

CITY OF CHARLES CITY
Charles City, Iowa

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

June 30, 2015

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CITY OF CHARLES CITY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James A. Erb	Mayor	January 2018
Jerry Joerger.....	Mayor Pro Tem.....	January 2018
Delaine Freeseaman.....	Council Member.....	January 2018
Mike Hammond	Council Member.....	January 2016
Dan Mallaro	Council Member.....	January 2016
Keith Starr.....	Council Member.....	January 2016
Trudy O'Donnell.....	City Clerk	Indefinite
Steven Diers.....	City Administrator	Indefinite
Ralph Smith	City Attorney	Indefinite



Gardiner Thomsen
Certified Public Accountants

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 Charles City, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Charles City, Iowa, as of June 30, 2015, 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 opinions are not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 4 to the financial statements, the City of Charles City, Iowa adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Charles City, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the three years ended June 30, 2008 (which are not presented herein) were audited by other auditors in accordance with standards referred to in the third paragraph of this report who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards, required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The supplementary information, including the combining and individual nonmajor fund financial statements, the Schedule of Indebtedness, Bond and Note Maturities, the Schedule of Receipts by Source and Disbursements by Function, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the Schedule of Indebtedness, Bond and Note Maturities, the Schedule of Receipts by Source and Disbursements by Function, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information, Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 5 through 10 and 40 through 44, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2016, on our consideration of the City of Charles City, Iowa'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 City of Charles City, Iowa's internal control over financial reporting and compliance.

Gardiner Thomsen, P.C.

Charles City, Iowa

February 2, 2016

Financial Statements

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Charles 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, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 3.74%, or approximately \$438,788, from fiscal 2014 to fiscal 2015. This was primarily due to the decreased receipts of bond proceeds, capital grants, contributions and restricted interest.
- Disbursements of the City's governmental activities increased 0.47% or approximately \$51,359, in fiscal year 2015 from fiscal 2014. Culture and Recreation disbursements showed the largest increase for 2015 with an increase of \$304,004 while Capital Projects and Debt Service disbursement decreased \$339,595 and \$192,098, respectively.
- The City's total cash basis net position increased 6.71%, or approximately \$868,084 from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities increased approximately \$347,642 and the cash basis net position of the business-type activities increased by approximately \$520,442.

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 and the City's proportionate share of the net pension liability and related contributions.

USING THIS ANNUAL REPORT (CONTINUED)

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, 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, the sanitary sewer system, waste collection, transit and fire extinguisher funds. 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: (a) the General Fund, (b) the Special Revenue Funds, (c) the Debt Service Fund and (d) Capital Projects Funds. 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.

Fund Financial Statements (Continued)

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 for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains several Enterprise Funds to provide separate information for the water, sewer, waste collection, transit and fire extinguisher funds. The water and sewer funds are 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 \$9,877,362 a year ago to \$10,225,004. The analysis that follows focuses on the changes in cash basis net position for governmental activities.

	Changes in Cash Basis Net Position of Governmental Activities	
	Year Ended June 30,	
	2015	2014
Receipts:		
Program Receipts:		
Charges for Service	\$ 2,030,639	\$ 1,608,901
Operating Grants, Contributions and Restricted Interest	2,374,218	2,274,220
Capital Grants, Contributions and Restricted Interest	271,003	1,559,915
General Receipts:		
Property Tax	3,737,949	3,497,787
Tax Increment Financing	1,138,471	1,251,702
Local Option Sales Tax	639,088	674,713
Unrestricted Investment Earnings	10,030	15,568
Bond and Loan Proceeds	378,000	230,500
Other General Receipts	211,181	217,252
Transfers, Net	503,554	402,363
Total Receipts	<u>11,294,133</u>	<u>11,732,921</u>
Disbursements:		
Public Safety	2,716,218	2,584,263
Public Works	1,240,079	1,383,659
Health and Social Services	426,428	436,645
Culture and Recreation	1,250,790	946,786
Community and Economic Development	2,339,454	2,102,779
General Government	517,562	453,347
Debt Service	1,026,582	1,218,680
Capital Projects	1,429,378	1,768,973
Total Disbursements	<u>10,946,491</u>	<u>10,895,132</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Change in Cash Basis Net Position	\$ 347,642	\$ 837,789
Cash Basis Net Position – Beginning of Year	9,877,362	9,039,573
Cash Basis Net Position – End of Year	<u>\$10,225,004</u>	<u>\$ 9,877,362</u>

The City’s total receipts for governmental activities decreased 3.74%, or \$438,788. The total cost of all programs and services increased \$51,359, or 0.47% with no new programs added this year. The decrease in receipts was primarily the result of the City’s decrease in capital grants, contributions and restricted interest. The City received \$1,559,915 during the fiscal year ended June 30, 2014 compared to \$271,003 received during the fiscal year ended June 30, 2015. The slight increase in disbursements was the result of the increase in culture and recreation disbursements and the decreases in debt service and capital projects disbursements.

The cost of all governmental activities this year was \$10,946,491 compared to \$10,895,132 last year. As shown in the Cash Basis Statement of Activities and Net Position, the amount taxpayers ultimately financed for these activities was only \$6,270,631 because some of the cost was paid by those directly benefiting from the programs \$2,030,639 or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest \$2,645,221. The city paid for the remaining “public benefit” portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts.

Changes in Cash Basis Net Position of Business Type Activities

	Year Ended June 30,	
	2015	2014
Receipts:		
Program Receipts:		
Charges for Service:		
Water	\$2,039,174	\$1,901,757
Sewer	1,377,673	1,365,926
Waste Collection	341,368	339,823
Storm Utility	160,979	161,537
Transit and Fire Extinguisher	24,924	24,411
Operating Grants, Contributions and Restricted Interest	0	620,000
General Receipts:		
Unrestricted Interest on Investments	48,160	40,949
Bond/Loan Proceeds	0	93,812
	<u>3,992,278</u>	<u>4,548,215</u>
Disbursements and Transfers:		
Water	1,411,977	1,483,196
Sewer Improvements	1,048,244	1,332,684
Waste Collection	309,433	336,518
Storm Utility	97,406	84,968
Transit and Fire Extinguisher	101,222	95,358
Transfers Net	503,554	402,363
Total Disbursements and Transfers	<u>3,471,836</u>	<u>3,735,087</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Change in Cash Basis Net Position	\$ 520,442	\$ 813,128
Cash Basis Net Position - Beginning of Year	3,051,059	2,237,931
Cash Basis Net Position - End of Year	<u>\$3,571,501</u>	<u>\$3,051,059</u>

Total business type activities receipts for the fiscal year were \$3,992,278 compared to \$4,548,215 last year. The cash balance increased approximately \$520,442 from the prior year. Total disbursements for the fiscal year decreased by approximately \$263,251.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Charles City completed the year, its governmental funds reported a combined fund balance of \$9,952,297, an increase of \$376,380 from last year's total of \$9,575,917. 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 increased \$311,556 from the prior year to \$1,747,889.
- The Debt Service Fund cash balance increased by \$79,917 to a balance of \$122,112 during the fiscal year.
- The Street Capital Improvements Fund cash balance increased by \$263,785 to a balance of \$14,157.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$206,161 to \$1,648,199.
- The Sewer Fund cash balance increased by \$232,414 to \$1,388,322.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 18, 2015. Changes in expenditures included the purchase of land for the McQuillen project, Fit for Life grant disbursements, change in timeline for capital projects, LED light installation, boiler replacements at the CVTC, library/entrance door project and tuck pointing projects. For the year, the City's actual receipts were \$13,779,287 compared to \$13,760,197 that was budgeted. Actual disbursements were \$13,312,906 compared to the budget of \$15,005,782.

DEBT ADMINISTRATION

At June 30, 2015, the City had \$16,056,675 in bonds and other long-term debt compared to \$16,931,994 last year, as shown below:

	Outstanding Debt at Year-End	
	Year Ended June 30,	
	2015	2014
General Obligation Bonds and Notes	\$ 4,427,000	\$ 4,887,000
Revenue Bonds and Notes	11,038,251	11,341,074
Lease Purchase Agreements	591,424	703,920
Total	\$16,056,675	\$16,931,994

DEBT ADMINISTRATION (CONTINUED)

Debt decreased as a result of paying off the 2011 GO Refunding Bonds. The City also continued to pay down other outstanding debt as scheduled.

The Constitution of the State of Iowa limits the amount of general obligation and tax increment financing 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 tax increment financing debt of approximately \$5,252,699 is significantly below its constitutional debt limit of approximately \$18.4 million. The outstanding revenue bonds include \$10,534,000 of nontax increment financing debt. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS

The City continues to have multiple projects currently in progress. The UV disinfection project continues and it should bring us into compliance with new regulations set by the DNR. An SRF loan has been secured for this project and it will be repaid with future sewer revenues.

We are now accepting credit card payments for water bills online. There is a \$1.95 convenience fee charged for this option through the City website. We plan to accept over the counter credit card/debit cards in the future.

Net Zero project is nearing completion and several homes have been sold and are occupied.

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 Trudy O'Donnell, City Clerk/Finance Officer at 105 Milwaukee Mall, Charles City, IA 50616, phone (641) 257-6300 or email trudy@cityofcharlescity.org.

