

CITY OF ROCKWELL CITY, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

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

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City of Rockwell City, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Phil Heinlen	Mayor	Dec 2013
John Hepp	Mayor Pro Tem	Dec 2013
Mark Lange	Council Member	Dec 2015
Richard Walters	Council Member	Dec 2015
Jo Ann Hendricks	Council Member	Dec 2015
David Dawson	Council Member	Dec 2013
Kelly Smidt	City Clerk	Indefinite
Joni Hepp	Deputy Clerk/Treasurer	Indefinite
Steve Hendricks	Attorney	Indefinite
(After January 2014)		
Phil Heinlen	Mayor	Dec 2017
John Hepp	Mayor Pro Tem	Dec 2017
Mark Lange	Council Member	Dec 2015
Richard Walters	Council Member	Dec 2015
Jo Ann Hendricks	Council Member	Dec 2015
David Dawson	Council Member	Dec 2017
Kelly Smidt	City Clerk	Indefinite
Joni Hepp	Deputy Clerk/Treasurer	Indefinite
Steve Hendricks	Attorney	Indefinite

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design

audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Disclaimer of Opinion

The financial statement of the Rockwell City Public Library Foundation has not been audited, and we were not engaged to audit the Rockwell City Public Library Foundation's financial statement as part of our audit of the City's basic financial statements. The Rockwell City Public Library Foundations' financial activities are included in the City's basic financial statements as a discretely presented component unit and represents 100 percent of the receipts and disbursements of the City's aggregate discretely presented component units.

Disclaimer of Opinion

Because the Rockwell City Public Library Foundation's financial statement has not been audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statement of the aggregate discretely presented component of the City of Rockwell City, as of and for the year ended June 30, 2014.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Rockwell 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 described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rockwell 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 five years ended June 30, 2009 and the year 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. Other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2012 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 5 through 9 and 27 through 29 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 18, 2015 on our consideration of the City of Rockwell 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Rockwell City's internal control over financial reporting and compliance.

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

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

March 18, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Rockwell 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 follow.

2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased approximately \$281,789, from fiscal year 2013 to fiscal year 2014. Property tax increased approximately \$45,240 and bond proceeds increased \$350,000.
- Disbursements of the City's governmental activities increased approximately \$212,031, in fiscal year 2014 from fiscal year 2013. Debt service disbursements decreased approximately \$1,201 while public safety and capital projects disbursements increased approximately \$46,319 and \$155,750, respectively.
- The City's total cash basis net position increased approximately \$324,110 from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of the governmental activities increased approximately \$208,475 and the cash basis net position of the business type activities increased approximately \$115,635.

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 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.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which 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, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds and the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

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

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 increased from a year ago, increasing from approximately \$1.526 million to approximately \$1.735 million.

The City's total receipts for governmental activities increased approximately \$281,789. The total cost of all programs and services increased approximately \$212,031, with no new programs added this year.

The City increased property tax rates for fiscal year 2014. The increase raised the City's property tax receipts approximately \$45,240 in fiscal year 2014. Based on increases in the total assessed valuation, property tax receipts are budgeted to increase an additional \$65,000 next year.

The cost of all governmental activities this year was approximately \$1.644 million compared to approximately \$1.432 million last year. However, as shown in the Statement of Activities and Net Position on page 8, the amount taxpayers ultimately financed for these activities was approximately \$1.003 million because some of the cost was paid by those directly benefited from the programs or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$435,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2014 from approximately \$751,000 to approximately \$641,000.

Total business type activities receipts for the fiscal year were approximately \$928,118 compared to approximately \$775,119 last year. The cash balance increased approximately \$115,635 from the prior year. Total disbursements for the fiscal year increased 8.0% to approximately \$815,832.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As Rockwell City completed the year, its governmental funds reported a combined fund balance of \$1,735,080, an increase of more than \$208,475 above last year's total of \$1,526,605. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$176,141 from the prior year to \$643,152. Approximately \$44,358 of this decrease was due to community and economic development projects, \$72,220 due to culture and recreation and \$43,777 due to public safety.
- The Special Revenue, Road Use Tax Fund cash balance increased \$193,854 to \$264,995. The City received an additional \$108,404.54 revenue, due to the revised census count.
- The Debt Service Fund cash balance decreased \$15 to \$48,978. Bond principal and interest payments decreased \$1,201 in fiscal year 2014.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$63,215 to \$921,156, due to a rate increase, sale of water and reduction in debt service payments.
- The Enterprise, Sewer Fund cash balance increased \$52,420 to \$947,010, primarily due to a rate increase to fund a sanitary sewer project that will decrease I & I issues.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The only amendment was approved on March 19, 2014 and resulted in an increase in operating disbursements to the Public Service, Public Works, Health and Social Services, Community and Economic Development, Culture and Recreation, General Government, Capital Improvement Projects and Business type functions. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$387,954 more than budgeted. This was primarily due to the City receiving LOST funds and Airport grants.

