

**City of Columbus Junction**

**Independent Auditor's Report  
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 Columbus Junction

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Daniel Wilson	Mayor	December 31, 2017
T. Mark Huston	Mayor Pro Tem	December 31, 2015
Harold Prior	Council Member	December 31, 2017
Patrick Rees	Council Member	December 31, 2015
Phil Kaalberg	Council Member	December 31, 2015
Jim Gabriel	Council Member	December 31, 2017
Julie Heindel	City Clerk	Not Elected
Donnie Orr	Chief of Police	Not Elected



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## **Independent Auditor's Report**

Honorable Mayor and  
Members of the City Council  
City of Columbus Junction, 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 Columbus Junction, 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.

### *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 unit. Accounting principles applicable to the cash basis of accounting require the financial data for the component unit 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 unit. 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 unit 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 unit 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.

### *Correction of Error*

As described in Note 12 to the financial statements, the beginning balance was restated to correct a material misstatement due to unrecorded fund balances and misclassification of fund balances for the year ended December 31, 2013. Our opinion is not modified with respect to that matter.

### *Basis for Modified Opinions*

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2013.

### *Modified Opinions*

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2013, as discussed in the preceding paragraph, 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 as of June 30, 2014, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than 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. The supplementary information included in Schedules 1 through 4, 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, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2013, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the budgetary comparison information on pages 16 through 17, 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.

The City has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 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*

March 11, 2015

## **BASIC FINANCIAL STATEMENTS**

**City of Columbus Junction**  
**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	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions / Programs:</b>							
Governmental activities:							
Public safety	\$ 430,103	\$ 60	\$ -	\$ -	\$ (430,043)	\$ -	\$ (430,043)
Public works	271,534	-	189,622	-	(81,912)	-	(81,912)
Culture and recreation	140,480	-	14,978	-	(125,502)	-	(125,502)
Community and economic development	102,892	-	84,394	-	(18,498)	-	(18,498)
General government	130,139	14,583	-	67,535	(48,021)	-	(48,021)
Debt service	18,471	-	-	-	(18,471)	-	(18,471)
Total governmental activities	<u>1,093,619</u>	<u>14,643</u>	<u>288,994</u>	<u>67,535</u>	<u>(722,447)</u>	<u>-</u>	<u>(722,447)</u>
Business type activities:							
Water	4,135,506	275,616	-	2,683,755	-	(1,176,135)	(1,176,135)
Sewer	198,214	161,251	-	-	-	(36,963)	(36,963)
Solid waste	146,467	137,765	-	-	-	(8,702)	(8,702)
Total business type activities	<u>4,480,187</u>	<u>574,632</u>	<u>-</u>	<u>2,683,755</u>	<u>-</u>	<u>(1,221,800)</u>	<u>(1,221,800)</u>
Total	<u>\$ 5,573,806</u>	<u>\$ 589,275</u>	<u>\$ 288,994</u>	<u>\$ 2,751,290</u>	<u>(722,447)</u>	<u>(1,221,800)</u>	<u>(1,944,247)</u>
<b>General Receipts and Transfers:</b>							
Property and other city tax levied for:							
General purposes					392,732	-	392,732
Debt service					18,847	-	18,847
Tax increment financing					91,137	-	91,137
Local option sales tax					113,030	-	113,030
Unrestricted investment earnings					4,793	760	5,553
Bond proceeds					-	947,961	947,961
Miscellaneous					49,650	4,093	53,743
Total general receipts and transfers					<u>670,189</u>	<u>952,814</u>	<u>1,623,003</u>
Change in cash basis net position					(52,258)	(268,986)	(321,244)
Cash basis net position beginning of year, restated					<u>312,237</u>	<u>329,149</u>	<u>641,386</u>
Cash basis net position end of year					<u>\$ 259,979</u>	<u>\$ 60,163</u>	<u>\$ 320,142</u>
<b>Cash Basis Net Position</b>							
Restricted:							
Expendable					\$ 313,530	\$ -	\$ 313,530
Unrestricted					<u>(53,551)</u>	<u>60,163</u>	<u>6,612</u>
Total cash basis net position					<u>\$ 259,979</u>	<u>\$ 60,163</u>	<u>\$ 320,142</u>

See notes to financial statements.