Basic Financial Statements

CITY OF CHARLES CITY
Charles City, Iowa

CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
As of and for the Year Ended June 30, 2015

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions, and Restricted Interest
Functions/Programs:			
Governmental Activities:			
Public Safety	\$ 2,716,218	\$ 875,227	\$ 13,720
Public Works	1,240,079	155,368	802,296
Health and Social Services	426,428	1,388	415,127
Culture and Recreation	1,250,790	340,017	36,276
Community and Economic Development	2,339,454	539,047	1,062,925
General Government	517,562	119,592	868
Debt Service	1,026,582	0	0
Capital Projects	1,429,378	0	43,006
Total Governmental Activities	<u>10,946,491</u>	<u>2,030,639</u>	<u>2,374,218</u>
Business Type Activities:			
Water	1,411,977	2,039,174	0
Sewer	1,048,244	1,377,673	0
Waste Collection	309,433	341,368	0
Transit	94,211	14,940	0
Storm Utility	97,406	160,979	0
Fire Extinguisher	7,011	9,984	0
Total Business Type Activities	<u>2,968,282</u>	<u>3,944,118</u>	<u>0</u>
Total	<u>\$13,914,773</u>	<u>\$5,974,757</u>	<u>\$2,374,218</u>

General Receipts and Transfers:

Property and Other City Tax Levied for:
 General Purposes
 Debt Service
 Tax Increment Financing
 Local Option Sales Tax
 Unrestricted Interest on Investments
 Bond Proceeds
 Miscellaneous
 Sale of Capital Assets
Transfers
Total General Receipts and Transfers

Change in Cash Basis Net Position

Cash Basis Net Position Beginning of Year

Cash Basis Net Position End of Year

Cash Basis Net Position

Restricted:
 Non-Expendable:
 Library Trusts
 Expendable:
 Streets
 Urban Renewal Purposes
 Debt Service
 Capital Projects
 Other Purposes
Unrestricted

Total Cash Basis Net Position
See Notes to Financial Statements

Program Receipts Capital Grants, Contributions and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business - Type Activities	Total
\$ 0	\$ (1,827,271)	\$ 0	\$(1,827,271)
0	(282,415)	0	(282,415)
0	(9,913)	0	(9,913)
829	(873,668)	0	(873,668)
0	(737,482)	0	(737,482)
0	(397,102)	0	(397,102)
0	(1,026,582)	0	(1,026,582)
270,174	(1,116,198)	0	(1,116,198)
271,003	(6,270,631)	0	(6,270,631)
0	0	627,197	627,197
0	0	329,429	329,429
0	0	31,935	31,935
0	0	(79,271)	(79,271)
0	0	63,573	63,573
0	0	2,973	2,973
0	0	975,836	975,836
\$271,003	(6,270,631)	975,836	(5,294,795)
	3,262,136	0	3,262,136
	475,813	0	475,813
	1,138,471	0	1,138,471
	639,088	0	639,088
	10,030	48,160	58,190
	378,000	0	378,000
	151,185	0	151,185
	59,996	0	59,996
	503,554	(503,554)	0
	6,618,273	(455,394)	6,162,879
	347,642	520,442	868,084
	9,877,362	3,051,059	12,928,421
	\$10,225,004	\$3,571,501	\$13,796,505
	\$ 191,900	\$ 0	\$ 191,900
	3,126,704	0	3,126,704
	2,090,128	0	2,090,128
	122,112	141,687	263,799
	60,379	0	60,379
	2,495,492	0	2,495,492
	2,138,289	3,429,814	5,568,103
	\$10,225,004	\$3,571,501	\$13,796,505

CITY OF CHARLES CITY
Charles City, Iowa

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH BALANCES – GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2015

	General
Receipts:	
Property Tax	\$2,071,042
Tax Increment Financing	0
Other City Tax	263,492
Licenses and Permits	128,116
Use of Money and Property	39,141
Intergovernmental	456,490
Charges for Services	243,522
Miscellaneous	255,528
Total Receipts	3,457,331
Disbursements:	
Operating:	
Public Safety	1,803,330
Public Works	272,721
Health and Social Services	3,750
Culture and Recreation	971,021
Community and Economic Development	367,279
General Government	422,817
Debt Service	0
Capital Projects	0
Total Disbursements	3,840,918
Excess (Deficiency) of Receipts Over (Under) Disbursements	(383,587)
Other Financing Sources (Uses):	
Bond Proceeds	378,000
Sale of Capital Assets	59,996
Transfers In	414,437
Transfers Out	(157,290)
Total Other Financing Sources (Uses)	695,143
Change in Cash Balances	311,556
Cash Balances Beginning of Year	1,436,333
Cash Balances End of Year	\$1,747,889
Cash Basis Fund Balances:	
Nonspendable – Library Trusts	\$ 0
Restricted for:	
Urban Renewal Projects	0
Debt Service	0
Streets	0
Capital Projects	0
Other Purposes	0
Assigned	0
Unassigned	1,747,889
Total Cash Basis Fund Balances	\$1,747,889

See Notes to Financial Statements

Exhibit B

Debt Service	Street Capital Improvements	Nonmajor	Total
\$ 446,772	\$ 0	\$ 862,572	\$ 3,380,386
0	0	1,138,471	1,138,471
29,036	0	704,118	996,646
0	0	0	128,116
0	0	104,476	143,617
0	21,439	1,540,699	2,018,628
0	0	1,429,815	1,673,337
0	0	162,322	417,850
475,808	21,439	5,942,473	9,897,051
0	0	643,360	2,446,690
0	0	891,146	1,163,867
0	0	422,387	426,137
0	0	238,674	1,209,695
0	0	1,909,019	2,276,298
0	0	60,757	483,574
1,026,582	0	0	1,026,582
0	1,062,616	366,762	1,429,378
1,026,582	1,062,616	4,532,105	10,462,221
(550,774)	(1,041,177)	1,410,368	(565,170)
0	0	0	378,000
0	0	0	59,996
630,691	1,304,962	113,137	2,463,227
0	0	(1,802,383)	(1,959,673)
630,691	1,304,962	(1,689,246)	941,550
79,917	263,785	(278,878)	376,380
42,195	(249,628)	8,347,017	9,575,917
\$ 122,112	\$ 14,157	\$ 8,068,139	\$ 9,952,297
\$ 0	\$ 0	\$ 191,900	\$ 191,900
0	0	2,090,128	2,090,128
122,112	0	0	122,112
0	0	3,126,704	3,126,704
0	14,157	46,222	60,379
0	0	2,495,492	2,495,492
0	0	217,081	217,081
0	0	(99,388)	1,648,501
\$ 122,112	\$ 14,157	\$ 8,068,139	\$ 9,952,297

CITY OF CHARLES CITY
Charles City, Iowa

RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES TO THE CASH BASIS STATEMENT OF ACTIVITIES
AND NET POSITION
GOVERNMENTAL FUNDS

As of and for the Year Ended June 30, 2015

Total Governmental Funds Cash Balances (Pg. 14) \$ 9,952,297

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

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

272,707

Cash Basis Net Position of Governmental Activities (Pg. 12) \$10,225,004

Change in Cash Balances (Pg. 14) \$ 376,380

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

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

(28,738)

Change in Cash Basis Net Position of Governmental Activities (Pg. 12) \$ 347,642

See Notes To Financial Statements.

CITY OF CHARLES CITY
Charles City, Iowa

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
 IN CASH BALANCES – PROPRIETARY FUNDS
 As of and for the Year Ended June 30, 2015

	Enterprise Funds	
	Water	Sewer
Operating Receipts:		
Charges for Service	\$1,929,768	\$1,377,673
Miscellaneous	0	0
Total Operating Receipts	1,929,768	1,377,673
Operating Disbursements:		
Business Type Activities	875,330	872,064
Non-Program	0	0
Total Operating Disbursements	875,330	872,064
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	1,054,438	505,609
Non-Operating Receipts (Disbursements):		
Interest on Investments	22,409	21,057
Debt Service	(419,050)	(176,180)
Total Non-Operating Receipts (Disbursements)	(396,641)	(155,123)
Excess (Deficiency) of Receipts Over (Under) Disbursements	657,797	350,486
Transfers In (Out)	(451,636)	(118,072)
Net Change in Cash Balances	206,161	232,414
Cash Balances Beginning of Year	1,442,038	1,155,908
Cash Balances End of Year	\$1,648,199	\$1,388,322
Cash Basis Fund Balances		
Restricted for Debt Service	\$ 141,687	\$ 0
Unrestricted	1,506,512	1,388,322
Total Cash Basis Fund Balances	\$1,648,199	\$1,388,322

See Notes to Financial Statements.

Exhibit D

Enterprise Funds		Internal Service Fund
Other Nonmajor Enterprise Funds	Total	Employee Health
\$527,271	\$3,834,712	\$ 788,789
0	0	544,035
527,271	3,834,712	1,332,824
508,061	2,255,455	0
0	0	1,373,362
508,061	2,255,455	1,373,362
19,210	1,579,257	(40,538)
4,058	47,524	4,245
0	(595,230)	0
4,058	(547,706)	4,245
23,268	1,031,551	(36,293)
66,154	(503,554)	0
89,422	527,997	(36,293)
390,865	2,988,811	363,692
\$480,287	\$3,516,808	\$ 327,399
\$ 0	\$ 141,687	\$ 0
480,287	3,375,121	327,399
\$480,287	\$3,516,808	\$ 327,399

CITY OF CHARLES CITY
Charles City, Iowa

**RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES TO THE CASH BASIS STATEMENT OF ACTIVITIES
AND NET POSITION – PROPRIETARY FUNDS**
As of and for the Year Ended June 30, 2015

Total Enterprise Funds Cash Balances (Pg. 17) \$3,516,808

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

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

54,693

Cash Basis Net Position of Business Type Activities (Pg. 12) \$3,571,501

Change in Cash Balances (Pg. 17) \$ 527,997

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

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

(7,555)

Change in Cash Basis Net Position of Business Type Activities (Pg. 12) \$ 520,442

See Notes To Financial Statements.

**City of Charles City
Charles City, Iowa**

Notes to Financial Statements

June 30, 2015

Note 1: Summary of Significant Accounting Policies

The City of Charles City is a political subdivision of the State of Iowa located in Floyd County. It was first incorporated in 1869 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 Charles 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. The City of Charles City has no component units which meet the Governmental Accounting Standards Board criteria.

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: Floyd County Assessor's Conference Board, Floyd County Emergency Management Commission, Floyd-Mitchell-Chickasaw County Solid Waste Management Agency and Floyd County Joint E911 Service Board.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation

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

The Cash Basis Statement of Activities and Net Position presents the City's non-fiduciary 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.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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, and all remaining enterprise funds are aggregated and reported as other nonmajor enterprise 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 this fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

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

The Street Capital Improvement Fund is used to account for the receipts and disbursements related to street capital improvement projects.