After the budget amendments, total disbursements were \$266,477 less than the amended budget. However, actual disbursements for the public safety, culture and recreation and community and economic development functions were \$4,681, \$34,655 and \$5,147, respectively, less than the amended budget.

The City exceeded the amounts budgeted in the health and social services, general government and debt service functions for the year ended June 30, 2014 due to higher costs for City Hall maintenance projects and sewer construction engineering costs not budgeted.

DEBT ADMINISTRATION

At June 30, 2014, the City had \$1,240,000 of bonds and other long-term debt outstanding, compared to \$1,376,000 last year, as shown below. Debt decreased as a result of no new general obligation bonds being issued.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$212,441 is significantly below its constitutional debt limit of approximately \$2.4 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Rockwell City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates and fees charged for various City activities. One of those factors is the economy.

These indicators were taken into account when adopting the budget for fiscal year 2015 budget, tax rates, and fees that will be charged for various City activities.

Two projects will affect the water and sewer rates in fiscal year 2015. The City will reconstruct the infrastructure around the downtown square and there will be a sanitary sewer project to repair aging infrastructure. The City plans to bond for a portion of the downtown project.

The health and work comp insurance will increase, effecting the levy.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kelly Smidt, City Clerk, 335 Main Street, Rockwell City, Iowa 50579.

Basic Financial Statements

City of Rockwell City, Iowa
Statement of Activities and Net Position - Cash Basis
As of and for the year ended June 30, 2014

		Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 377,340	4,418	3,012	-
Public works	328,652	138,833	331,389	-
Health and social services	16,597	-	-	-
Culture and recreation	303,179	58,590	62,299	-
Community and economic development	47,153	-	-	-
General government	205,851	4,104	-	-
Debt service	65,190	-	-	-
Capital projects	300,238	-	-	38,139
Total governmental activities	1,644,200	205,945	396,700	38,139
Business type activities:				
Water	398,239	458,789	-	-
Sewer	417,593	469,329	-	-
Total business type activities	815,832	928,118	-	-
Total primary government	\$ 2,460,032	1,134,063	396,700	38,139
Component Unit:				
Library Foundation	\$ 3,054	-	1,171	-
General Receipts:				
Property tax and other city tax levied for:				
General purposes				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Bond proceeds				
Miscellaneous				
Total general receipts				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable: Cemetery perpetual care				
Expendable:				
Streets				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Exhibit A

Net (Disbursements) Receipts and
Changes in Cash Basis Net Position

Primary Government			Component
Governmental	Business Type		Unit
Activities	Activities	Total	Library Foundation
(369,910)	-	(369,910)	-
141,570	-	141,570	-
(16,597)	-	(16,597)	-
(182,290)	-	(182,290)	-
(47,153)	-	(47,153)	-
(201,747)	-	(201,747)	-
(65,190)	-	(65,190)	-
(262,099)	-	(262,099)	-
<u>(1,003,416)</u>	-	<u>(1,003,416)</u>	-
-	60,550	60,550	-
-	51,736	51,736	-
-	112,286	112,286	-
<u>(1,003,416)</u>	<u>112,286</u>	<u>(891,130)</u>	-
-	-	-	<u>(1,883)</u>
575,072	-	575,072	-
62,048	-	62,048	-
128,291	-	128,291	-
3,267	3,349	6,616	-
350,000	-	350,000	-
93,213	-	93,213	-
<u>1,211,891</u>	<u>3,349</u>	<u>1,215,240</u>	-
208,475	115,635	324,110	(1,883)
<u>1,526,605</u>	<u>1,302,531</u>	<u>2,829,136</u>	<u>131,972</u>
<u>\$ 1,735,080</u>	<u>1,418,166</u>	<u>3,153,246</u>	<u>130,089</u>
\$ 56,900	-	56,900	-
264,995	-	264,995	-
48,978	-	48,978	-
569,148	68,006	637,154	-
<u>795,059</u>	<u>1,350,160</u>	<u>2,145,219</u>	<u>130,089</u>
<u>\$ 1,735,080</u>	<u>1,418,166</u>	<u>3,153,246</u>	<u>130,089</u>