**City of Columbus Junction**  
**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	Other Nonmajor Governmental	Total
	General	Road Use Tax			
Receipts:					
Property tax	\$ 282,762	\$ -	\$ 18,847	\$ 109,970	\$ 411,579
Tax increment financing	-	-	-	91,137	91,137
Other city taxes	-	-	-	113,030	113,030
Use of money and property	4,762	-	-	31	4,793
License and permits	8,818	-	-	-	8,818
Intergovernmental	82,593	189,638	-	84,394	356,625
Charges for services	-	-	-	-	-
Miscellaneous	55,319	-	-	60	55,379
Total receipts	<u>434,254</u>	<u>189,638</u>	<u>18,847</u>	<u>398,622</u>	<u>1,041,361</u>
Disbursements:					
Operating:					
Public safety	430,103	-	-	-	430,103
Public works	88,170	183,364	-	-	271,534
Culture and recreation	140,480	-	-	-	140,480
Community and economic development	25,856	-	-	77,036	102,892
General government	130,139	-	-	-	130,139
Debt service	-	-	18,471	-	18,471
Total disbursements	<u>814,748</u>	<u>183,364</u>	<u>18,471</u>	<u>77,036</u>	<u>1,093,619</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(380,494)</u>	<u>6,274</u>	<u>376</u>	<u>321,586</u>	<u>(52,258)</u>
Other financing sources (uses):					
Operating transfers in (out)	113,030	-	-	(113,030)	-
Total other financing sources (uses)	<u>113,030</u>	<u>-</u>	<u>-</u>	<u>(113,030)</u>	<u>-</u>
Change in cash balances	(267,464)	6,274	376	208,556	(52,258)
Cash balances beginning of year, restated	<u>213,913</u>	<u>38,955</u>	<u>1,130</u>	<u>58,239</u>	<u>312,237</u>
Cash balances end of year	<u>\$ (53,551)</u>	<u>\$ 45,229</u>	<u>\$ 1,506</u>	<u>\$ 266,795</u>	<u>\$ 259,979</u>
<b>Cash Basis Fund Balances</b>					
Restricted					
Streets	\$ -	\$ 45,229	\$ -	\$ -	\$ 45,229
Debt service	-	-	1,506	-	1,506
Other purposes	-	-	-	266,795	266,795
Unassigned	<u>(53,551)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(53,551)</u>
<b>Total cash basis fund balances</b>	<u>\$ (53,551)</u>	<u>\$ 45,229</u>	<u>\$ 1,506</u>	<u>\$ 266,795</u>	<u>\$ 259,979</u>

See notes to financial statements.

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

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Nonmajor Proprietary</u>	<u>Total</u>
Operating Receipts:					
Charges for service	\$ <u>266,056</u>	\$ <u>161,251</u>	\$ <u>137,765</u>	\$ <u>9,560</u>	\$ <u>574,632</u>
Total operating receipts	<u>266,056</u>	<u>161,251</u>	<u>137,765</u>	<u>9,560</u>	<u>574,632</u>
Operating Disbursements:					
Business type activities	<u>351,149</u>	<u>155,759</u>	<u>146,467</u>	<u>6,441</u>	<u>659,816</u>
Total operating disbursements	<u>351,149</u>	<u>155,759</u>	<u>146,467</u>	<u>6,441</u>	<u>659,816</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(85,093)</u>	<u>5,492</u>	<u>(8,702)</u>	<u>3,119</u>	<u>(85,184)</u>
Non-operating receipts (disbursements):					
Intergovernmental	2,683,755	-	-	-	2,683,755
Interest on investments	59	200	29	472	760
Miscellaneous	3,160	480	453	-	4,093
Bond proceeds	947,961	-	-	-	947,961
Capital projects	(3,409,145)	-	-	-	(3,409,145)
Debt service	<u>(368,771)</u>	<u>(42,455)</u>	<u>-</u>	<u>-</u>	<u>(411,226)</u>
Net non-operating receipts (disbursements)	<u>(142,981)</u>	<u>(41,775)</u>	<u>482</u>	<u>472</u>	<u>(183,802)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(228,074)</u>	<u>(36,283)</u>	<u>(8,220)</u>	<u>3,591</u>	<u>(268,986)</u>
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in cash balances	<u>(228,074)</u>	<u>(36,283)</u>	<u>(8,220)</u>	<u>3,591</u>	<u>(268,986)</u>
Cash balances beginning of year, restated	<u>172,086</u>	<u>101,022</u>	<u>2,369</u>	<u>53,672</u>	<u>329,149</u>
Cash balances end of year	<u>\$ (55,988)</u>	<u>\$ 64,739</u>	<u>\$ (5,851)</u>	<u>\$ 57,263</u>	<u>\$ 60,163</u>
<b>Cash Basis Fund Balances</b>					
Unrestricted	<u>\$ (55,988)</u>	<u>\$ 64,739</u>	<u>\$ (5,851)</u>	<u>\$ 57,263</u>	<u>\$ 60,163</u>
<b>Total cash basis fund balances</b>	<u>\$ (55,988)</u>	<u>\$ 64,739</u>	<u>\$ (5,851)</u>	<u>\$ 57,263</u>	<u>\$ 60,163</u>

See notes to financial statements.

**City of Columbus Junction  
Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

The City of Columbus Junction (City) is a political subdivision of the State of Iowa located in Louisa County. It was first incorporated in 1874 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water, sewer and solid waste utilities for its citizens.

