Renewal Bonds</u> Issued May 1, 2013		<u>Urban Renewal Bonds</u> Issued May 1, 2013		Total
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	
2015	4.30%	\$ 85,000	5.00%	\$ 120,000	-	\$ -	1.75%	\$ 225,000	0.45%	\$ 290,000	0.40%	\$ 160,000	-	\$ -	0.40%	\$ 265,000	1.00%	\$ 200,000	\$ 1,345,000
2016	-	-	5.00%	125,000	-	-	1.75%	225,000	0.45%	70,000	0.50%	150,000	0.50%	100,000	0.50%	215,000	1.00%	220,000	1,105,000
2017	-	-	5.00%	130,000	-	-	2.10%	225,000	0.70%	70,000	0.60%	155,000	0.60%	100,000	0.60%	225,000	1.00%	200,000	1,105,000
2018	-	-	5.00%	135,000	4.00%	125,000	2.40%	225,000	0.70%	75,000	-	-	0.80%	200,000	0.80%	250,000	1.00%	200,000	1,210,000
2019	-	-	4.25%	145,000	4.00%	135,000	2.60%	225,000	1.10%	75,000	-	-	0.95%	220,000	0.95%	250,000	1.00%	200,000	1,250,000
2020	-	-	4.35%	150,000	4.00%	140,000	2.90%	225,000	1.10%	75,000	-	-	1.10%	250,000	1.10%	250,000	1.50%	200,000	1,290,000
2021	-	-	4.50%	155,000	4.15%	145,000	3.20%	225,000	1.35%	75,000	-	-	1.30%	265,000	1.30%	250,000	1.50%	200,000	1,315,000
2022	-	-	4.70%	165,000	4.15%	150,000	3.40%	225,000	1.35%	80,000	-	-	1.50%	250,000	1.50%	275,000	2.00%	200,000	1,345,000
2023	-	-	4.80%	170,000	4.38%	160,000	3.50%	225,000	1.70%	80,000	-	-	1.70%	275,000	1.70%	225,000	2.00%	200,000	1,335,000
2024	-	-	4.90%	180,000	4.38%	165,000	3.70%	225,000	1.70%	80,000	-	-	1.85%	250,000	1.85%	300,000	2.00%	200,000	1,400,000
2025	-	-	5.00%	185,000	4.50%	175,000	4.00%	225,000	1.20%	85,000	-	-	2.00%	250,000	2.00%	275,000	2.00%	200,000	1,395,000
2026	-	-	5.10%	190,000	4.50%	180,000	4.00%	225,000	1.20%	85,000	-	-	2.00%	250,000	2.00%	275,000	2.20%	200,000	1,405,000
2027	-	-	5.15%	200,000	4.50%	190,000	4.10%	225,000	2.10%	90,000	-	-	-	-	-	-	2.35%	200,000	905,000
2028	-	-	5.20%	210,000	4.70%	200,000	4.20%	225,000	2.10%	90,000	-	-	-	-	-	-	2.45%	200,000	925,000
2029	-	-	5.25%	225,000	4.70%	205,000	4.30%	225,000	2.30%	95,000	-	-	-	-	-	-	2.55%	200,000	950,000
2030	-	-	-	-	-	-	4.40%	225,000	2.35%	100,000	-	-	-	-	-	-	2.70%	200,000	525,000
2031	-	-	-	-	-	-	-	-	2.45%	105,000	-	-	-	-	-	-	2.80%	200,000	305,000
2032	-	-	-	-	-	-	-	-	2.50%	105,000	-	-	-	-	-	-	3.00%	200,000	305,000
2033	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.00%	200,000	200,000
		<u>\$ 85,000</u>		<u>\$ 2,485,000</u>		<u>\$ 1,970,000</u>		<u>\$ 3,600,000</u>		<u>\$ 1,725,000</u>		<u>\$ 465,000</u>		<u>\$ 2,410,000</u>		<u>\$ 3,055,000</u>		<u>\$ 3,820,000</u>	<u>\$ 19,615,000</u>

See accompanying independent auditor's report.