City of Rockwell City, Iowa

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

As of and for the year ended June 30, 2014

	General	Special Revenue	
		Road Use Tax	Employee Benefits
Receipts:			
Property tax	\$ 317,563	-	224,039
Tax increment financing	-	-	-
Other city tax	17,869	-	12,805
Licenses and permits	4,104	-	-
Use of money and property	36,143	-	-
Intergovernmental	3,012	329,680	-
Charges for service	197,423	-	-
Miscellaneous	118,810	-	4,090
Total receipts	<u>694,924</u>	<u>329,680</u>	<u>240,934</u>
Disbursements:			
Operating:			
Public safety:			
Police	239,047	-	121,096
Civil defense	850	-	-
Fire	12,460	-	3,887
Ambulance	-	-	-
	<u>252,357</u>	<u>-</u>	<u>124,983</u>
Public works:			
Street lighting	-	26,375	-
Airport	18,377	-	-
Solid waste	116,069	-	2,887
Roadway maintenance	-	109,451	55,493
	<u>134,446</u>	<u>135,826</u>	<u>58,380</u>
Health and social services:			
Mosquito control	16,000	-	-
Other	597	-	-
	<u>16,597</u>	<u>-</u>	<u>-</u>
Culture and recreation:			
Library	60,601	-	12,598
Park	87,870	-	2,500
Swimming pool	43,025	-	4,784
Cemetery	61,241	-	796
Community Center	20,914	-	888
	<u>273,651</u>	<u>-</u>	<u>21,566</u>

Exhibit B

<u>Capital Projects</u>	Other Nonmajor Governmental	
High St. <u>Water Main</u>	<u>Funds</u>	<u>Total</u>
-	58,709	600,311
-	2,795	2,795
-	131,631	162,305
-	-	4,104
-	13	36,156
-	42,807	375,499
-	-	197,423
-	1,182	124,082
-	237,137	1,502,675
-	-	360,143
-	-	850
-	-	16,347
-	-	-
-	-	377,340
-	-	26,375
-	-	18,377
-	-	118,956
-	-	164,944
-	-	328,652
-	-	16,000
-	-	597
-	-	16,597
-	7,962	81,161
-	-	90,370
-	-	47,809
-	-	62,037
-	-	21,802
-	7,962	303,179

(continued)

City of Rockwell City, Iowa

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

As of and for the year ended June 30, 2014

	General	Special Revenue	
		Road Use Tax	Employee Benefits
Community and economic development:			
Economic development	9,730	-	-
Community beautification	34,628	-	-
	<u>44,358</u>	<u>-</u>	<u>-</u>
General government:			
Policy administration	109,235	-	16,616
Tort liability	80,000	-	-
	<u>189,235</u>	<u>-</u>	<u>16,616</u>
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>910,644</u>	<u>135,826</u>	<u>221,545</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(215,720)</u>	<u>193,854</u>	<u>19,389</u>
Other financing sources			
Bond proceeds	-	-	-
Operating transfers in	46,579	-	-
Operating transfers out	(7,000)	-	-
Total other financing sources (uses)	<u>39,579</u>	<u>-</u>	<u>-</u>
Change in cash balances	(176,141)	193,854	19,389
Cash balances beginning of year	819,293	71,141	66,552
Cash balances end of year	<u>\$ 643,152</u>	<u>264,995</u>	<u>85,941</u>
Cash Basis Fund Balances			
Nonspendable-Cemetery perpetual care	\$ -	-	-
Restricted for:			
Streets	-	264,995	-
Debt Service	-	-	-
Other purposes	-	-	85,941
Assigned for capital projects	-	-	-
Unassigned	643,152	-	-
Total cash basis fund balances	<u>\$ 643,152</u>	<u>264,995</u>	<u>85,941</u>

See notes to financial statements.

Exhibit B

<u>Capital Projects</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
High St. Water Main		
-	2,795	12,525
-	-	34,628
-	2,795	47,153
-	-	125,851
-	-	80,000
-	-	205,851
-	65,190	65,190
300,238	-	300,238
300,238	75,947	1,644,200
(300,238)	161,190	(141,525)
350,000	-	350,000
-	20,345	66,924
-	(59,924)	(66,924)
350,000	(39,579)	350,000
49,762	121,611	208,475
-	569,619	1,526,605
49,762	691,230	1,735,080
-	56,900	56,900
-	-	264,995
-	48,978	48,978
-	483,207	569,148
-	102,145	102,145
49,762	-	692,914
49,762	691,230	1,735,080