Reporting Entity

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 (GASB) 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 Columbus Junction (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 Unit

Friends of the Columbus Junction Library (Friends) are a component unit of the City of Columbus Junction. Friends, a separate legal entity, exists for the purpose of attracting funds to benefit the public library, which serves the Columbus Junction area, and to disburse those funds in a manner that will benefit the library. Friends meets the definition of a component unit since the entity raises funds on behalf of the Library. The financial statements of Friends of the Columbus Junction Library have not been audited and, accordingly, this component unit has not been presented in the accompanying primary government audited 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: Southeast Iowa Regional Planning Commission, Louisa County Solid Waste Commission, and Louisa County Drug Task Force. See Note 9.

**City of Columbus Junction**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (continued)**

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 service.

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

*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 have 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 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.

**City of Columbus Junction**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (continued)**

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

The City reports the following major proprietary funds:

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

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

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

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 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.

Governmental Cash Basis Fund Balances

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

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

*Unassigned* - All amounts not included in the preceding classifications.

**City of Columbus Junction  
Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (continued)**

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 March 11, 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 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 meeting the disclosure requirements.

**Note 3. Bonds and Notes Payable**

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

Year Ending June 30.	General Obligation Bonds and Capital Loan Note		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 314,836	\$ 8,525	\$ 84,000	\$ 29,964	\$ 398,836	\$ 38,489
2016	5,066	103	87,000	28,232	92,066	28,335
2017	-	-	89,000	26,006	89,000	26,006
2018	-	-	92,000	23,722	92,000	23,722
2019	-	-	94,000	21,343	94,000	21,343
2020-2022	-	-	246,961	40,949	246,961	40,949
	<u>\$ 319,902</u>	<u>\$ 8,628</u>	<u>\$ 692,961</u>	<u>\$ 170,216</u>	<u>\$ 1,012,863</u>	<u>\$ 178,844</u>

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

**City of Columbus Junction**  
**Notes to Financial Statements**

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**Note 3. Bonds and Notes Payable (continued)**

Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay two revenue bond issues. The bonds were issued February 2001 through August 2002. Proceeds from the notes provided financing for the construction of several sewer system projects. The notes are payable solely from sewer customer net receipts and are payable through 2022. The total principal and interest remaining to be paid on the notes is \$312,950. For the current year, principal and interest paid and total customer net receipts were \$37,286 and \$5,492, respectively.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay a revenue bond issue. The bond was issued February 2014. Proceeds from the note provided financing for the construction of a water system project. The note is payable solely from water customer net receipts and is payable through 2022. The total principal and interest remaining to be paid on the note is \$550,227. For the current year, principal and interest paid and total customer net receipts were \$52,371 and \$(85,093), respectively.

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

- (a) The bonds 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) Monthly transfers equal to a sum of one-twelfth of the principal of all the revenue bonds maturing on the next maturity date plus one-sixth of the interest coming due on the next interest payment date shall be made to the appropriate revenue bond sinking fund for the purpose of making bond interest and principal payments when due.
- (c) Sewer user charges must be established at a level which produces and maintains net revenues equal to at least 110% of principal and interest requirements due in the same year. The City has not met this requirement in the current year.
- (d) Water user charges must be established at a level which produces and maintains net revenues equal to at least 110% of principal and interest requirements due in the same year. The City has not met this requirement in the current year.

**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.

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, except for police employees, in which case the percentages are 6.76% and 10.14%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2014 was \$43,154, equal to the required contribution for the year.

**City of Columbus Junction**  
**Notes to Financial Statements**

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**Note 5. Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2014, primarily relating to the General Fund, is \$18,000.

City employees accumulate sick leave up to a maximum of 120 days. If not used, this sick leave is otherwise lost except upon retirement if an employee has over 10 years of service with the City. Eligible retirees will be paid \$50 per unused sick day at retirement. If an eligible retiree has over 15 years of service with the City, he/she will be paid \$100 per unused sick leave day. The liability to the City at June 30, 2014 is \$1,300.

Employees accumulate comp time in lieu of overtime pay. The limit is 80 hours. The maximum liability to the City at June 30, 2014 is \$7,000.

The above liabilities have been computed based on rates of pay as of July 1, 2014.

**Note 6. Related Party Transactions**

The City had business transactions between the City and City officials totaling \$756 during the year ended June 30, 2014.

A City Council member is a board member for a local bank. As of June 30, 2014, the City has \$308,168 in cash held at the bank and \$319,902 due in principal payments on loans and paid \$324,575 in loan payments and lockbox fees during the year ended June 30, 2014.

**Note 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.

**Note 8. Commitments**

In the normal course of business, the City has various outstanding commitments that are not reflected in the accompanying financial statements. The principal commitment of the City at June 30, 2014 is for a \$475,000 federally funded street construction project.