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 wastewater treatment and sanitary sewer system.

The City also reports the following additional proprietary fund:

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Assigned – Amounts the City 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, 2015, disbursements did not exceed the amounts budgeted.

Note 2: Cash and Pooled Investments

The City's deposits in banks at June 30, 2015 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, 2015.

Interest Rate Risk

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

Notes to Financial Statements (Continued)

Note 3: Bonds and Notes Payable

Annual debt service requirements to maturity for General Obligation Notes and Bonds, Revenue Notes and Bonds and Lease Purchase are as follows:

Year Ending June 30,	General Obligation Notes		General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 72,500	\$ 26,250	\$ 519,000	\$93,978	\$ 401,500	\$ 306,354
2017	74,500	24,442	325,000	82,658	661,100	295,755
2018	77,500	22,568	368,000	73,315	703,500	277,384
2019	79,500	20,601	262,000	62,510	736,900	257,793
2020	82,000	18,564	266,000	54,750	770,500	237,231
2021-2025	368,000	60,314	951,000	141,380	4,230,000	842,577
2026-2030	275,000	25,025	588,000	66,510	3,250,000	249,630
2031-2033	119,000	3,132	0	0	0	0
Total	\$1,148,000	\$200,896	\$3,279,000	\$575,101	\$10,753,500	\$2,466,724

Year Ending June 30,	Revenue Notes		Lease Purchase		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$279,892	\$247	\$119,079	\$32,421	\$ 1,391,971	\$ 459,250
2017	4,859	49	126,046	25,454	1,191,505	428,358
2018	0	0	133,422	18,078	1,282,422	391,345
2019	0	0	141,229	10,271	1,219,629	351,175
2020	0	0	71,648	2,066	1,190,148	312,611
2021-2025	0	0	0	0	5,549,000	1,044,271
2026-2030	0	0	0	0	4,113,000	341,165
2031-2033	0	0	0	0	119,000	3,132
Total	\$284,751	\$296	\$591,424	\$88,290	\$16,056,675	\$3,331,307

The City has issued Urban Renewal tax increment financing revenue bonds and notes between February, 2003 and November, 2005 for the purpose of defraying a portion of the costs of various construction and refurbishing projects within the urban renewal district. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds and notes are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$270,478, payable through June, 2022. For the current year, principal and interest paid and total TIF receipts were \$48,766 and \$1,138,471, respectively.

Notes to Financial Statements (Continued)

Note 3: Bonds and Notes Payable (Continued)

The City has pledged future water and sewer customer revenue, net of specified operating expenses, to repay \$4.83 million in water and sewer system revenue bonds issued from March, 2003 to January, 2005. Proceeds from the bonds provided financing for various water and sewer utility construction projects. The bonds are payable solely from water and sewer customer net revenue and are payable through 2024. Annual principal and interest payments on the bonds are expected to require less than 37% of net revenue. During the fiscal year ended June 30, 2012, the City refunded the \$985,000 balance of the Water Revenue bonds Series 2003D and the \$195,000 balance of the Water Revenue bonds series 2004B with the issuance of \$1,360,000 in General Obligation Refunding Bonds Series 2011A. During the fiscal year ended June 30, 2014, the interest rate on the 2003 Sewer Revenue Bond was decreased from 3.0% to 1.75%. The 2005 Sewer Revenue Bond was paid in full during the fiscal year ended June 30, 2014. The total principal and interest remaining to be paid on the bonds is \$2,548,737. Principal and interest paid for the current year and total customer net revenue was \$331,883 and \$3,307,441, respectively.

The resolution providing for the issuance of the enterprise fund revenue bonds includes the following provisions:

1. The bond 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.
2. Sufficient monthly transfers shall be made to a separate water revenue bond sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
3. Additional monthly transfers of \$1,000 plus 25% of the amount required in the water revenue bond sinking account to a revenue reserve account within the Enterprise Funds shall be made until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.

On February 11, 2009 and November 18, 2009, the City issued not to exceed \$9,800,000 and \$404,000 of Water Revenue Bonds, respectively. During the year ended June 30, 2014, the City made a final draw of \$61,491 for construction. These notes are payable solely from water customer net receipts and are payable through 2030. The total principal and interest paid on the bonds for the current year was \$396,200 and the total principal and interest outstanding on the bonds is \$11,310,480 at June 30, 2015.

Notes to Financial Statements (Continued)

Note 3: Bonds and Notes Payable (Continued)

On December 5, 2006, the City entered into a lease purchase agreement with Valero Charles City, LLC (Valero) in the amount of \$1,335,250. Valero built an ethanol plant outside of the City. Waterline extensions were necessary as a part of the construction. Therefore, the lease purchase agreement was made in order to transfer the ownership of these waterlines to the City and also to reimburse Valero for a portion of the construction costs. The City is making semiannual payments of \$75,750 to Valero at 5.75% interest, which began on December 1, 2007 and end on December 1, 2019.

On April 21, 2011, the City issued not to exceed \$400,000 of Sewer Revenue Loan Anticipation Project Notes for the purpose of providing funds for the planning and design of the UV disinfection project. During the year ended June 30, 2015, the City did not draw any additional funds. This project note is due April 21, 2016, unless the City enters into a loan and disbursement agreement.

On June 2, 2011, the City issued \$105,000 General Obligation Refunding notes to refund the airport portion of the 2004C General Obligation Bond issuance. Interest is due semi annually from December 1, 2012 to June 1, 2015 at 2.89%. Principal was due annually from June 1, 2012 to June 1, 2015 and the debt was paid in full at June 30, 2015.

In 2006, the City entered into a development agreement which includes the rebate of property taxes paid by the other party into the agreement. Rebated property taxes will not exceed \$430,000 over seven years; however, since amounts are unknown, they are not included in the schedule of maturities of debt.

On December 23, 2014, the City issued a \$140,000 General Obligation Economic Development Note for the Allied 7th project. Interest is due semiannually from June 1, 2015 to June 1, 2022 at 2.0%. Principal is due annually from June 1, 2015 to June 1, 2022.

Note 4: Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

Notes to Financial Statements (Continued)

Note 4: Pension Plan (Continued)

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is a 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Notes to Financial Statements (Continued)

Note 4: Pension Plan (Continued)

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contributions rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$176,193.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$1,180,747. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.029175 percent, which was an increase of 0.001036 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City's collective pension expense, collective deferred outflows and collective deferred inflows totaled \$88,376, \$64,941 and \$450,303, respectively.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Notes to Financial Statements (Continued)

Note 4: Pension Plan (Continued)

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major assets class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Notes to Financial Statements (Continued)

Note 4: Pension Plan (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City’s proportionate share of the net pension liability	\$2,230,988	\$1,180,747	\$294,234

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

Note 5: Municipal Fire and Police Retirement System of Iowa (MFPRSI)

Plan Description – MFPRSI membership is mandatory for fire fighters and police officers covered by the provisions of Chapter 411 of the Code of Iowa. Employees of the City of Charles City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by MFPRSI. MFPRSI issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive, Suite #201, West Des Moines, Iowa 50266 or at www.mfprsi.org.

MFPRSI benefits are established under Chapter 411 of the Code of Iowa and the administrative rules thereunder. Chapter 411 of the Code of Iowa and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Notes to Financial Statements (Continued)

Note 5: Municipal Fire and Police Retirement System of Iowa (MFPRSI (Continued))

Pension Benefits – Members with 4 or more years of service are entitled to pension benefits beginning at age 55. Full service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to years required (i.e., 22 years). Members with less than 4 years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

Benefits are calculated based upon the member's highest 3 years of compensation. The average of these 3 years becomes the member's average final compensation. The base benefit is 66 percent of the member's average final compensation. Additional benefits are available to members who perform more than 22 years of service (2 percent for each additional year of service, up to a maximum of 8 years). Survivor benefits are available to the beneficiary of a retired member according to the provisions of the benefit option chosen plus an additional benefit for each child. Survivor benefits are subject to a minimum benefit or those members who chose the basic benefit with a 50 percent surviving spouse benefit.

Active members, at least 55 years of age, with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4, or 5 year DROP period. By electing to participate in DROP the member is signing a contract indicating the member will retire at the end of the selected DROP period. During the DROP period the member's retirement benefit is frozen and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

Disability and Death Benefits – Disability coverage is broken down into two types, accidental and ordinary. Accidental disability is defined as permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60 percent of the member's average final compensation or the member's service retirement benefit calculation amount. Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50 percent of the member's average final compensation, for those with 5 or more years of service, or the member's service retirement benefit calculation amount, and 25 percent of average final compensation for those with less than 5 years of service.

Notes to Financial Statements (Continued)

Note 5: Municipal Fire and Police Retirement System of Iowa (MFPRSI (Continued))

Death benefits are similar to disability benefits. Benefits for accidental death are 50 percent of the average final compensation of the member plus an additional amount for each child, or the provisions for ordinary death. Ordinary death benefits consist of a pension equal to 40 percent of the average final compensation of the member plus an additional amount for each child, or a lump-sum distribution to the designated beneficiary equal to 50 percent of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.

Benefits are increased (escalated) annually in accordance with Chapter 411.6 of the Code of Iowa which states a standard formula for the increases.

The surviving spouse or dependents of an active member who dies due to a traumatic personal injury incurred in the line of duty receives a \$100,000 lump-sum payment.

Contributions – Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa as modified by act of the 1994 General Assembly, to establish compliance with the Federal Older Workers Benefit Protections Act, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2015.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1 percent of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa the employer's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 30.41% for the year ended June 30, 2015.

The City's contributions to MFPRSI for the year ended June 30, 2015 was \$259,376.

If approved by the state legislature, state appropriation may further reduce the employer's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa therefore is considered to be a nonemployer contributing entity in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 67 – Financial Reporting for Pension Plans, (GASB 67).