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

As of and for the year ended June 30, 2014

	Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating receipts:			
Charges for service	\$ 457,834	466,720	924,554
Miscellaneous	955	2,609	3,564
Total operating receipts	<u>458,789</u>	<u>469,329</u>	<u>928,118</u>
Operating disbursements:			
Business type activities:			
Personal services	96,474	83,435	179,909
Contractual services	19,700	7,308	27,008
Utilities	18,290	25,444	43,734
Repairs and maintenance	10,902	25,102	36,004
Other supplies and expenses	73,933	23,350	97,283
Total operating disbursements	<u>219,299</u>	<u>164,639</u>	<u>383,938</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>239,490</u>	<u>304,690</u>	<u>544,180</u>
Non-operating receipts (disbursements):			
Interest on investments	2,665	684	3,349
Capital projects	(106,469)	(136,384)	(242,853)
Debt service:			
Principal redemption	(55,953)	(104,000)	(159,953)
Interest payments	(16,518)	(12,570)	(29,088)
Total non-operating receipts (disbursements)	<u>(176,275)</u>	<u>(252,270)</u>	<u>(428,545)</u>
Change in cash balances	63,215	52,420	115,635
Cash balances beginning of year	<u>857,941</u>	<u>444,590</u>	<u>1,302,531</u>
Cash balances end of year	<u>\$ 921,156</u>	<u>497,010</u>	<u>1,418,166</u>
Cash Basis Fund Balances			
Restricted for debt service	68,006	-	68,006
Unrestricted	<u>853,150</u>	<u>497,010</u>	<u>1,350,160</u>
Total cash basis fund balances	<u>\$ 921,156</u>	<u>497,010</u>	<u>1,418,166</u>

See notes to financial statements.

City of Rockwell City, Iowa

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

The City of Rockwell City is a political subdivision of the State of Iowa located in Calhoun County. It was first incorporated in 1876 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Rockwell 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 Rockwell City and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Rockwell City Public Library Foundation is a separate nonprofit organization whose purpose is to help raise funds for a new library building. The records are maintained on the basis of cash receipts and disbursements, with June 30 as its fiscal year end. The Rockwell City Public Library Foundation meets the definition of a component which should be discretely presented. The Foundation's financial statement has not been audited and we do not express any opinion on the financial statement.

City of Rockwell City, Iowa

Notes to Financial Statements

June 30, 2014

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: Calhoun County E911 Service Board, Calhoun County Ambulance Authority, Calhoun County Economic Development, and Midas Committee.

B. Basis of Presentation

Government-wide Financial Statement – 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 are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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

City of Rockwell City, Iowa

Notes to Financial Statements

June 30, 2014

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Employee Benefits Fund is used to account for the transactions for benefits on behalf of city employees.

Capital Projects:

The High St. Water Main Fund is used to account for the transactions to construct capital improvements related to the City's water main on High Street.

City of Rockwell City, Iowa

Notes to Financial Statements

June 30, 2014

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

City of Rockwell City, Iowa

Notes to Financial Statements

June 30, 2014

D. Governmental Cash Basis Fund Balances:

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the health and social services, general government, and debt service functions.

(2) Cash and Pooled Investments

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

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

The City had no investments at June 30, 2014. During the year ended June 30, 2014 the City invested its excess funds in savings accounts and certificates of deposit.

City of Rockwell City, Iowa

Notes to Financial Statements

June 30, 2014

(3) Bonds and Notes Payable

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

Year Ending June 30,	<u>Revenue Bonds</u>		<u>General Obligation Bond</u>		<u>Total</u>	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 161,443	29,038	30,000	7,200	191,443	36,238
2016	167,518	25,358	30,000	6,000	197,518	31,358
2017	173,631	21,540	30,000	4,800	203,631	26,340
2018	180,783	17,595	30,000	3,600	210,783	21,195
2019	187,976	13,493	30,000	2,400	217,976	15,893
2020	62,211	9,230	30,000	1,200	92,211	10,430
2021	64,489	7,172	-	-	64,489	7,172
2022	66,813	5,038	-	-	66,813	5,038
2023	69,183	2,828	-	-	69,183	2,828
2024	30,000	900	-	-	30,000	900
Total	\$1,164,047	132,191	180,000	25,200	1,344,047	157,391

Revenue Notes/Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$466,000 in Water Revenue Notes/Bonds issued in 2004 and \$350,000 in Water Revenue Notes/Bonds issued in 2013. Proceeds from these notes/bonds provided financing for water improvements. The notes/bonds are payable solely from water customer net receipts and are payable through 2024. Annual principal and interest payments on the notes/bonds are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the notes/bonds is \$678,258. For the current year, principal and interest paid and total customer net receipts were \$71,761 and \$239,490 respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,766,000 in sewer revenue notes issued in April 1999. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2019. Annual principal and interest payments on the notes are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$617,980. For the current year, principal and interest paid and total customer net receipts were \$116,225 and \$304,690 respectively.