**City of Columbus Junction**  
**Notes to Financial Statements**

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**Note 9. Jointly Governed Organization**

The City is a participant in the Louisa County Regional Solid Waste Commission, 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 eleven-member board. The City paid \$1,633 in landfill fees and \$9,495 in waste management fees in fiscal year 2014.

The City is a participant in the Southeast Iowa Regional Planning Commission (Commission), a political subdivision pursuant to the Code of Iowa Chapter 28E. The purpose of the Commission is to protect, preserve, and enhance the economic and general welfare of citizens in Southeast Iowa. The City currently provides one member of the nineteen-member board. The City paid \$10,000 in grant administration fees and \$1,522 in annual dues in fiscal year 2014. Southeast Iowa Regional Planning Commission's audited financial statements are available at City Hall.

**Note 10. Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 9 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with 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 retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$544 for single coverage and \$1,382 for family coverage. For the year ended June 30, 2014, the City contributed \$106,393 and plan members eligible for benefits do not contribute to the plan.

**Note 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.

**City of Columbus Junction  
Notes to Financial Statements**

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**Note 12. Change in Beginning Net Position/Fund Balances**

The following discloses the restatement of governmental fund balances as of the beginning of the fiscal year:

	<u>General</u>	<u>Debt Service</u>	<u>Other Nonmajor Governmental</u>	<u>Sewer</u>
Fund balance, beginning of year, as previously stated	\$ 225,153	\$ -	\$ -	\$ 98,531
Balance included in General fund	(11,240)	1,130	10,110	-
Funds not recorded in financial statements	<u>-</u>	<u>-</u>	<u>48,129</u>	<u>2,491</u>
Fund balance, beginning of year, as restated	<u>\$ 213,913</u>	<u>\$ 1,130</u>	<u>\$ 58,239</u>	<u>\$ 101,022</u>

## **OTHER INFORMATION**

**City of Columbus Junction**  
**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 Fund Type <u>Actual</u>	Less Funds not Required to be Budgeted	<u>Total</u>	<u>Budgeted Amounts</u>		Final to Total Variance
					<u>Original</u>	<u>Final</u>	
<b>Receipts:</b>							
Property tax	\$ 411,579	\$ -	\$ -	\$ 411,579	\$ 401,000	\$ 483,059	\$ (71,480)
Tax increment financing	91,137	-	-	91,137	86,493	-	91,137
Other city taxes	113,030	-	-	113,030	104,646	109,646	3,384
Use of money and property	4,793	760	31	5,522	5,770	5,770	(248)
Licenses and permits	8,818	-	-	8,818	4,800	4,800	4,018
Intergovernmental	356,625	2,683,755	84,394	2,955,986	3,567,564	352,687	2,603,299
Charges for service	-	574,632	-	574,632	664,893	3,911,681	(3,337,049)
Miscellaneous	55,379	4,093	60	59,412	21,307	75,500	(16,088)
Total receipts	<u>1,041,361</u>	<u>3,263,240</u>	<u>84,485</u>	<u>4,220,116</u>	<u>4,856,473</u>	<u>4,943,143</u>	<u>(723,027)</u>
<b>Disbursements:</b>							
Public safety	430,103	-	-	430,103	382,721	399,721	(30,382)
Public works	271,534	-	-	271,534	201,494	271,453	(81)
Culture and recreation	140,480	-	-	140,480	155,018	155,018	14,538
Community and economic development	102,892	-	41,023	61,869	36,000	36,000	(25,869)
General government	130,139	-	-	130,139	92,657	167,940	37,801
Debt service	18,471	-	-	18,471	57,042	-	(18,471)
Capital projects	-	-	-	-	-	-	-
Business type activities	-	4,480,187	-	4,480,187	3,912,387	4,204,387	(275,800)
Total disbursements	<u>1,093,619</u>	<u>4,480,187</u>	<u>41,023</u>	<u>5,532,783</u>	<u>4,837,319</u>	<u>5,234,519</u>	<u>(298,264)</u>
Excess (deficiency) of receipts over (under) disbursements	(52,258)	(1,216,947)	43,462	(1,312,667)	19,154	(291,376)	1,021,291
Other financing sources (uses), net	-	947,961	-	947,961	-	300,000	647,961
Change in cash balances	(52,258)	(268,986)	43,462	(364,706)	19,154	8,624	(373,330)
Cash balances beginning of year, restated	<u>312,237</u>	<u>329,149</u>	<u>48,129</u>	<u>593,257</u>	<u>594,890</u>	<u>594,890</u>	<u>(1,633)</u>
Cash balances end of year	<u>\$ 259,979</u>	<u>\$ 60,163</u>	<u>\$ 91,591</u>	<u>\$ 228,551</u>	<u>\$ 614,044</u>	<u>\$ 603,514</u>	<u>\$ (374,963)</u>

See accompanying independent auditor's report.