Notes to Financial Statements (Continued)

Note 5: Municipal Fire and Police Retirement System of Iowa (MFPRSI (Continued))

There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2014.

Actuarial Assumptions – The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation	3.00 percent
Salary increases	4.50 to 15.11 percent, including inflation
Investment rate of return	7.50 percent, net of pension plan investment

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2002 to June 30, 2012.

Mortality rates were based weighting equal to 2/12 of the 1971 GAM table and 10/12 of the 1994 GAM table with no projection of future mortality improvement.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (i.e., expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	7.0%	3.8%
Emerging Markets Debt	3.0	6.5
Domestic Equities	12.5	6.0
Master Limited Partnerships (MLP)	5.0	8.5
International Equities	<u>12.5</u>	7.0
Core Investments	40.0%	
Tactical Asset Allocation	35.0	6.0
Private Equity	15.0	9.8
Private Non-Core Real Estate	5.0	9.3
Private Core Real Estate	<u>5.0</u>	6.8
Real Estate	10.0	
Total	<u>100.00%</u>	

Notes to Financial Statements (Continued)

Note 5: Municipal Fire and Police Retirement System of Iowa (MFPRSI (Continued))

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made at 9.40% of covered payroll and the City contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.50 percent) or 1 percent higher (8.5 percent) than the current rate.

	1% Decrease 6.5%	Discount Rate 7.5%	1% Increase 8.5%
City’s proportionate share of the net pension liability	\$2,044,833	\$1,066,450	\$253,502

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued MFPRSI financial report which is available on MFPRSI’s website at www.mfprsi.org.

Note 6: 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 45 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a self-funded plan administered by Auxiant. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Notes to Financial Statements (Continued)

Note 6: Other Postemployment Benefits (OPEB) (Continued)

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 \$731 for single coverage and \$1,649 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2015, the City contributed \$625,516 and plan members eligible for benefits contributed \$145,979 to the plan.

Note 7: Compensated Absences

City employers accumulate a limited amount of earned but unused vacation and sick leave 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. City employees earn vacation at rates dependent upon years of service. Vacation leave vests on the employee's anniversary date and must be used prior to the next anniversary date. Certain employees are allowed to accumulate vested compensatory time off (vacation) for overtime at one and one-half times the hours worked. Sick leave may also be accumulated at a rate of one and one-half days per month with a maximum of 120 days for all employees except for firefighters who are limited to 90 days. Sick leave is forfeited if not used. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$263,591
Compensatory	<u>22,106</u>
Total	<u>\$285,697</u>

This liability has been computed based on rates of pay in effect at June 30, 2015.

Note 8: Employee Health Care Plan

The Internal Service, Employee Group Health Fund was established to account for the self-funding of the City's health insurance benefit plan. The plan is funded by the employees, COBRA participants and retirees, and City contributions and is administered through a service agreement with Auxiant. The City assumes liability for claims up to the individual stop loss limitation of \$40,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Notes to Financial Statements (Continued)

Note 8: Employee Health Care Plan (Continued)

Monthly payments of service fees and plan contributions to the Employee Group Health fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Auxiant from the Employee Group Health Fund. The City's contribution for the year ended June 30, 2015 was \$625,516.

The City has estimated costs of incurred but unsubmitted claims at June 30, 2015 to be \$24,889. Settlements have not exceeded the stop-loss coverage in any of the past three years.

A reconciliation of changes in the aggregate liability for claims for the year ended June 30, 2015 is as follows:

Unpaid Claims – June 30, 2014	\$ 54,588
Incurred Claims (including claims incurred but not reported for the Year Ended June 30, 2015)	1,132,175
Claims Paid During the Year Ended June 30, 2015	<u>1,161,874</u>
Estimated Costs Incurred but not Claimed – June 30, 2015	<u>\$ 24,889</u>

Note 9: Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue:	
	Riverside Tax Increment Financing	\$ 67,400
	Southwest Bypass Tax Increment Financing	114,024
	Park Avenue Tax Increment Financing	115,300
	Foster Grandparent	3,000
	Enterprise:	
	Water	64,020
	Sewer	50,693
		<u>414,437</u>
Special Revenue: CVTC Operating	Special Revenue: Road Use Tax	<u>30,434</u>

Notes to Financial Statements (Continued)

Note 9: Interfund Transfers (Continued)

Transfer To	Transfer From	Amount
Debt Service	General	\$ 17,138
	Special Revenue:	
	Local Option Sales Tax	219,853
	Park Avenue Tax Increment	85,969
	Enterprise:	
	Water	278,878
	Sewer	28,853
		<u>630,691</u>
Capital Projects:		
Street Capital Improvements	General	21,569
	Local Option Sales Tax	1,114,593
	Enterprise:	
	Water	108,738
	Sewer	38,526
	Storm Water	21,536
		<u>1,304,962</u>
Clark Street Trail Project	General	<u>30,893</u>
9 th Street Permeable Paving Sewer	Special Revenue: Local Option Sales Tax	<u>51,810</u>
Enterprise: Transit	General	<u>87,690</u>
		<u>\$2,550,917</u>

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

Note 10: Related Party Transactions

The City had business transactions between the City and City officials totaling \$6,664 during the year ended June 30, 2015.

Note 11: Risk Management

The City of Charles 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.

Notes to Financial Statements (Continued)

Note 12: Deficit Fund Balances

The Special Revenue, 2012 Housing Rehabilitation Grant Fund, had a deficit balance of \$99,388 at June 30, 2015. The deficit balance was a result of costs incurred prior to the availability of funds. The deficit will be eliminated upon receipt of grant funds.

Note 13: Floyd-Mitchell-Chickasaw Solid Waste Management Agency

The City, in conjunction with 23 other municipalities, has created the Floyd-Mitchell-Chickasaw Solid Waste Management Agency. The Agency was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. On dissolution of the corporation, the net assets of the Agency will be prorated among the municipalities. The Agency is governed by a board composed of an elected representative of the governing body of each participating governmental jurisdiction.

The City is obligated to remit a share of the operating and administration costs. During the year ended June 30, 2015, the City of Charles City paid Jendro Sanitation \$263,960. The sanitation company is then responsible for paying all landfill fees for the City's share of the costs. Completed financial statements for the Agency can be obtained from the Floyd-Mitchell-Chickasaw Solid Waste Management Agency.

Note 14: Commitments and Contingencies

The City was notified by the United States Environmental Protection Agency (EPA) in March, 1989 that the area known as the Shaw Avenue Dump had been determined to contain hazardous waste that has resulted in or could result in an "imminent and substantial endangerment to the public health or welfare or the environment". The EPA placed the Shaw Avenue Dump on the National Priority List (NPL) on July 22, 1987.

On December 22, 1987, the City and Solvay Animal Hospital, Inc. (Solvay) entered into a cost-sharing agreement whereby each pays 50% of the costs associated with complying with the consent order.

On May 26, 1989, the City and Solvay entered into a consent order with the EPA. The purpose of the consent order was to determine the nature and extent of any releases or threatened releases of pollutants or contaminants; to assess the threat, if any, to the public health and welfare; and to identify and evaluate remedial alternatives to prevent or mitigate such releases. On October 4, 1991, the EPA released a Record of Decision on the investigation of the contaminated area. Their decision was to require the City to perform a stabilization process to secure the contaminants.

Notes to Financial Statements (Continued)

Note 14: Commitments and Contingencies (Continued)

Subsequent to issuance of the Record of Decision, the EPA determined that the technology to implement the stabilization process would not be adequate. On February 28, 1992, the City and Solvay entered into a Consent Decree with the EPA for remedial action which consisted of excavation and off-site treatment by best practical means and disposal of chemical fill and contaminated soil.

The Shaw Avenue Dump project has now been complete for several years. The EPA has approved the remedial plan. However, the City estimates expending \$7,000 for annual maintenance and testing fees until the EPA approves the final project. The City paid \$31,971 during fiscal year 2015 for maintenance, testing and a five year review.

Note 15: Subsequent Events

Management evaluated subsequent events through February 2, 2016, the date the financial statements were available to be issued.

Other Information

CITY OF CHARLES CITY
Charles 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, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted	Total
Receipts:				
Property Taxes	\$ 3,380,386	\$ 0	\$ 0	\$ 3,380,386
Tax Increment Financing	1,138,471	0	0	1,138,471
Other City Tax	996,646	0	0	996,646
Licenses and Permits	128,116	0	0	128,116
Use of Money and Property	143,617	51,769	4,245	191,141
Intergovernmental	2,018,628	0	0	2,018,628
Charges for Service	1,673,337	4,623,501	788,789	5,508,049
Miscellaneous	417,850	544,035	544,035	417,850
Total Receipts	<u>9,897,051</u>	<u>5,219,305</u>	<u>1,337,069</u>	<u>13,779,287</u>
Disbursements:				
Public Safety	2,446,690	0	0	2,446,690
Public Works	1,163,867	0	0	1,163,867
Health and Social Services	426,137	0	0	426,137
Culture and Recreation	1,209,695	0	0	1,209,695
Community and Economic Development	2,276,298	0	0	2,276,298
General Government	483,574	0	0	483,574
Debt Service	1,026,582	0	0	1,026,582
Capital Projects	1,429,378	0	0	1,429,378
Business Type Activities	0	2,850,685	0	2,850,685
Non-Program	0	1,373,362	1,373,362	0
Total Disbursements	<u>10,462,221</u>	<u>4,224,047</u>	<u>1,373,362</u>	<u>13,312,906</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(565,170)	995,258	(36,293)	466,381
Other Financing Sources (Uses), Net	941,550	(503,554)	0	437,996
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	376,380	491,704	(36,293)	904,377
Balances Beginning of Year	<u>9,575,917</u>	<u>3,352,503</u>	<u>363,692</u>	<u>12,564,728</u>
Balances End of Year	<u>\$ 9,952,297</u>	<u>\$ 3,844,207</u>	<u>\$ 327,399</u>	<u>\$ 13,469,105</u>

See Accompanying Independent Auditor's Report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
\$ 3,359,759	\$ 3,362,216	\$ 18,170
1,133,703	1,141,203	(2,732)
924,901	976,090	20,556
70,500	90,500	37,616
155,738	160,282	30,859
2,048,718	2,409,590	(390,962)
5,060,569	4,994,541	513,508
491,813	625,775	(207,925)
13,245,701	13,760,197	19,090
2,658,823	2,656,418	209,728
1,297,110	1,289,617	125,750
451,274	472,886	46,749
1,219,538	1,372,479	162,784
2,042,290	2,706,608	430,310
510,830	549,764	66,190
1,096,577	1,113,820	87,238
2,038,074	1,739,060	309,682
4,570,305	3,105,130	254,445
0	0	0
15,884,821	15,005,782	1,692,876
(2,639,120)	(1,245,585)	1,711,966
2,310,095	2,360,790	(1,922,794)
(329,025)	1,115,205	(210,828)
11,584,349	11,584,349	980,379
\$11,255,324	\$12,699,554	\$ 769,551

**City of Charles City
Charles City, Iowa**

Notes to Other Information – Budgetary Reporting

June 30, 2015

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 the Internal Service Fund. 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 and 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 decreased budgeted disbursements by \$879,039. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements did not exceed the amounts budgeted.