City of Rockwell City, Iowa
Notes to Financial Statements
June 30, 2014

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

- a. The bonds will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to separate water and sewer revenue sinking accounts for the purpose of making the bond principal and interest payments when due.
- c. Additional monthly transfers equal to 25% of the monthly transfers to the water sinking account shall be made to a water reserve account. This account is restricted for the purpose of paying principal and interest should a deficiency exist in the water sinking account.
- d. A water improvement fund shall be maintained requiring a monthly payment of \$2,000; provided, however, that when the amount of said deposits in said fund shall equal or exceed \$75,000, no further monthly deposits need to be made except to maintain it at such level.
- e. The water and sewer systems shall each maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue bond.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$40,541, \$38,474, and \$36,687 respectively, equal to the required contributions for each year.

City of Rockwell City, Iowa

Notes to Financial Statements

June 30, 2014

(5) Other Postemployment Benefits (OPEB)

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

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

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-basis. The most recent active member monthly premiums for the City and plan members are \$594 for single coverage and \$1,822 for family coverage. For the year ended June 30, 2014, the City contributed \$166,617, and plan members eligible for benefits contributed \$0 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, holiday, and comp time hours for subsequent use or for payment upon termination, retirement or death. Sick leave hours accumulate and are paid only when used. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned benefit payments payable to employees at June 30, 2014, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation, holiday and comp time	\$ <u>26,000</u>

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

(7) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

City of Rockwell City, Iowa

Notes to Financial Statements

June 30, 2014

(8) Capital Leases

The City entered into a capital lease for the purchase of a police car. This lease is from July 6, 2011 through July 15, 2013. During the year ended June 30, 2014, the city disbursed \$9,335 for this lease. There are no future payments for the lease.

The City entered into a capital lease for the purchase of a fire truck. This lease is from December 12, 2005 through December 12, 2015. During the year ended June 30, 2014, the City disbursed \$17,456 for this lease.

Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2015	\$ 15,822	1,634	17,456
June 30, 2016	<u>16,619</u>	<u>837</u>	<u>17,456</u>
	<u>\$ 32,441</u>	<u>2,471</u>	<u>34,912</u>

(9) 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: Local Option Sales Tax	\$ 46,579
Capital Projects	General Special Revenue: Local Option Sales Tax	7,000 <u>13,345</u> <u>20,345</u>
		<u>\$ 66,924</u>

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

City of Rockwell City, Iowa

Notes to Financial Statements

June 30, 2014

(10) Subsequent Events

The City has committed to a sanitary sewer project for approximately \$1.6M that will be financed by a CDBG grant and issuance of revenue bonds. The City has also committed to a city square project for approximately \$1.6M that will be financed by the issuance of both GO and revenue bonds. The City of Rockwell City had significant hail damage in the spring of 2014 for approximately \$450,000 to city buildings and equipment. Management anticipates that insurance proceeds should cover all damages except the \$1000 deductible. These subsequent events have been evaluated through March 18, 2015, the date the financial statements were available to be issued.