**City of Columbus Junction**  
**Notes to Other Information - Budgetary Reporting**  
**June 30, 2014**

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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 activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Proprietary 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 \$397,200. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the public safety, public works, community and economic development, debt service, and business type functions.

**SUPPLEMENTARY INFORMATION**

**City of Columbus Junction**  
**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					Total
	Employee Benefits	Emergency Fund	Local Option Sales Tax	Tax Increment Financing	Trust and Agency	
Receipts:						
Property taxes	\$ 101,091	\$ 8,879	\$ -	\$ -	\$ -	\$ 109,970
Tax increment financing	-	-	-	91,137	-	91,137
Other city taxes	-	-	113,030	-	-	113,030
Use of money and property	-	-	-	-	31	31
Intergovernmental	-	-	-	-	84,394	84,394
Miscellaneous	-	-	-	-	60	60
Total receipts	<u>101,091</u>	<u>8,879</u>	<u>113,030</u>	<u>91,137</u>	<u>84,485</u>	<u>398,622</u>
Disbursements:						
Community and economic development	-	-	-	36,013	41,023	77,036
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,013</u>	<u>41,023</u>	<u>77,036</u>
Excess (deficiency) of receipts over (under) disbursements	<u>101,091</u>	<u>8,879</u>	<u>113,030</u>	<u>55,124</u>	<u>43,462</u>	<u>321,586</u>
Other financing sources (uses):						
Operating transfers in (out)	-	-	(113,030)	-	-	(113,030)
Change in cash balances	101,091	8,879	-	55,124	43,462	208,556
Cash balances beginning of year, restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,110</u>	<u>48,129</u>	<u>58,239</u>
Cash balances end of year	<u>\$ 101,091</u>	<u>\$ 8,879</u>	<u>\$ -</u>	<u>\$ 65,234</u>	<u>\$ 91,591</u>	<u>\$ 266,795</u>
<b>Cash Basis Fund Balances</b>						
Restricted for:						
Employee benefits	\$ 101,091	\$ -	\$ -	\$ -	\$ -	\$ 101,091
Tax increment financing purposes	-	-	-	65,234	-	65,234
Other purposes	-	8,879	-	-	91,591	100,470
Total cash basis fund balances	<u>\$ 101,091</u>	<u>\$ 8,879</u>	<u>\$ -</u>	<u>\$ 65,234</u>	<u>\$ 91,591</u>	<u>\$ 266,795</u>

See accompanying independent auditor's report.

**City of Columbus Junction  
Statement of Indebtedness  
Year Ended June 30, 2014**

<u>Obligation</u>	<u>Date of Issuance</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<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>
<b>General obligation bonds/notes:</b>									
Civic Center	11/30/06	4.00%	\$ 125,000	\$ 8,110	\$ -	\$ 8,110	\$ -	\$ 296	\$ -
Civic Center	9/29/11	4.00%	23,804	9,849	-	9,849	-	216	-
Mower	6/29/10	4.00%	45,900	24,360	-	9,458	14,902	881	-
				<u>42,319</u>	<u>-</u>	<u>27,417</u>	<u>14,902</u>	<u>1,393</u>	<u>-</u>
<b>Revenue bonds/notes:</b>									
Water	2/07/14	2.00%	1,206,000	-	472,961	50,000	422,961	2,371	-
Sewer	2/09/01	3.92%	505,000	249,000	-	27,000	222,000	4,358	-
Sewer	8/15/02	3.00%	101,000	53,000	-	5,000	48,000	928	-
				<u>302,000</u>	<u>472,961</u>	<u>82,000</u>	<u>692,961</u>	<u>7,657</u>	<u>-</u>
<b>Other debt and capital loans:</b>									
Water plant	1/25/13	4.00%	500,000	130,000	475,000	300,000	305,000	5,200	-
<b>Total</b>				<u>\$ 474,319</u>	<u>\$ 947,961</u>	<u>\$ 409,417</u>	<u>\$ 1,012,863</u>	<u>\$ 14,250</u>	<u>\$ -</u>

See accompanying independent auditor's report.