City of Charles City
Schedule of the City's Proportionate Share of the Net Pension Liability

Other Information

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

	2015
City's proportion of the net pension liability	0.029175%
City's proportionate share of the net pension liability	\$1,181
City's covered-employee payroll	\$1,889
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	62.52%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

Municipal Fire and Police Retirement System of Iowa
Last Fiscal Year*
(In Thousands)

	2015
City's proportion of the net pension liability	0.294195%
City's proportionate share of the net pension liability	\$1,066
City's covered-employee payroll	\$ 854
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	124.82%
Plan fiduciary net position as a percentage of the total pension liability	86.27%

* The amounts presented for each fiscal year were determined as of June 30.

See Accompanying Independent Auditor's Report

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

**City of Charles City
Schedule of City Contributions**

Other Information

**Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily Required Contribution	\$ 175	\$ 169	\$ 150	\$ 145	\$ 128	\$ 120	\$ 110	\$ 103	\$ 97	\$ 92
Contributions in relation to the required contribution	(175)	(169)	(150)	(145)	(128)	(120)	\$ (109)	(103)	(97)	(92)
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1	\$ 0	\$ 0	\$ 0
City's covered-employee payroll	\$1,961	\$1,889	\$1,728	\$1,795	\$1,839	\$1,809	\$1,736	\$1,709	\$1,681	\$1,593
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

**Municipal Fire and Police Retirement System of Iowa
Last 10 Fiscal Years
(In Thousands)**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily Required Contribution	\$259	\$ 257	\$ 239	\$ 222	\$ 203	\$ 165	\$ 173	\$ 213	\$ 223	\$ 223
Contributions in relation to the required contribution	(259)	(231)	(266)	(222)	(203)	(165)	(185)	(214)	(223)	(223)
Contribution deficiency (excess)	\$ 0	\$ 26	\$ (27)	\$ 0	\$ 0	\$ 0	\$ (12)	\$ (1)	\$ 0	\$ 0
City's covered-employee payroll	\$ 852	\$ 854	\$ 915	\$ 896	\$1,018	\$ 968	\$ 925	\$ 838	\$ 805	\$ 789
Contributions as a percentage of covered-employee payroll	30.41%	30.12%	26.12%	24.76%	19.90%	17.00%	18.75%	25.48%	27.75%	28.21%

See Accompanying Independent Auditor's Report.

City of Charles City

Notes to Other Information – Pension Liability – Iowa Public Employees’ Retirement System

Year Ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member’s first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent each year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

City of Charles City

Notes to Other Information – Pension Liability – Iowa Public Employees’ Retirement System (Continued)

Year Ended June 30, 2015

Changes of assumptions: (Continued)

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Notes to Required Supplementary Information – Pension Liability – Municipal Fire and Police Retirement System of Iowa

Changes of benefit terms:

There were no significant changes of benefits terms.

Changes of assumptions:

Effective July 1, 2014, two additional steps were taken to phase in the 1994 Group Annuity Mortality Table for post-retirement mortality. The two additional steps result in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

Supplementary Information

CITY OF CHARLES CITY
Charles City, Iowa

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
 IN CASH BALANCES – NONMAJOR GOVERNMENTAL FUNDS
 As of and for the Year Ended June 30, 2015

	Special Revenue		
	Police Asset Forfeiture	Road Use Tax	Employee Benefits
Receipts:			
Property Tax	\$ 0	\$ 0	\$ 862,572
Tax Increment Financing	0	0	0
Other City Tax	0	0	65,030
Use of Money and Property	0	0	0
Intergovernmental	0	795,674	0
Charges for Services	0	0	0
Miscellaneous	1,127	0	5,357
Total Receipts	1,127	795,674	932,959
Disbursements:			
Operating:			
Public Safety	607	0	642,753
Public Works	0	605,287	161,492
Health and Social Services	0	0	0
Culture and Recreation	0	0	108,779
Community and Economic Development	0	0	0
General Government	0	0	60,757
Capital Projects	0	0	0
Total Disbursements	607	605,287	973,781
Excess (Deficiency) of Receipts Over (Under) Disbursements	520	190,387	(40,822)
Other Financing Sources (Uses):			
Transfers In	0	0	0
Transfers Out	0	(30,434)	0
Total Other Financing Sources (Uses)	0	(30,434)	0
Change in Cash Balances	520	159,953	(40,822)
Cash Balances Beginning of Year	1,521	501,340	241,557
Cash Balances End of Year	\$2,041	\$661,293	\$ 200,735
Cash Basis Fund Balances:			
Nonspendable – Library Trusts	\$ 0	\$ 0	\$ 0
Restricted for:			
Urban Renewal Purposes	0	0	0
Streets	0	661,293	0
Capital Projects	0	0	0
Other Purposes	0	0	200,735
Assigned	2,041	0	0
Unassigned	0	0	0
Total Cash Basis Fund Balances	\$2,041	\$661,293	\$ 200,735

See Accompanying Independent Auditor's Report.

Special Revenue			
CVTC Operating	Local Option Sales Tax	2013 Flood	Riverside Tax Increment Financing
\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	7,225
0	639,088	0	0
561	43,006	0	8,644
78,855	0	0	0
0	0	0	80
5,442	0	0	0
84,858	682,094	0	15,949
0	0	0	0
124,367	0	0	0
0	0	0	0
0	0	0	0
0	0	0	118,476
0	0	0	0
0	0	0	0
124,367	0	0	118,476
(39,509)	682,094	0	(102,527)
30,434	0	0	0
0	(1,386,256)	0	(67,400)
30,434	(1,386,256)	0	(67,400)
(9,075)	(704,162)	0	(169,927)
44,166	3,169,573	31,078	746,789
\$ 35,091	\$ 2,465,411	\$31,078	\$ 576,862
\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	576,862
0	2,465,411	0	0
0	0	0	0
0	0	31,078	0
35,091	0	0	0
0	0	0	0
\$ 35,091	\$ 2,465,411	\$31,078	\$ 576,862

SCHEDULE OF CASH RECEIPTS DISBURSEMENTS AND CHANGES
IN CASH BALANCES – NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

	Special Revenue		
	Southwest Bypass Tax Increment Financing	South Grand Tax Increment Financing	East Park Tax Increment Financing
Receipts:			
Property Tax	\$ 0	\$ 0	\$ 0
Tax Increment Financing	947,733	0	34,937
Other City Tax	0	0	0
Use of Money and Property	15,681	263	595
Intergovernmental	0	0	0
Charges for Services	0	0	0
Miscellaneous	0	0	0
Total Receipts	963,414	263	35,532
Disbursements:			
Operating:			
Public Safety	0	0	0
Public Works	0	0	0
Health and Social Services	0	0	0
Culture and Recreation	0	0	0
Community and Economic Development	302,157	0	20,684
General Government	0	0	0
Capital Projects	0	0	0
Total Disbursements	302,157	0	20,684
Excess (Deficiency) of Receipts Over (Under) Disbursements	661,257	263	14,848
Other Financing Sources (Uses):			
Transfers In	0	0	0
Transfers Out	(114,024)	0	0
Total Other Financing Sources (Uses)	(114,024)	0	0
Change in Cash Balances	547,233	263	14,848
Cash Balances Beginning of Year	749,225	9,904	39,482
Cash Balances End of Year	\$1,296,458	\$10,167	\$54,330
Cash Basis Fund Balances:			
Nonspendable – Library Trusts	\$ 0	\$ 0	\$ 0
Restricted for:			
Urban Renewal Purposes	1,296,458	10,167	54,330
Streets	0	0	0
Capital Projects	0	0	0
Other Purposes	0	0	0
Assigned	0	0	0
Unassigned	0	0	0
Total Cash Basis Fund Balances	\$1,296,458	\$10,167	\$54,330

See Accompanying Independent Auditor's Report.