(11) 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 Rockwell City, Iowa

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2014

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 600,311	-
Tax increment financing	2,795	-
Other city tax	162,305	-
Licenses and permits	4,104	-
Use of money and property	36,156	3,349
Intergovernmental	375,499	-
Charges for service	197,423	924,554
Miscellaneous	124,082	3,564
Total receipts	<u>1,502,675</u>	<u>931,467</u>
Disbursements:		
Public safety	377,340	-
Public works	328,652	-
Health and social services	16,597	-
Culture and recreation	303,179	-
Community and economic development	47,153	-
General government	205,851	-
Debt service	65,190	-
Capital Projects	300,238	-
Business type activities	-	815,832
Total disbursements	<u>1,644,200</u>	<u>815,832</u>
Excess (deficiency) of receipts over (under) disbursements	(141,525)	115,635
Other financing sources	<u>350,000</u>	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements	208,475	115,635
Balances beginning of year	<u>1,526,605</u>	<u>1,302,531</u>
Balances end of year	<u>\$ 1,735,080</u>	<u>1,418,166</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
600,311	601,821	601,821	(1,510)
2,795	-	-	2,795
162,305	137,450	137,450	24,855
4,104	3,764	3,764	340
39,505	22,825	24,225	15,280
375,499	187,897	227,577	147,922
1,121,977	914,900	929,900	192,077
127,646	29,800	121,451	6,195
<u>2,434,142</u>	<u>1,898,457</u>	<u>2,046,188</u>	<u>387,954</u>
377,340	334,971	382,021	4,681
328,652	353,094	399,094	70,442
16,597	9,597	11,097	(5,500)
303,179	189,468	337,834	34,655
47,153	12,300	52,300	5,147
205,851	144,406	183,852	(21,999)
65,190	65,181	65,181	(9)
300,238	-	320,168	19,930
815,832	735,462	974,962	159,130
<u>2,460,032</u>	<u>1,844,479</u>	<u>2,726,509</u>	<u>266,477</u>
(25,890)	53,978	(680,321)	654,431
<u>350,000</u>	<u>3,100</u>	<u>532,100</u>	<u>(182,100)</u>
324,110	57,078	(148,221)	472,331
<u>2,829,136</u>	<u>2,722,875</u>	<u>2,722,875</u>	<u>106,261</u>
<u>3,153,246</u>	<u>2,779,953</u>	<u>2,574,654</u>	<u>578,592</u>

City of Rockwell City, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2014

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$882,030, receipts by \$147,731 and other financing sources by \$529,000. The budget amendment is reflected in the final budgeted amount.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the health and social services, general government, and debt service functions.

Other Supplementary Information

City of Rockwell City, Iowa

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

As of and for the year ended June 30, 2014

	Special Revenue			
	Library Building Trust	DARE	Local Option Tax	TIF
Receipts:				
Property tax	\$ -	-	-	-
Tax increment financing	-	-	-	2,795
Other city tax	-	-	128,291	-
Use of money and property	13	-	-	-
Intergovernmental	1,542	-	-	-
Miscellaneous	832	-	-	-
Total receipts	<u>2,387</u>	<u>-</u>	<u>128,291</u>	<u>2,795</u>
Disbursements:				
Operating:				
Public safety:				
Police	-	-	-	-
Culture and recreation:				
Library	7,962	-	-	-
	<u>7,962</u>	<u>-</u>	<u>-</u>	<u>-</u>
Community and economic development:				
Economic development	-	-	-	2,795
Capital projects	-	-	-	-
Debt service	-	-	-	-
Total disbursements	<u>7,962</u>	<u>-</u>	<u>-</u>	<u>2,795</u>
Other Financing Sources (Uses)				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	(59,924)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(59,924)</u>	<u>-</u>
Change in cash balances	(5,575)	-	68,367	-
Cash balances beginning of year	<u>10,916</u>	<u>186</u>	<u>409,312</u>	<u>1</u>
Cash balances end of year	<u>5,341</u>	<u>186</u>	<u>477,679</u>	<u>1</u>
Cash Basis Fund Balances				
Nonspendable-Cemetary perpetual care	-	-	-	-
Restricted for:				
Streets	-	-	-	-
Debt service	-	-	-	-
Other purposes	5,341	186	477,679	1
Assigned for capital projects	-	-	-	-
Total cash basis fund balances	<u>\$ 5,341</u>	<u>186</u>	<u>477,679</u>	<u>1</u>

See accompanying independent auditor's report.

Schedule 1

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
58,709	-	-	58,709
-	-	-	2,795
3,340	-	-	131,631
-	-	-	13
3,126	38,139	-	42,807
-	-	350	1,182
<u>65,175</u>	<u>38,139</u>	<u>350</u>	<u>237,137</u>
-	-	-	-
-	-	-	-
-	-	-	7,962
-	-	-	7,962
-	-	-	2,795
-	-	-	-
<u>65,190</u>	-	-	<u>65,190</u>
<u>65,190</u>	-	-	<u>75,947</u>
-	20,345	-	20,345
-	-	-	(59,924)
-	<u>20,345</u>	-	<u>(39,579)</u>
(15)	58,484	350	121,611
<u>48,993</u>	<u>43,661</u>	<u>56,550</u>	<u>569,619</u>
<u>48,978</u>	<u>102,145</u>	<u>56,900</u>	<u>691,230</u>
-	-	56,900	56,900
-	-	-	-
48,978	-	-	48,978
-	-	-	483,207
-	102,145	-	102,145
<u>48,978</u>	<u>102,145</u>	<u>56,900</u>	<u>691,230</u>

City of Rockwell City, Iowa

Schedule of Indebtedness

Year ended June 30, 2014

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
South St. Water Main	Apr 17, 2010	4.00 %	\$ 300,000
Total			
Revenue bonds:			
Sewer revenue	Apr 19, 1999	3.00 %	\$ 1,766,000
Water revenue, series 2004	Apr 30, 2004	3.00 %	466,000
Water revenue, series 2013	Oct 17, 2013	3.50 %	350,000
Total			
Capital leases:			
Fire Truck	Dec 12, 2005	4.00 %	\$ 202,289
Police Car	July 6, 2011	4.90 %	26,916
Total			

See accompanying independent auditor's report.