**City of Keokuk
Bond and Note Maturities
June 30, 2014**

Revenue Bonds														Capital Loan Notes	
Year Ending June 30.	Solid Waste Capital Loan Note		Sewer Revenue Capital Loan Notes										Capital Loan - Industrial Development Project		
	Issued April 24, 2008		Issued January 20, 2010		Issued March 16, 2011		Issued September 21, 2011		Issued September 27, 2013		Issued December 20, 2013		Issued November 3, 2006		
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Total	Interest Rate	Amount
2015	3.94%	\$ 75,000	3.00%	\$ 104,000	0.00%	\$ 610,000	0.00%	\$ 340,000	0.00%	\$ -	1.75%	\$ 220,000	\$ 1,349,000	4.78%	\$ 80,120
2016	3.94%	75,000	3.00%	108,000	-	-	-	-	0.00%	-	1.75%	224,000	407,000	-	-
2017	3.94%	80,000	3.00%	111,000	-	-	-	-	0.00%	318,131	1.75%	228,000	737,131	-	-
2018	3.94%	80,000	3.00%	115,000	-	-	-	-	-	-	1.75%	233,000	428,000	-	-
2019	3.94%	85,000	3.00%	119,000	-	-	-	-	-	-	1.75%	238,000	442,000	-	-
2020	-	-	3.00%	123,000	-	-	-	-	-	-	1.75%	242,000	365,000	-	-
2021	-	-	3.00%	126,000	-	-	-	-	-	-	1.75%	62,033	188,033	-	-
2022	-	-	3.00%	131,000	-	-	-	-	-	-	-	-	131,000	-	-
2023	-	-	3.00%	135,000	-	-	-	-	-	-	-	-	135,000	-	-
2024	-	-	3.00%	139,000	-	-	-	-	-	-	-	-	139,000	-	-
2025	-	-	3.00%	144,000	-	-	-	-	-	-	-	-	144,000	-	-
2026	-	-	3.00%	148,000	-	-	-	-	-	-	-	-	148,000	-	-
2027	-	-	3.00%	153,000	-	-	-	-	-	-	-	-	153,000	-	-
2028	-	-	3.00%	158,000	-	-	-	-	-	-	-	-	158,000	-	-
2029	-	-	3.00%	163,000	-	-	-	-	-	-	-	-	163,000	-	-
2030	-	-	3.00%	169,000	-	-	-	-	-	-	-	-	169,000	-	-
2031	-	-	3.00%	174,000	-	-	-	-	-	-	-	-	174,000	-	-
		<u>\$ 395,000</u>		<u>\$ 2,320,000</u>		<u>\$ 610,000</u>		<u>\$ 340,000</u>		<u>\$ 318,131</u>		<u>\$ 1,447,033</u>	<u>\$ 5,430,164</u>		<u>\$ 80,120</u>

See accompanying independent auditor's report.

City of Keokuk
Schedule of Receipts by Source and Disbursements by Function
All Governmental Funds

	Year Ended June 30.									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Receipts:										
Property tax	\$ 4,192,222	\$ 4,049,068	\$ 3,832,718	\$ 3,768,516	\$ 3,533,012	\$ 3,401,013	\$ 3,383,054	\$ 5,686,286	\$ 5,233,320	\$ 5,151,427
Tax increment financing	1,475,276	1,524,770	1,573,868	1,466,359	1,384,357	1,064,215	1,036,347	428,735	281,426	394,507
Other city tax	2,501,875	2,505,805	2,703,582	2,504,157	2,502,081	2,625,428	2,487,089	-	-	-
Use of money and property	91,338	137,508	117,145	141,003	154,553	263,587	481,309	456,053	238,818	187,059
Licenses and permits	133,055	148,821	138,043	193,719	139,211	156,705	161,416	153,330	150,293	163,742
Intergovernmental	1,812,070	5,484,072	2,084,405	2,584,132	2,400,299	4,821,069	2,494,575	1,733,506	2,325,377	2,161,785
Charges for service	251,948	230,424	320,194	220,583	210,197	221,190	164,847	194,165	212,194	241,114
Miscellaneous	<u>1,136,841</u>	<u>342,430</u>	<u>127,099</u>	<u>122,979</u>	<u>186,685</u>	<u>291,241</u>	<u>165,213</u>	<u>146,134</u>	<u>835,057</u>	<u>269,090</u>
Total	<u>\$11,594,625</u>	<u>\$14,422,898</u>	<u>\$10,897,054</u>	<u>\$11,001,448</u>	<u>\$10,510,395</u>	<u>\$12,844,448</u>	<u>\$10,373,850</u>	<u>\$ 8,798,209</u>	<u>\$ 9,276,485</u>	<u>\$ 8,568,724</u>
Disbursements:										
Public safety	\$ 4,449,148	\$ 4,316,334	\$ 4,413,059	\$ 4,565,371	\$ 4,611,053	\$ 3,971,172	\$ 4,054,327	\$ 4,978,881	\$ 3,858,498	\$ 3,856,541
Public works	2,145,775	1,716,978	1,500,390	1,720,183	1,858,150	3,827,983	1,418,235	1,370,077	1,367,974	1,326,854
Culture and recreation	1,389,520	1,313,819	1,265,330	1,315,959	1,382,831	1,171,850	1,059,749	1,068,664	1,560,772	1,132,176
Community and economic development	384,175	352,134	153,374	473,589	445,286	1,485,349	370,196	369,678	155,496	114,447
General government	597,592	576,226	594,634	539,907	560,719	523,056	584,972	493,239	524,259	512,685
Debt service	1,955,098	3,937,346	1,757,380	7,418,290	2,148,587	4,536,373	1,523,847	916,686	788,247	993,122
Capital projects	<u>3,450,778</u>	<u>6,777,796</u>	<u>716,900</u>	<u>2,174,428</u>	<u>3,189,899</u>	<u>4,556,521</u>	<u>2,437,932</u>	<u>1,332,133</u>	<u>1,250,768</u>	<u>895,264</u>
Total	<u>\$14,372,086</u>	<u>\$18,990,633</u>	<u>\$10,401,067</u>	<u>\$18,207,727</u>	<u>\$14,196,525</u>	<u>\$20,072,304</u>	<u>\$11,449,258</u>	<u>\$10,529,358</u>	<u>\$ 9,506,014</u>	<u>\$ 8,831,089</u>