**City of Columbus Junction  
Bond and Note Maturities  
June 30, 2014**

Year Ending June 30,	<u>General Obligation Bonds</u>		<u>Capital Loan Note</u>				
	<u>Mower</u>		<u>Water Plant</u>				
	<u>Issued June 29, 2010</u>		<u>Issued January 25, 2013</u>				
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>			
2015	4.00%	\$ 9,836	4.00%	\$ 305,000			
2016	4.00%	<u>5,066</u>		<u>-</u>			
		<u>\$ 14,902</u>		<u>\$ 305,000</u>			
<u>Revenue Bonds</u>							
Year Ending June 30,	<u>Water</u>		<u>Sewer</u>		<u>Sewer</u>		<u>Total</u>
	<u>Issued February 2, 2014</u>		<u>Issued February 9, 2001</u>		<u>Issued August 15, 2002</u>		
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	
2015	2.00%	\$ 51,000	3.92%	\$ 28,000	3.00%	\$ 5,000	\$ 84,000
2016	2.00%	52,000	3.92%	29,000	3.00%	6,000	87,000
2017	2.00%	53,000	3.92%	30,000	3.00%	6,000	89,000
2018	2.00%	54,000	3.92%	32,000	3.00%	6,000	92,000
2019	2.00%	55,000	3.92%	33,000	3.00%	6,000	94,000
2020	2.00%	56,000	3.92%	34,000	3.00%	6,000	96,000
2021	2.00%	57,000	3.92%	36,000	3.00%	6,000	99,000
2022	2.00%	<u>44,961</u>		<u>-</u>	3.00%	<u>7,000</u>	<u>51,961</u>
		<u>\$ 422,961</u>		<u>\$ 222,000</u>		<u>\$ 48,000</u>	<u>\$ 692,961</u>

**City of Columbus Junction**  
**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 Expenditures</u>
U.S. Department of Commerce Economic Adjustment Assistance/Disaster Recovery - Relocation of Water Treatment Facility	11.300	#05-790-4848	\$ <u>1,745,611</u>
U.S. Department of Housing and Urban Development Pass-through Iowa Department of Economic Development Community Development Block Grants Levee Project	14.228	#08-DRIEF-220	520,127
Water Treatment Plant	14.228	#08-DRI-215	<u>685,612</u>
Total U.S. Department of Housing and Urban Development			<u>1,205,739</u>
U.S. Department of Transportation Pass-through Iowa Department of Transportation Highway Planning and Construction - Columbus Junction Sidewalk Extensions	20.205	#SRTS-U-1490(601)--8U- 58	77,929
Pass-through Iowa Department of Public Safety/Governor's Traffic Safety Bureau Occupant Protection Incentive Grants	20.609	PAP 13-03, Task 133	3,260
Occupant Protection Incentive Grants	20.609	PAP 14-402-M00P, Task 23-50-00	<u>1,226</u>
Total U.S. Department of Transportation			<u>82,415</u>
U.S. Department of Justice: Equitable Sharing Program	16.922	IA0580200	<u>2,219</u>
U.S. Department of Homeland Security Pass-through Iowa Homeland Security and Emergency Management Division Disaster Grants - Public Assistance	97.036	PA-07-IA-4126-PW- 00248(0)	7,343
Disaster Grants - Public Assistance	97.036	PA-07-IA-4126-PW- 00236(0)	<u>1,331</u>
Total U.S. Department of Homeland Security			<u>8,674</u>
			\$ <u>3,044,658</u>

**Note A - Basis of Presentation**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Columbus Junction and is presented in conformity with an other comprehensive basis of accounting. The information in 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.

See accompanying independent auditor's report.

**City of Columbus Junction**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2014**

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**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 Columbus Junction incurred eligible expenditures during the year ended June 30, 2013, however the PW for each project was approved during the year ended 2014. As a result the following prior year expenditures are included on the SEFA for the year ended 2014:

	CFDA Number <u>97.036</u>
PA-07-IA-4126-PW-00248(0)	\$ 4,026
PA-07-IA-4126-PW-00236(0)	<u>1,331</u>
	<u>\$ 5,357</u>

See accompanying independent auditor's report.



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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 Columbus Junction, 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 Columbus Junction, 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 March 11, 2015. Our report expressed modified 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, since we were unable to satisfy ourselves as to the distribution by fund of the total fund balances at July 1, 2013. We expressed an adverse opinion on the aggregate discretely presented component unit.

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 material weakness.

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

### 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*

March 11, 2015



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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 Columbus Junction, Iowa

Report on Compliance for Each Major Federal Program

We have audited the City of Columbus Junction, 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 programs for the year ended June 30, 2014. The City's major federal programs are 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 programs 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 programs. 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 programs for the year ended June 30, 2014.

## Other Matters

The results of our auditing procedures disclosed an instance of non-compliance which is required to be reported in accordance with OMB Circular A-133 and is described as item III-B-14 in the accompanying Schedule of Findings. Our opinion on the major federal program is not modified with respect to this matter.

The City's response to the non-compliance finding identified in our audit is described in the accompanying Schedule of Findings. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## 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 programs 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we considered to be a significant deficiency.

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

The City's response to the internal control over compliance finding identified in our audit is reported in the accompanying Schedule of Findings. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 March 11, 2015. Our report expressed modified 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 an adverse opinion on the aggregate discretely presented component unit. 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*

March 11, 2015

**City of Columbus Junction**  
**Schedule of Findings**  
**Year Ended June 30, 2014**

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**Part I: Summary of the Independent Auditor's Results**

- (a) Modified opinions were issued on the 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, since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2013.
- (b) A material weakness 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) A significant deficiency in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed 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 programs were as follows:
  - CFDA Number 11.300 - U.S. Department of Commerce - Economic Adjustment Assistance/Disaster Recovery
  - CFDA Number 14.228 - U.S. Department of Housing and Urban Development - Community Development Block Grants
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Columbus Junction did not qualify as a low-risk auditee.