Schedule 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
<u>210,000</u>	<u>-</u>	<u>30,000</u>	<u>180,000</u>	<u>8,400</u>	<u>-</u>
<u>\$ 210,000</u>	<u>-</u>	<u>30,000</u>	<u>180,000</u>	<u>8,400</u>	<u>-</u>
690,000	-	104,000	586,000	12,225	-
284,000	-	22,000	262,000	8,520	-
<u>-</u>	<u>350,000</u>	<u>33,953</u>	<u>316,047</u>	<u>7,288</u>	<u>-</u>
<u>\$ 974,000</u>	<u>350,000</u>	<u>159,953</u>	<u>1,164,047</u>	<u>28,033</u>	<u>-</u>
47,505	-	15,064	32,441	2,392	-
<u>8,976</u>	<u>-</u>	<u>8,976</u>	<u>-</u>	<u>358</u>	<u>-</u>
<u>\$ 56,481</u>	<u>-</u>	<u>24,040</u>	<u>32,441</u>	<u>2,750</u>	<u>-</u>

City of Rockwell City, Iowa

Bond and Note Maturities

June 30, 2014

Year Ending <u>June 30,</u>	Revenue Bonds			
	Sewer Revenue 1		Sewer Revenue 2	
	Series 1999		Series 1999	
	Interest Rates	Amount	Interest Rates	Amount
2015	4.23 %	\$ 106,000	4.23 %	\$ 2,000
2016	4.23	110,000	4.23	2,000
2017	4.23	115,000	4.23	2,000
2018	4.23	120,000	4.23	2,000
2019	4.23	125,000	4.23	2,000
2020		-		-
2021		-		-
2022		-		-
2023		-		-
2024		-		-
Total		<u>\$ 576,000</u>		<u>\$ 10,000</u>

See accompanying independent auditor's report.

Water Revenue Series 2004		Water Revenue Series 2013			General Obligation Bond Water Main Issued August, 2010	
Interest		Interest			Interest	
Rates	Amount	Rates	Amount	Total	Rates	Amount
3.00 %	\$ 23,000	3.50 %	\$ 30,443	\$ 161,443	4.00 %	\$ 30,000
3.00	24,000	3.50	31,518	167,518	4.00	30,000
3.00	24,000	3.50	32,631	173,631	4.00	30,000
3.00	25,000	3.50	33,783	180,783	4.00	30,000
3.00	26,000	3.50	34,976	187,976	4.00	30,000
3.00	26,000	3.50	36,211	62,211	4.00	30,000
3.00	27,000	3.50	37,489	64,489		-
3.00	28,000	3.50	38,813	66,813		-
3.00	29,000	3.50	40,183	69,183		-
3.00	30,000		-	30,000		-
	<u>\$ 262,000</u>		<u>\$ 316,047</u>	<u>\$ 1,164,047</u>		<u>\$ 180,000</u>

City of Rockwell City, Iowa

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

For the Last Ten Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Receipts:				
Property tax	\$ 600,311	557,136	570,480	557,498
Tax increment financing	2,795	2,751	2,372	2,476
Other city tax	162,305	164,340	109,967	138,964
Licenses and permits	4,104	4,303	3,341	3,580
Use of money and property	36,156	84,504	20,439	23,197
Intergovernmental	375,499	501,111	692,338	666,442
Charges for service	197,423	183,311	183,464	180,861
Miscellaneous	<u>124,082</u>	<u>73,430</u>	<u>79,411</u>	<u>45,715</u>
Total	<u>\$ 1,502,675</u>	<u>1,570,886</u>	<u>1,661,812</u>	<u>1,618,733</u>
Disbursements:				
Operating				
Public safety	\$ 377,340	331,021	513,930	320,875
Public works	328,652	488,250	554,454	381,750
Health and social services	16,597	9,477	9,119	8,789
Culture and recreation	303,179	193,187	219,746	201,085
Community and economic development	47,153	72,457	48,603	6,573
General government	205,851	126,898	121,708	123,237
Debt service	65,190	66,391	106,189	85,884
Capital projects	<u>300,238</u>	<u>144,488</u>	<u>544,732</u>	<u>439,756</u>
Total	<u>\$ 1,644,200</u>	<u>1,432,169</u>	<u>2,118,481</u>	<u>1,567,949</u>

See accompanying independent auditor's report.