See accompanying independent auditor's report.

City of Keokuk
Schedule of Expenditures of Federal Awards
June 30, 2014

<u>Federal Agency/Pass-Through Agency Program - Grant Title</u>	<u>CFDA Number</u>	<u>Grantor Program Number</u>	<u>Program Disbursements</u>
U.S. Department of Justice:			
Byrne Memorial Justice Assistance Grant	16.738	2013-DJ-BX-0821	\$ <u>12,918</u> *
Subtotal U.S. Department of Justice programs			<u>12,918</u>
Pass-through Iowa Governor's Office of Drug Control Policy and Lee County, Iowa:			
Byrne/Iowa - Justice Assistance Grant (JAG)	16.738	#11JAG-58780	22,800 *
Byrne/Iowa - Justice Assistance Grant (JAG)	16.738	#2012-DJ-BX-0219	<u>4,631</u> *
Subtotal U.S. Department of Justice pass-through programs			<u>27,431</u>
Total U.S. Department of Justice			<u>40,349</u>
U.S. Department of Homeland Security:			
Pass-through from Iowa Department of Public Defense Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	DR-4126-IA	30,298
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	DR-4119-IA	57,541
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	DR-1930-IA	69,957
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	DR-1763-IA	<u>1,246,329</u>
Total U.S. Department of Homeland Security			<u>1,404,125</u>
U.S. Department of Housing and Urban Development:			
Pass-through from Iowa Department of Economic Development:			
Community Block Grant Program	14.228	12-HSG-006	86,729
Community Block Grant Program	14.228	11-WS-030	<u>192,170</u>
Total U.S. Department of Housing and Urban Development			<u>278,899</u>
U.S. Department of Transportation:			
Federal Aviation Administration Airport Improvement Program	20.106	3-19-0050-19-2012	<u>99,922</u>
Subtotal U.S. Department of Transportation			<u>99,922</u>
Pass-through from Iowa Department of Transportation:			
Safe Routes to School	20.205	SRTS-U-3942(616)--8U-56	25,758
Emergency Relief	20.205	ER-3942(614)--8R-56	454,082
Pass-through from Iowa Governor's Traffic Safety Bureau:			
Public Traffic Services - NHTSA	20.601	PAP 13-410, Task 32	2,800
Public Traffic Services - NHTSA	20.601	14-402-M9PT, Task 12-00- 00	<u>3,148</u>
Subtotal U.S. Department of Transportation pass-through programs			<u>485,788</u>
Total U.S. Department of Transportation			<u>585,710</u>

(Continued)

See accompanying independent auditor's report.

City of Keokuk
Schedule of Expenditures of Federal Awards
June 30, 2014

<u>Federal Agency/Pass-Through Agency Program - Grant Title</u>	<u>CFDA Number</u>	<u>Grantor Program Number</u>	<u>Program Disbursements</u>
U.S. Environmental Protection Agency : Water Infrastructure Grants as Authorized by EPA Appropriations	66.202	XP97740401-0	\$ <u>276,450</u>
			\$ <u>2,585,533</u>

* Total for Justice Assistance Grant (JAG) Cluster is \$40,349.