**City of Columbus Junction  
Schedule of Findings  
Year Ended June 30, 2014**

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**Part II: Findings Related to the Financial Statements**

**MATERIAL WEAKNESS**

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:**

No matters were noted.

**City of Columbus Junction  
Schedule of Findings  
Year Ended June 30, 2014**

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**Part III: Findings for Federal Awards**

**SIGNIFICANT DEFICIENCY:**

- III-A-14 Segregation of Duties - The City did not properly segregate duties among employees to prevent one individual from handling a transaction from its inception to its completion, including transactions related to federal programs. See item II-A-14. Because of additional grant administration oversight, the matter is not considered to be a material weakness.

**INSTANCES OF NONCOMPLIANCE:**

- III-B-14 Annual Audit - The City did not have an audit of their financial statements as of and for the year ended June 30, 2013 conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133 within the time period as required by Office of Management and Budget Circular A-133, Section .200.

Recommendation - We recommend that the City have an audit of their financial statements as of and for the year ended June 30, 2013 and submit the audit and data collection form to the Federal Audit Clearinghouse as soon as it is feasible.

Response - The audit of the financial statements as of and for the year ended June 30, 2013 has been performed in conjunction with the audit of the financial statements as of and for the year ended June 30, 2014.

Conclusion - Response accepted.

**Part IV: Other Findings Related to Required Statutory Reporting**

- IV-A-14 Certified Budget - Disbursements during the year ended June 30, 2014, exceed the amounts budgeted in the public safety, public works, community and economic development, debt service, and business type 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 sufficient amounts 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.

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

**City of Columbus Junction  
Schedule of Findings  
Year Ended June 30, 2014**

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

IV-C-14 Financial Condition - The following funds had deficit balances at June 30, 2014:

General	\$	53,551
Water		55,988
Solid waste		5,851

Recommendation -The City should monitor the progress of the collections and expenses in these funds and review the control procedures throughout the period so the collections cover the expenses in these funds.

Response - We will monitor and review.

Conclusion - Response accepted.

IV-D-14 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees 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 Questionable Disbursements - Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. This disbursement is detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Petty cash	Suzy X-mas	\$ 25

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line drawn between a proper and an improper purpose is very thin.

Recommendation - The Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

IV-G-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.

**City of Columbus Junction  
Schedule of Findings  
Year Ended June 30, 2014**

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

IV-H-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>
Patrick Rees, Council Member, owner of Columbus Junction Auto	Supplies and postage	\$ 756

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the supplies and postage transactions do not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year.

IV-I-14 Revenue Bonds - The provisions of the sewer revenue bonds require sewer user rates be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

During the year ended June 30, 2014, the City was not in compliance with the net revenue requirement for the sewer revenue bonds as required by the bond resolution.

The provisions of the water revenue bond require water user rates be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

Recommendation - The City should ensure sewer and water user rates are established at a level which produces net revenues of 110% of the annual principal and interest payments on the bonds.

Response - The sewer and water user rates were increased to cover this requirement.

Conclusion - Response accepted.

IV-J-14 Unclaimed Property - Chapter 556.11 of the Code of Iowa requires the City to report and remit obligations, including checks outstanding for more than one to two years, to the State Treasurer's office annually. The City did not remit these obligations as required.

Recommendation - The outstanding checks should be reviewed annually and items over two years old should be remitted to the State Treasurer's Office as required.

Response - The City will consider doing this.

Conclusion - Response accepted.

**City of Columbus Junction  
Schedule of Findings  
Year Ended June 30, 2014**

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

IV-K-14 Unsupported Expense Reimbursements - For the year ended June 30, 2014, the City reimbursed petty cash for expenses in the amount of \$425 without obtaining independent supporting documentation (e.g. store receipt or invoice).

Recommendation - The City should only reimburse petty cash when the proper documentation is submitted to validated the expenditure.

Response - The City will establish written policies of procedures for all reimbursement to petty cash.

Conclusion - Response accepted.

IV-L-14 Annual Urban Renewal Report - The annual urban renewal report was approved and certified to the Iowa Department of Management on or before December 1.

The City's beginning and ending cash balances of the Special Revenue, Tax Increment Financing fund reported on the Levy Authority Summary do not agree with the City's general ledger.

Recommendation - The City should ensure the cash balances reported on the Levy Authority Summary agree with the City's records.

Response - The City filed a corrected report with the Iowa Department of Management for FY14.

Conclusion - Response accepted.

IV-M-14 Local Option Sales Tax - The City was not transferring revenues to the proper fund to be expended according to the local option sales tax ballot. The appropriate transfers have been made for reporting purposes.