Schedule 4

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
490,096	544,176	532,617	536,756	516,996	510,503
2,801	-	-	-	-	-
132,327	180,301	32,418	33,948	33,638	34,421
3,678	3,245	3,835	3,851	4,446	3,250
28,211	29,066	105,168	115,328	51,982	28,949
315,982	370,310	713,777	545,849	229,282	319,200
183,976	188,889	191,316	247,366	253,458	228,905
<u>88,609</u>	<u>108,776</u>	<u>189,503</u>	<u>2,135,374</u>	<u>90,786</u>	<u>40,593</u>
<u>1,245,680</u>	<u>1,424,763</u>	<u>1,768,634</u>	<u>3,618,472</u>	<u>1,180,588</u>	<u>1,165,821</u>
291,764	276,899	278,323	375,246	335,787	436,336
376,549	385,380	361,426	336,653	409,035	335,467
8,050	8,000	-	-	-	6,200
171,149	229,753	142,224	174,448	141,138	134,989
8,400	26,302	7,186	5,197	2,495	2,195
150,449	124,487	106,277	101,103	139,614	102,024
58,389	135,911	132,589	144,183	116,759	110,654
<u>21,956</u>	<u>710,221</u>	<u>2,140,544</u>	<u>489,676</u>	<u>37,734</u>	<u>-</u>
<u>1,086,706</u>	<u>1,896,953</u>	<u>3,168,569</u>	<u>1,626,506</u>	<u>1,182,562</u>	<u>1,127,865</u>

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

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Rockwell City, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 18, 2015. Our report expressed unmodified opinions on the financial statements, except for the disclaimer on the Rockwell City Public Library Foundation, which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Rockwell City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as item I-B-14 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Rockwell 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 that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Rockwell City's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

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

March 18, 2015

City of Rockwell City, Iowa

Schedule of Findings

Year ended June 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-14 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent loss from employee error or dishonesty and therefore maximizes the accuracy of the City’s financial statements. We noted that two employees handle all of the financial duties, which does not allow for complete segregation of duties.

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

Response – We feel we are doing the best we can with the limited personnel we have.

Conclusion – Response acknowledged.

I-B-14 Preparation of Financial Statements, Including Disclosures to Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. The City of Rockwell City does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

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

City of Rockwell City, Iowa

Schedule of Findings

Year ended June 30, 2014

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

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

Conclusion – Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-14 Certified Budget – Disbursements during the year ended June 30, 2014, exceeded the amounts in the health and social services, general government, and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

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

Conclusion – Response accepted.

II-B-14 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

II-C-14 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-14 Business Transactions – No business transactions between the City and City officials or employees were noted.

City of Rockwell City, Iowa

Schedule of Findings

Year ended June 30, 2014

- II-E-14 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that coverage is adequate for current operations.
- II-F-14 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-14 Deposits and Investments - No instances of non-compliance with the deposit and investments provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- II-H-14 Revenue Notes/Bonds - No instances of non-compliance with the revenue bond and note resolutions were noted.
- II-I-14 Urban Renewal Annual Report - The urban renewal annual report was approved and certified to the Iowa Department of Management on or before December 1, with no exceptions noted.
- II-J-14 Debt Service Fund Balance - It was noted during the course of our audit, that the Debt Service Fund has a cash balance of \$48,978, which is higher than in previous years.

Recommendation - The City should review the transactions posted to this fund over the past few years, to review for any miscoding.

Response - We believe that the City received some outside funding for payment of the debt on the fire truck. We will review the transactions to determine if lowering the City's debt service tax levy is appropriated.

Conclusion- Response accepted.

City of Rockwell City, Iowa

Schedule of Findings

Year ended June 30, 2014

II-K-14 Chart of Accounts – It was noted during the course of our audit that water capital improvements funded by the issuance of revenue bonds were accounted for in a governmental fund type capital project fund.

Recommendation – The City should account for capital projects financed with revenue bonds in the enterprise funds in the future, if applicable, as that more closely follows the City Finance Committee’s recommended chart of accounts.

Response – We will contact our auditor to help us set up proper accounts if the future, if needed.

Conclusion – Response accepted.