Special Revenue						
Park Avenue Tax Increment Financing	Library	Foster Grandparent Advisory and Operating	Public Housing Security Deposits	Public Housing	Section 8 Voucher	2012 Housing Rehabilitation Grant
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
148,576	0	0	0	0	0	0
0	0	0	0	0	0	0
3,458	5,974	0	522	24,880	892	0
0	0	307,039	0	0	0	115,396
0	0	0	5,998	674,502	671,001	12,850
0	15,048	115,348	0	0	0	15,000
152,034	21,022	422,387	6,520	699,382	671,893	143,246
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	422,387	0	0	0	0
0	25,106	0	0	0	0	0
18,536	0	0	5,755	564,299	656,161	222,951
0	0	0	0	0	0	0
0	0	0	0	0	0	0
18,536	25,106	422,387	5,755	564,299	656,161	222,951
133,498	(4,084)	0	765	135,083	15,732	(79,705)
0	0	0	0	0	0	0
(201,269)	0	(3,000)	0	0	0	0
(201,269)	0	(3,000)	0	0	0	0
(67,771)	(4,084)	(3,000)	765	135,083	15,732	(79,705)
220,082	239,330	21,014	38,294	1,989,835	65,956	(19,683)
\$ 152,311	\$235,246	\$ 18,014	\$39,059	\$2,124,918	\$ 81,688	\$ (99,388)
\$ 0	\$191,900	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
152,311	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	18,014	39,059	2,124,918	81,688	0
0	43,346	0	0	0	0	0
0	0	0	0	0	0	(99,388)
\$ 152,311	\$235,246	\$ 18,014	\$39,059	\$2,124,918	\$ 81,688	\$ (99,388)

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN CASH BALANCES – NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

	Special	Capital Projects	
	Cablevision	Clark Street Trail Project	Riverfront Project
Receipts:			
Property Tax	\$ 0	\$ 0	\$ 0
Tax Increment Financing Collections	0	0	0
Other City Tax	0	0	0
Use of Money and Property	0	0	0
Intergovernmental	0	18,472	7,410
Charges for Services	65,384	0	0
Miscellaneous	0	0	5,000
Total Receipts	<u>65,384</u>	<u>18,472</u>	<u>12,410</u>
Disbursements:			
Operating:			
Public Safety	0	0	0
Public Works	0	0	0
Health and Social Services	0	0	0
Culture and Recreation	104,789	0	0
Community and Economic Development	0	0	0
General Government	0	0	0
Capital Projects	0	17,895	68,156
Total Disbursements	<u>104,789</u>	<u>17,895</u>	<u>68,156</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(39,405)</u>	<u>577</u>	<u>(55,746)</u>
Other Financing Sources (Uses):			
Transfers In	0	30,893	0
Transfers Out	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>30,893</u>	<u>0</u>
Change in Cash Balances	(39,405)	31,470	(55,746)
Cash Balances Beginning of Year	<u>176,008</u>	<u>(31,470)</u>	<u>101,968</u>
Cash Balances End of Year	<u>\$136,603</u>	<u>\$ 0</u>	<u>\$ 46,222</u>
Cash Basis Fund Balances:			
Nonspendable – Library Trusts	\$ 0	\$ 0	\$ 0
Restricted for:			
Urban Renewal Purposes	0	0	0
Streets	0	0	0
Capital Projects	0	0	46,222
Other Purposes	0	0	0
Assigned	136,603	0	0
Unassigned	0	0	0
Total Cash Basis Fund Balances	<u>\$136,603</u>	<u>\$ 0</u>	<u>\$ 46,222</u>

See Accompanying Independent Auditor's Report.

Capital Projects				
9 th Street Permeable Paving	Net Zero Project	Master Façade Project	2013 Capital Project	Total
\$ 0	\$ 0	\$ 0	\$ 0	\$ 862,572
0	0	0	0	1,138,471
0	0	0	0	704,118
0	0	0	0	104,476
0	48,443	98,357	71,053	1,540,699
0	0	0	0	1,429,815
0	0	0	0	162,322
0	48,443	98,357	71,053	5,942,473
0	0	0	0	643,360
0	0	0	0	891,146
0	0	0	0	422,387
0	0	0	0	238,674
0	0	0	0	1,909,019
0	0	0	0	60,757
0	45,302	164,356	71,053	366,762
0	45,302	164,356	71,053	4,532,105
0	3,141	(65,999)	0	1,410,368
51,810	0	0	0	113,137
0	0	0	0	(1,802,383)
51,810	0	0	0	(1,689,246)
51,810	3,141	(65,999)	0	(278,878)
(51,810)	(3,141)	65,999	0	8,347,017
\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,068,139
\$ 0	\$ 0	\$ 0	\$ 0	\$ 191,900
0	0	0	0	2,090,128
0	0	0	0	3,126,704
0	0	0	0	46,222
0	0	0	0	2,495,492
0	0	0	0	217,081
0	0	0	0	(99,388)
\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,068,139

CITY OF CHARLES CITY
Charles City, Iowa

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH
BALANCES – NONMAJOR PROPRIETARY FUNDS
As of and for the Year Ended June 30, 2015

	Waste Collection	Transit	Storm Water Utility	Fire Extinguisher	Total
Operating Receipts:					
Charges for Service	\$341,368	\$ 14,940	\$160,979	\$ 9,984	\$527,271
Operating Disbursements:					
Business Type Activities	309,433	94,211	97,406	7,011	508,061
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	31,935	(79,271)	63,573	2,973	19,210
Non-Operating Receipts (Disbursements):					
Interest on Investments	0	0	4,058	0	4,058
Total Non-Operating Receipts (Disbursements)	0	0	4,058	0	4,058
Excess (Deficiency) of Receipts Over (Under) Disbursements	31,935	(79,271)	67,631	2,973	23,268
Transfers In (Out)	0	87,690	(21,536)	0	66,154
Net Change in Cash Balances	31,935	8,419	46,095	2,973	89,422
Cash Balances Beginning of Year	21,132	57,794	302,675	9,264	390,865
Cash Balances End of Year	\$ 53,067	\$ 66,213	\$348,770	\$12,237	\$480,287
Cash Basis Fund Balances					
Unrestricted	\$ 53,067	\$ 66,213	\$348,770	\$12,237	\$480,287

See Accompanying Independent Auditor's Report.

CITY OF CHARLES CITY
Charles City, Iowa

SCHEDULE OF INDEBTEDNESS
Year Ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds:			
Corporate Purpose	07-11-07	4.30-5.00%	\$ 585,000
Corporate Purpose	05-15-08	2.45-3.65%	440,000
Street Improvement	02-16-10	3.00%	2,550,000
Refunding	12-01-11	2.00-2.30%	1,360,000
Refunding	03-06-13	0.95%	632,000
Total General Obligation Bonds			
General Obligation Notes:			
Corporate Purpose	12-18-08	5.50%	212,000
Refunding	06-22-11	2.89%	105,000
Corporate Purpose	11-09-12	1.75%	1,400,000
Economic Development	12-23-14	2.00%	140,000
Total General Obligation Notes			
Revenue Bonds:			
Sewer Utility	07-01-03	1.75%	2,910,000
Urban Renewal	12-23-03	4.00%	136,000
Tax Increment Financing	01-10-05	4.50%	255,000
Water Revenue	02-11-09	3.00%	9,800,000
Water Revenue	11-18-09	3.00%	404,000
Total Revenue Bonds			
Revenue Notes:			
Urban Renewal	11-01-05	2.00%	95,684
UV Disinfection	04-21-11	0.00%	400,000
One Day Borrowing			
	06-25-14	0.00%	238,000
Lease Purchase Agreement (Valero)			
	12-05-06	5.70%	1,335,250

See Accompanying Independent Auditor's Report.

Schedule 3

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 385,000	\$ 0	\$ 35,000	\$ 350,000	\$ 18,460
195,000	0	50,000	145,000	6,943
1,865,000	0	98,000	1,767,000	55,950
970,000	0	140,000	830,000	19,850
368,000	0	181,000	187,000	3,496
\$ 3,783,000	\$ 0	\$504,000	\$ 3,279,000	\$104,699
\$ 167,000	\$ 0	\$ 12,000	\$ 155,000	\$ 9,185
25,000	0	25,000	0	735
912,000	0	43,000	869,000	15,960
0	140,000	16,000	124,000	1,243
\$ 1,104,000	\$140,000	\$ 96,000	\$ 1,148,000	\$ 27,123
\$ 1,659,000	\$ 0	\$143,000	\$ 1,516,000	\$ 29,033
67,600	0	10,100	57,500	2,604
180,000	0	18,000	162,000	7,898
8,798,000	0	105,000	8,693,000	263,940
342,000	0	17,000	325,000	10,260
\$11,046,600	\$ 0	\$293,100	\$10,753,500	\$313,735
\$ 24,498	\$ 0	\$ 9,723	\$ 14,775	\$ 442
269,976	0	0	269,976	0
\$ 294,474	\$ 0	\$ 9,723	\$ 284,751	\$ 442
\$ 0	\$238,000	\$238,000	\$ 0	\$ 0
\$ 703,920	\$ 0	\$112,496	\$ 591,424	\$ 39,004

CITY OF CHARLES CITY
Charles City, Iowa

Schedule of Bond and Note Maturities
June 30, 2015

Year Ending June 30,	General Obligation Bonds			
	Corporate Purpose		Corporate Purpose	
	Issued 7-11-07		Issued 5-15-08	
	Interest Rates	Amount	Interest Rates	Amount
2016	4.65%	\$ 40,000	3.65%	\$ 50,000
2017	4.70	45,000	3.65	35,000
2018	4.75	50,000	3.65	60,000
2019	4.80	50,000	0.00	0
2020	4.85	50,000	0.00	0
2021	4.90	50,000	0.00	0
2022	4.95	50,000	0.00	0
2023	5.00	15,000	0.00	0
2024	0.00	0	0.00	0
2025	0.00	0	0.00	0
2026	0.00	0	0.00	0
2027	0.00	0	0.00	0
2028	0.00	0	0.00	0
2029	0.00	0	0.00	0
2030	0.00	0	0.00	0
2031	0.00	0	0.00	0
2032	0.00	0	0.00	0
Total		<u>\$350,000</u>		<u>\$145,000</u>

Year Ending June 30,	General Obligation Bonds	
	Street Improvement	
	Issued 2-16-10	
Interest Rates	Amount	
2016	3.00%	\$ 102,000
2017	3.00	105,000
2018	3.00	108,000
2019	3.00	112,000
2020	3.00	116,000
2021	3.00	119,000
2022	3.00	123,000
2023	3.00	127,000
2024	3.00	131,000
2025	3.00	136,000
2026	3.00	140,000
2027	3.00	145,000
2028	3.00	149,000
2029	3.00	154,000
2030	0.00	0
2031	0.00	0
2032	0.00	0
Total		<u>\$1,767,000</u>

See Accompanying Independent Auditor's Report.