Recommendation - The City make monthly transfers as the revenues are received.

Response - The City will do this.

Conclusion - Response accepted.

IV-N-14 Payroll Processing - Salaried employees do not complete timecards unless they are using paid time off. When using paid time off, the timecard only includes the amount and type of time off taken, it does not include the regular hours worked.

Hours worked are not approved since timecards are not normally used.

Recommendation - All employees should use timecards and they should be approved by a supervisor or a City Council member.

Response - The City will consider having all employees use timecards and have them approved.

Conclusion - Response accepted.

**City of Columbus Junction  
Schedule of Findings  
Year Ended June 30, 2014**

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

IV-O-14 Annual Financial Report - The report's fund balances do not agree with the City's records.

Recommendation - The City should make sure the annual financial report agrees to the City's records.

Response - The City will do this going forward.

Conclusion - Response accepted.

IV-P-14 Wastewater Treatment Agreements - The City has an agreement with Columbus City for the sale and purchase of wastewater treatment services. The agreement states the minimum fee is \$29 per month. However, the City is charging Columbus City \$23 per month.

The City also has an agreement with the City of Fredonia for the maintenance of the City's wastewater treatment plant. The City is charging \$350 per month instead of \$200 per month as stated in the agreement.

Recommendation - The City should abide by the agreements as stated.

Response - The City has will increase the rate charged to Columbus City to conform with the agreement. In July 2014, the City paid the City of Fredonia for the overcharged funds received.

Conclusion - Response accepted.

IV-Q-14 Water Usage - The gallons of water billed to customers is significantly less than the number of gallons used as reported by the water department.

Recommendation - The City should determine the cause of the variance in gallons used to gallons billed.

Response - The City will determine the cause of the variance.

Conclusion - Response accepted.

IV-R-14 Credit Cards - The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation - The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response - Although the City has not established a formal written policy detailing specifics on the use of City credit cards, it has unwritten guidelines. The City will review procedures and guidelines and establish a written policy.

Conclusion - Response accepted.

**City of Columbus Junction  
Schedule of Findings  
Year Ended June 30, 2014**

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

IV-S-14 Utility Billing - Ordinance 92.10 allows water customers to request a temporary vacancy shut off. However, the ordinance states the customers will be charged \$50 restoration fee. The City does not charge this fee.

When the City temporarily shuts off the water per the customer's request, they do not bill for garbage. The garbage ordinance does not allow temporary shut off of garbage service.

The water department does not discontinue service at the residence of delinquent water customers when they receive the listing from the utility clerk as required by ordinance.

Penalties are not calculated on the entire delinquent balance as required by ordinance.

Several businesses are classified as residential in the City's utility software. Therefore, those businesses are not being charged sales tax on sewer usage. Businesses are also not charged local sales tax on water sales.

Recommendation - The City should abide by Ordinance 92.10 and charge customers the \$50 restoration fee after a temporary vacancy shut off. The City should also charge customers for garbage during a request for temporary vacancy shut off.

The water department should discontinue service at the residence for delinquent accounts until payment is received by the utility clerk.

Penalties should be calculated on the entire delinquent balance.

The City should verify that all customers are correctly setup in the utility software.

Response - The City will charge the restoration fee for temporary water shut off and continue to charge for garbage during the temporary shut off period.

The water department will discontinue water service to delinquent customers.

The calculation of the penalty has been corrected in the utility software.

The City will go through the listing of customers to make sure each is correctly classified in the utility system. The correction has been made in the system to charge businesses local sales tax on water sales.

Conclusion - Response accepted.

**City of Columbus Junction**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2014**

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**Part V: Prior Audit Findings for Federal Awards**

**SIGNIFICANT DEFICIENCY:**

V-A-13 Segregation of Duties - The City did not properly segregate duties among employees to prevent one individual from handling a transaction from its inception to its completion, including transactions related to federal programs.

Recommendation - It was recommended that the City review its control procedures to obtain the maximum internal control possible under the circumstances, segregate duties to the extent possible with existing personnel, and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Current Status - Due to the limited number of office employees, segregation of duties over federal receipts continues to be a significant deficiency. See item III-A-14 in the current year findings.

**INSTANCES OF NONCOMPLIANCE:**

V-B-13 Annual Audit - The City did not have an audit of their financial statements as of and for the year ended June 30, 2013 conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133 within the time period as required by Office of Management and Budget Circular A-133, Section .200.

Recommendation - It was recommended that the City have an audit of their financial statements as of and for the year ended June 30, 2013 and submit the audit and data collection form to the Federal Audit Clearinghouse as soon as it is feasible.

Current Status - The audit of the financial statements as of and for the year ended June 30, 2013 has been performed in conjunction with the audit of the financial statements as of and for the year ended June 30, 2014. See item III-B-14 in the current year findings.