Note A - Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Keokuk and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B - Recording Federal Emergency Management Agency Expenditures (FEMA) on the Schedule of Expenditures of Federal Awards (SEFA)

Non-Federal entities must record FEMA expenditures on the SEFA when (1) FEMA has approved the non-Federal entity's Project Worksheet (PW) and, (2) the non-Federal entity has incurred the eligible expenditures. The City of Keokuk incurred eligible expenditures during the year ended June 30, 2013, however the PW for each project was approved during the year ended June 30, 2014. As a result the following prior year expenditures are included on the SEFA for the year ended June 30, 2014:

	CFDA Number
	<u>97.036</u>
DR-4126-IA	\$ 9,591
DR-4119-IA	<u>7,931</u>
	\$ <u>17,522</u>

See accompanying independent auditor's report.



CPA ASSOCIATES PC
CERTIFIED PUBLIC ACCOUNTANTS

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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***

Honorable Mayor and
Members of the City Council
City of Keokuk, Iowa

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 the *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Keokuk, Iowa (City), 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 5, 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 accounting principles generally accepted in the United States. We expressed adverse opinions on the aggregate discretely presented component units.

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 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 over financial reporting.

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 deficiency in internal control we consider to be a significant deficiency.

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 described in Part II of the accompanying schedule of findings as item II-A-14 to be a significant deficiency.

Compliance and Other Matters

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

The City's responses to the 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 results 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 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.

CPA Associates PC

February 5, 2015



CPA ASSOCIATES PC
CERTIFIED PUBLIC ACCOUNTANTS

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**Independent Auditor's Report on Compliance
for Each Major Program, on Internal Control Over Compliance
and on the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Keokuk, Iowa's (City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2014. The City's major federal program is identified in Part I of the accompanying schedule of findings.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Other Matters

We did not identify any instances of noncompliance which is required to be reported in accordance with OMB Circular A-133.

Report on Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the City as of and for the year ended June 30, 2014, and have issued our report dated February 5, 2015. Our report expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States. We expressed an adverse opinion on the aggregate discretely presented component units. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

CPA Associates PC

February 5, 2015

**City of Keokuk
Schedule of Findings
Year Ended June 30, 2014**

Part I: Summary of the Independent Auditor's Results

- (a) An unmodified opinion was issued on the primary government financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses or significant deficiencies in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program is as follows:
CFDA Number 97.036 - U.S. Department of Homeland Security -Disaster Grants - Public Assistance
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Keokuk did not qualify as a low-risk auditee.

**City of Keokuk
Schedule of Findings
Year Ended June 30, 2014**

Part II: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCY

II-A-14 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling a transaction from its inception to its completion. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City Council and management should continue to provide oversight and direction based upon their direct knowledge of the City's operations and day-to-day contact with employees to control and safeguard assets.

Response - The City will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control.

Conclusion - Response accepted.

INSTANCES OF NONCOMPLIANCE:

None reported.

Part III: Findings for Federal Awards

INTERNAL CONTROLS

None reported.

INSTANCES OF NONCOMPLIANCE:

None reported.

**City of Keokuk
Schedule of Findings
Year Ended June 30, 2014**

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-14 Certified Budget - Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted in any program. 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".

IV-B-14 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-C-14 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transactions</u>	<u>Amount</u>
Gabe Rose, Firefighter Spouse is owner of PC Technologies	Computer purchases and repairs	\$3,985

The computer purchases and repairs do not appear to represent a conflict of interest since they were entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

IV-D-14 Revenue Bonds - No instances of non-compliance with revenue bond and note resolutions were noted.

IV-E-14 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy.

IV-F-14 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.

IV-G-14 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-H-14 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.

IV-I-14 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa requires the City to retain cancelled checks in an electronic format and requires retention in this matter to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check.

Recommendation - The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

Response - The City will comply with this recommendation.

Conclusion - Response accepted.

**City of Keokuk
Schedule of Findings
Year Ended June 30, 2014**

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

IV-J-14 Library Timecards - Timecards are not prepared and approved for salaried library employees.

Recommendation - Timecards should be prepared and approved for all library employees.

Response - The City will comply with this recommendation.

Conclusion - Response accepted.