Schedule of Bond and Note Maturities (Continued)

General Obligation Bonds			General Obligation Bonds		
Refunding			Refunding		
Issued 12-1-11			Issued 3-6-13		
Year Ending	Interest	Amount	Interest	Amount	Total
June 30,	Rates		Rates		
2016	2.00%	\$140,000	0.95%	\$187,000	\$ 519,000
2017	2.00	140,000	0.00	0	325,000
2018	2.00	150,000	0.00	0	368,000
2019	2.00	100,000	0.00	0	262,000
2020	2.00	100,000	0.00	0	266,000
2021	2.15	100,000	0.00	0	269,000
2022	2.30	100,000	0.00	0	273,000
2023	0.00	0	0.00	0	142,000
2024	0.00	0	0.00	0	131,000
2025	0.00	0	0.00	0	136,000
2026	0.00	0	0.00	0	140,000
2027	0.00	0	0.00	0	145,000
2028	0.00	0	0.00	0	149,000
2029	0.00	0	0.00	0	154,000
2030	0.00	0	0.00	0	0
2031	0.00	0	0.00	0	0
2032	0.00	0	0.00	0	0
Total		<u>\$830,000</u>		<u>\$187,000</u>	<u>\$3,279,000</u>

General Obligation Notes							
Corporate Purpose			Corporate Purpose		Economic Development		Total
Issued 12-18-08			Issued 11-9-12		Issued 12-23-14		
Year Ending	Interest	Amount	Interest	Amount	Interest	Amount	
June 30,	Rates		Rates		Rates		
2016	5.50%	\$ 13,000	1.75%	\$ 43,000	2.00%	\$ 16,500	\$ 72,500
2017	5.50	14,000	1.75	44,000	2.00	16,500	74,500
2018	5.50	15,000	1.75	45,000	2.00	17,500	77,500
2019	5.50	16,000	1.75	46,000	2.00	17,500	79,500
2020	5.50	17,000	1.75	47,000	2.00	18,000	82,000
2021	5.50	18,000	1.75	48,000	2.00	19,000	85,000
2022	5.50	19,000	1.75	49,000	2.00	19,000	87,000
2023	5.50	21,000	1.75	50,000	0.00	0	71,000
2024	5.50	22,000	1.75	51,000	0.00	0	73,000
2025	0.00	0	1.75	52,000	0.00	0	52,000
2026	0.00	0	1.75	53,000	0.00	0	53,000
2027	0.00	0	1.75	54,000	0.00	0	54,000
2028	0.00	0	1.75	55,000	0.00	0	55,000
2029	0.00	0	1.75	56,000	0.00	0	56,000
2030	0.00	0	1.75	57,000	0.00	0	57,000
2031	0.00	0	1.75	59,000	0.00	0	59,000
2032	0.00	0	1.75	60,000	0.00	0	60,000
Total		<u>\$155,000</u>		<u>\$869,000</u>		<u>\$124,000</u>	<u>\$1,148,000</u>

Schedule of Bond and Note Maturities (Continued)

Revenue Bonds						
Year Ending June 30,	Sewer Utility Issued 06-07-03		Urban Renewal Issued 12-23-03		Tax Increment Financing Issued 01-10-05	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2016	1.75%	\$ 148,000	4.00%	\$10,500	4.50%	\$ 18,000
2017	1.75	152,000	4.00	11,100	4.50	20,000
2018	1.75	157,000	4.00	11,500	4.50	22,000
2019	1.75	163,000	4.00	11,900	4.50	23,000
2020	1.75	168,000	4.00	12,500	4.50	25,000
2021	1.75	173,000	0.00	0	4.50	26,000
2022	1.75	179,000	0.00	0	4.50	28,000
2023	1.75	185,000	0.00	0	0.00	0
2024	1.75	191,000	0.00	0	0.00	0
2025	0.00	0	0.00	0	0.00	0
2026	0.00	0	0.00	0	0.00	0
2027	0.00	0	0.00	0	0.00	0
2028	0.00	0	0.00	0	0.00	0
2029	0.00	0	0.00	0	0.00	0
2030	0.00	0	0.00	0	0.00	0
2031	0.00	0	0.00	0	0.00	0
2032	0.00	0	0.00	0	0.00	0
Total		\$1,516,000		\$57,500		\$162,000

Revenue Bonds					
Year Ending June 30,	Water Plant Expansion Issued 2-11-09		Water Meters Issued 11-18-09		Total
	Interest Rates	Amount	Interest Rates	Amount	
2016	3.00%	\$ 208,000	3.00%	\$ 17,000	\$ 401,500
2017	3.00	460,000	3.00	18,000	661,100
2018	3.00	495,000	3.00	18,000	703,500
2019	3.00	520,000	3.00	19,000	736,900
2020	3.00	545,000	3.00	20,000	770,500
2021	3.00	591,000	3.00	20,000	810,000
2022	3.00	655,000	3.00	21,000	883,000
2023	3.00	676,000	3.00	21,000	882,000
2024	3.00	698,000	3.00	22,000	911,000
2025	3.00	721,000	3.00	23,000	744,000
2026	3.00	744,000	3.00	24,000	768,000
2027	3.00	768,000	3.00	24,000	792,000
2028	3.00	793,000	3.00	25,000	818,000
2029	3.00	819,000	3.00	26,000	845,000
2030	0.00	0	3.00	27,000	27,000
2031	0.00	0	0.00	0	0
2032	0.00	0	0.00	0	0
Total		\$8,693,000		\$325,000	\$10,753,500

Schedule of Bond and Note Maturities (Continued)

Revenue Notes					
		Urban Renewal		UV Disinfection	
		Issued 11-1-05		Issued 4-21-11	
Year Ending June 30,	Interest Rates	Amount	Interest Rates	Amount	Total
2016	2.00%	\$ 9,916	0.00	\$269,976	\$279,892
2017	2.00	4,859	0.00	0	4,859
2018	0.00	0	0.00	0	0
2019	0.00	0	0.00	0	0
2020	0.00	0	0.00	0	0
2021	0.00	0	0.00	0	0
2022	0.00	0	0.00	0	0
2023	0.00	0	0.00	0	0
2024	0.00	0	0.00	0	0
2025	0.00	0	0.00	0	0
2026	0.00	0	0.00	0	0
2027	0.00	0	0.00	0	0
2028	0.00	0	0.00	0	0
2029	0.00	0	0.00	0	0
2030	0.00	0	0.00	0	0
2031	0.00	0	0.00	0	0
2032	0.00	0	0.00	0	0
Total		\$14,775		\$269,976	\$284,751

Lease Purchase Agreement		
Valero		
Issued 12-5-06		
Year Ending June 30,	Interest Rates	Amount
2016	2.00%	\$119,079
2017	2.00	126,046
2018	2.00	133,422
2019	2.00	141,229
2020	2.00	71,648
2021	0.00	0
2022	0.00	0
2023	0.00	0
2024	0.00	0
2025	0.00	0
2026	0.00	0
2027	0.00	0
2028	0.00	0
2029	0.00	0
2030	0.00	0
2031	0.00	0
2032	0.00	0
Total		\$591,424

CITY OF CHARLES CITY
Charles City, Iowa

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS
 BY FUNCTION – ALL GOVERNMENTAL FUNDS
 For the Last Ten Years

	2015	2014	2013
Receipts:			
Property Tax	\$ 3,380,386	\$ 3,233,082	\$ 3,182,601
Tax Increment Financing	1,138,471	1,251,702	1,193,836
Other City Tax	996,646	939,428	1,142,593
Licenses and Permits	128,116	79,363	75,440
Use of Money and Property	143,617	125,204	118,067
Intergovernmental	2,018,628	3,278,702	2,355,438
Charges for Services	1,673,337	1,581,930	1,492,628
Special Assessments	0	0	0
Miscellaneous	417,850	446,046	413,768
	<hr/>		
Total Receipts	\$ 9,897,051	\$10,935,457	\$ 9,974,371
	<hr/>		
Disbursements:			
Operating:			
Public Safety	\$ 2,446,690	\$ 2,435,986	\$ 2,395,665
Public Works	1,163,867	1,343,287	1,103,659
Health and Social Services	426,137	436,494	436,692
Culture and Recreation	1,209,695	927,538	942,712
Community and Economic Development	2,276,298	2,073,743	2,039,335
General Government	483,574	442,997	565,383
Debt Service	1,026,582	1,218,680	1,953,991
Capital Projects	1,429,378	1,768,973	2,699,201
	<hr/>		
Total Disbursements	\$10,462,221	\$10,647,698	\$12,136,638
	<hr/>		

See Accompanying Independent Auditor's Report.

Schedule 5

2012	2011	2010	2009	2008	2007	2006
\$ 3,121,918	\$ 2,971,988	\$ 2,685,813	\$ 2,583,039	\$ 2,503,216	\$2,342,749	\$2,288,779
1,250,374	1,516,828	1,415,525	1,626,247	1,513,223	1,446,835	1,409,929
929,029	888,868	854,633	778,285	882,215	780,460	751,310
70,122	82,322	55,804	62,657	85,197	73,198	80,847
113,291	89,935	101,926	145,245	269,194	301,274	667,531
2,970,033	3,825,025	4,234,356	2,709,406	3,052,946	2,493,665	2,578,251
1,606,367	1,555,754	1,541,898	1,491,376	627,640	843,353	459,281
3,933	0	2,820	7,036	2,185	2,735	3,633
840,716	691,769	557,262	641,437	442,743	610,435	418,135
<u>\$10,905,783</u>	<u>\$11,622,489</u>	<u>\$11,450,037</u>	<u>\$10,044,728</u>	<u>\$ 9,378,559</u>	<u>\$8,894,704</u>	<u>\$8,657,696</u>
\$ 2,269,256	\$ 2,313,835	\$ 2,430,368	\$ 2,022,438	\$ 2,013,482	\$1,912,405	\$1,846,906
1,294,830	1,625,737	1,418,608	1,614,536	1,166,425	1,063,393	737,060
461,518	484,268	494,987	482,928	461,115	494,914	501,019
978,042	949,425	861,496	927,521	877,328	784,743	757,459
2,210,621	2,342,517	2,656,040	2,633,188	2,021,109	1,820,229	2,181,687
563,747	534,250	603,460	568,489	869,614	666,212	610,326
1,488,582	2,762,948	1,878,463	1,214,506	1,963,587	1,466,941	692,919
1,162,098	4,456,279	2,285,593	777,440	796,243	1,449,244	883,349
<u>\$10,428,694</u>	<u>\$15,469,259</u>	<u>\$12,629,015</u>	<u>\$10,241,046</u>	<u>\$10,168,903</u>	<u>\$9,658,081</u>	<u>\$8,210,725</u>

CITY OF CHARLES CITY
Charles City, Iowa

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

Grantor/Program Title	CFDA Number	Agency or Pass-Through Number	Program Expenditures
Direct:			
U.S. Department of Housing and Urban Development: Public and Indian Housing	14.850	KC-9056	\$ 193,743
Section 8 Housing Choice Vouchers	14.871	KC-9079V	665,351
Public Housing Capital Fund Fiscal Year 2013	14.872	IA05P002501-13	71,053
U.S. Department of Justice Bulletproof Vest Partnership Program	16.607		1,630
Corporation for National and Community Service Foster Grandparent Program	94.011	12SFNIA002	287,837
Total Direct			\$1,219,614
Indirect:			
U.S. Department of Agriculture Forest Service Office Cooperative Forestry Assistance	10.664		\$ 1,666
U.S. Department of Housing and Urban Development Iowa Economic Development Authority Community Development Block Grants/State Program and Non-Entitlement Grants in Hawaii Owner Occupied Rehabilitation	14.228	12-HSG-002	109,844
Sustainable Community Demonstration	14.228	12-OT-0001	48,443
Community Development Block Grant	14.228	12-DTR-013	98,357
			<u>256,644</u>
U.S. Department of the Interior National Park Service – Historic Preservation Fund State Historical Society of Iowa	15.904		6,490
Federal Highway Administration Iowa Department of Transportation Highway Planning and Construction	20.205	STP-U-1242(614)--70-34	4,633
Highway Planning and Construction	20.205	STP-U-1242(615)--70-34	16,806
Highway Planning and Construction	20.205	STP-U-1242(616)--8V-34	18,472
			<u>39,911</u>
Total Indirect			\$ 304,711
Total			\$1,524,325

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Charles City and is presented on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. 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.



Gardiner Thomsen
Certified Public Accountants

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Charles City, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Charles City, Iowa's basic financial statements and have issued our report thereon dated February 2, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Charles City, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are 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 Charles City, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Charles City, Iowa's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain 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 the 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 combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-15 and II-C-15 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item II-B-15 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Charles City, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance 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 and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Charles City, Iowa's Response to Findings

The City of Charles City, Iowa's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Charles City, Iowa'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 entity'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 entity'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 Charles City, Iowa 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.

Gardiner Thomsen, P.C.

Charles City, Iowa
February 2, 2016



Gardiner Thomsen
Certified Public Accountants

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Charles City, Iowa's, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Charles City, Iowa's major federal programs for the year ended June 30, 2015. The City of Charles City, Iowa's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Charles City, Iowa'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 of Charles City, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Charles City, Iowa complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the City of Charles City, Iowa 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 of Charles City, Iowa's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 of Charles City, Iowa's internal control over compliance.

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

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

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.

Garland Thomson, P.C.

Charles City, Iowa

February 2, 2016

City of Charles City
Charles City, Iowa

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

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

- a. Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- b. Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c. The audit did not disclose any non-compliance which is material to the financial statements.
- d. Unmodified opinions were issued on compliance with requirements applicable to the major programs.
- e. The major programs were CFDA Numbers 14.871 – Section 8 Housing Vouchers and 94.011 Foster Grandparent Program.
- f. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- g. The City of Charles City did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-15 Segregation of Duties

Finding – 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 prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. We noted that various functions of the City are performed by the same person.

Criteria – A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition – Various functions of the City are performed by the same person.

Effect – Transaction errors could occur and not be detected in a timely manner.

Cause – Limited staff available to segregate duties.

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

Response and Corrective Action Planned – We have reviewed procedures as suggested. We are in the process of cross training employees to further segregate duties.

**City of Charles City
Charles City, Iowa**

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2015

Part II: Findings Related to the Financial Statements (Continued):

II-B-15 Preparation of Full Disclosure Financial Statements

Finding – During the audit, we noted that the City of Charles City does not have the internal resources to prepare full disclosure financial statements required by the basis of cash receipts and disbursements, which is a basis of accounting other than generally accepted accounting principles.

Criteria – Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements, in conformity with the basis of cash receipts and disbursements.

Condition – Management requested that Gardiner Thomsen, P.C. assist in preparing the draft financial statements, including the related footnote disclosures.

Effect – Although the auditors are preparing the financial statements and the related footnotes, management of the City thoroughly reviews them and accepts responsibility for their completeness and accuracy.

Cause – The City does not have the internal resources to prepare the full disclosure financial statements required by the basis of cash receipts and disbursements.

Recommendation – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles and prepare full disclosure financial statements for external reporting is difficult. However, we recommend that City officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than rely on external assistance.

Response and Corrective Action Planned – We recognize our limitations, however it is not fiscally responsible to add additional staff at this time.

II-C-15 Financial Reporting

Finding – During the audit, we identified material amounts of receipts that had been posted to the incorrect general ledger fund.

Criteria – A good financial reporting system to accurately record receipts.

Condition – Receipts were not always coded to the correct general ledger fund.

Effect – The receipts and ending cash balance for the Local Option Sales Tax Fund were overstated and the receipts and ending cash balance for the Road Use Tax Fund were understated.

Cause – Limited staff.

Recommendation – The City should implement procedures to ensure all receipts are correctly recorded in the general ledger.

Response and Corrective Action Planned – We will adjust our financial statements to properly record these amounts and will revise our current procedures to ensure the proper amounts are recorded in the general ledger in the future.

City of Charles City
Charles City, Iowa

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2015

Part II: Findings Related to the Financial Statements (Continued):

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

No matters were reported.

**City of Charles City
Charles City, Iowa**

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-15 Certified Budget – Disbursements during the year ended June 30, 2015 did not exceed the amounts budgeted.

IV-B-15 Questionable Disbursements – No disbursements were noted that do 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.

IV-C-15 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-15 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title & Business Connection	Transaction Description	Amount
Virginia Titus, Deputy City Clerk Titus Lock Service owned by Husband	Lock Repair, Maintenance, Service Calls	\$1,078
Curt Teeter, Fire Department Teeter Specialty, owned by Father	Name Badges, Mugs, Decals, Forms	1,773
Trudy O’Donnell, City Clerk Elizabeth Fox, Mother, Foster Grandparent	Foster Grandparent Stipends and Travel Reimbursement	2,006
Paul Krueger, City Bus Driver for Foster Grandparents Patricia Krueger, Wife, Foster Grandparent	Foster Grandparent Stripends and Reimbursement	1,807

It appears that the related party transactions with Titus Lock Service, are in accordance with Chapter 362.5 (3) of the Code of Iowa as the transactions did not exceed the \$1,500 threshold for the fiscal year under audit.

In accordance with Chapter 362.5(3) of the Code of Iowa, the transactions with Teeter Specialty, Elizabeth Fox, and Patricia Krueger do not appear to represent conflicts of interest since Curt Teeter, Trudy O’Donnell, and Paul Krueger do not participate in acquiring the above services.

City of Charles City
Charles City, Iowa

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2015

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

IV-E-15 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

IV-F-15 Council Minutes – No transactions were found that we believe should have been approved in the council minutes but were not.

IV-G-15 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-H-15 Excess Fund Balance – We noted the fund balances in the Special Revenue Funds: Road Use Tax, Local Option Sales Tax, 2013 Flood, Riverside Tax Increment Financing, S.W. Bypass Tax Increment Financing, South Grand Tax Increment Financing, East Park Tax Increment Financing, Library, Public Housing Security Deposits, Public Housing, Police Asset Forfeiture, and Cablevision Funds were in excess of disbursements for the current year.

Recommendation – The City should investigate alternatives to eliminate the excesses. The City should consult with tax increment financing counsel regarding the excess tax increment financing balances.

Response – The Road Use Tax Fund will be used for future street disbursements. The Local Option Sales Tax Fund will be used for future street and roadway improvements. The 2013 Flood Fund will be used for flood related projects in the next fiscal year. The Tax Increment Financing Funds contain dollars for obligations, certified to the County auditor for payment from tax increment financing. The Library Fund only spends the interest earned on the certificates of deposit held for investment. The Public Housing Security Deposit Fund contains security deposits that will be returned if certain conditions are met at the end of the contracts. The Public Housing Fund contains funds for maintaining public housing. The Police Asset Forfeiture Fund contains dollars obtained from the sale of forfeited property and will be used for future police department disbursements. The Cablevision Fund will be used for future broadband studies and improvements.

Conclusion – Response accepted.

IV-I-15 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

**City of Charles City
Charles City, Iowa**

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2015

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

IV-J-15 Financial Position – We noted that the Special Revenue: 2012 Housing Rehabilitation Grant had a deficit fund balance of \$99,388 at June 30, 2015.

Recommendation – The City should investigate alternatives to eliminate these deficits.

Response – The 2012 Housing Rehabilitation Grant Fund deficit is due to costs being incurred prior to the receipt of grant funds.

Conclusion – Response accepted.

IV-K-15 Urban Renewal Annual Report – The urban renewal annual report was approved and was certified to the Iowa Department of Management on or before December 1.

IV-L-15 Tax Increment Financing – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid.

We noted the following regarding the City's TIF debt certification

- The reconciliation provided by the County Auditor showed a negative TIF indebtedness.

Recommendation – The City should consult TIF legal counsel to determine the disposition of this matter.

Response – The City will consult TIF legal counsel on this matter.

Conclusion – Response accepted.