

CITY OF BRITT

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

JUNE 30, 2015

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CITY OF BRITT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Marvin Hillenga	Mayor	Jan 2016
Dwight Leerar	Mayor Pro tem	Jan 2016
Chad Luecht	Council Member	Jan 2016
Jay Ryerson	Council Member	Jan 2018
Curt Gast	Council Member	Jan 2016
Michael Ostercamp	Council Member	Jan 2018
Jeanie Purvis (Retired Dec 2014)	City Clerk	Indefinite
* Tony Stonecypher	City Administrator/Clerk	Indefinite
Michelle Anderson	City Clerk	Indefinite
Darcy Eisenman	Deputy City Clerk	Indefinite
Jane Swenson	Treasurer	Indefinite
Earl Hill	Attorney	Indefinite

*Resigned March 30, 2015.



DENNIS L. RENNER, CPA
MICHAEL J. BIRCHEM, CPA, CFP®

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Britt, 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 listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Britt 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 opinion is not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 4 to the financial statements, the City of Britt 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 City of Britt's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, Management's Discussion and Analysis and 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 6 through 12 and 28 through 33 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2016 on our consideration of City of Britt's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Britt's internal control over financial reporting and compliance.

January 15, 2016



Renner & Birchem, P.C.
Britt, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Britt 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 increased 4.9%, or \$77,088, from fiscal 2014 to fiscal 2015.
- Disbursements increased 63.3% or \$1,017,349 in fiscal 2015 from fiscal 2014. Debt service disbursements increased \$838,043.
- The City's total cash basis net position decreased 31.6%, or \$909,343 from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities decreased \$930,016 and the cash basis net position of the business type activities increased by \$20,673.

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

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, 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 Statement of Activities and Net Position reports information which helps answer this question.

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer funds, considered to be major funds of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$2,109,566 to \$1,179,550. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

	Changes in Cash Basis Net Position of Governmental Activities	
	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service	\$182,032	172,293
Operating grants, contributions and restricted interest	277,168	266,432
General receipts:		
Property tax	847,314	844,793
Local option sales tax	217,647	171,493
Unrestricted investment earnings	9,663	9,672
Other general receipts	111,678	103,731
Total receipts	<u>1,645,502</u>	<u>1,568,414</u>

Disbursements:		
Public safety	346,350	322,187
Public works	442,368	348,656
Health and social services	6,200	4,950
Culture and recreation	230,639	229,912
Community and economic development	154,977	45,926
General government	233,682	283,279
Debt service	1,211,302	373,259
Total disbursements	<u>2,625,518</u>	<u>1,608,169</u>
Change in cash basis net position before transfers	(980,016)	(39,755)
Transfers, net	<u>50,000</u>	<u>50,000</u>
Change in cash basis net position	(930,016)	10,245
Cash basis net position beginning of year	<u>2,109,566</u>	<u>2,099,321</u>
Cash basis net position end of year	<u><u>\$1,179,550</u></u>	<u><u>2,109,566</u></u>

The City's total receipts for governmental activities increased by 4.9% or \$77,088. The total cost of all programs and services increased by \$1,017,349 or 63.3%. The significant increase in disbursements was primarily the result of the refinancing bond being called.

The City's local option receipts for 2015 increased by \$46,154.

The cost of all governmental activities this year was \$2.63 million compared to \$1.61 million last year. However, as shown in the Statement of Activities and Net Position on page 14, the amount taxpayers ultimately financed for these activities was \$2,166,318, because some of the cost was paid by those directly benefited from the programs (\$182,032) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$277,168). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in fiscal year 2015 from \$438,725 to \$459,200.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service:		
Water	\$189,735	198,770
Sewer	196,633	204,244
General receipts:		
Unrestricted interest on investments	268	
Other general receipts	1,379	
Total receipts	<u>388,015</u>	<u>403,014</u>
Disbursements:		
Water	178,304	151,314
Sewer	139,038	123,207
Total disbursements	<u>317,342</u>	<u>274,521</u>
Change in cash basis net position before transfers	70,673	128,493
Transfers, net	<u>(50,000)</u>	<u>(50,000)</u>
Change in cash basis net position	20,673	78,493
Cash basis net position beginning of year	<u>766,217</u>	<u>705,223</u>
Cash basis net position end of year	<u><u>\$786,890</u></u>	<u><u>783,716</u></u>

Total business type activities receipts for the fiscal year were \$388,015 compared to \$403,014 last year. Total disbursements for the fiscal year increased by 15.6% to a total of \$317,342. The cash balance increased by \$20,673 during the fiscal year compared to an increase of \$78,493 last year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Britt completed the year, its governmental funds reported a combined fund balance of \$1,179,550, a decrease of \$930,016 from last year's total of \$2,109,566. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$108,524 from the prior year to \$59,062.
- The Road Use Tax Fund cash balance decreased by \$4,013 to \$270,026 during the fiscal year. The City intends to use this money to upgrade the condition of City roads.
- The Local Option Tax Fund cash balance increased by \$30,508 to \$568,645.
- The Capital Projects Fund cash balance was unchanged during the fiscal year.
- The Debt Service Fund cash balance decreased by \$829,590 to \$57,610 during the fiscal year. This decrease was due primarily to the refinancing bond.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$11,431 to \$348,487 during the fiscal year and will be used to maintain service and repair the water system.
- The Sewer Fund cash balance increased by \$9,242 to \$438,403 during the fiscal year and will be used to maintain service and repair the sewer system.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget. The amendment was approved on December 1, 2015 and resulted in an increase in operating disbursements to provide for additional costs in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City exceeded the amounts budgeted in the culture and recreation, community and economic development and debt service functions.

DEBT ADMINISTRATION

At June 30, 2015, the City had \$2,823,000 in general obligation bonds, compared to \$3,110,000 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2015	2014
General obligation bonds and short-term borrowing	\$2,823,000	3,110,000

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,823,000 compared to its constitutional debt limit of \$4,040,633.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Britt's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates, and fees that will be charged for various City activities.

These among other economic factors were taken into account when adopting the budget for fiscal year 2016. Amounts available for appropriation in the operating budget are \$2.2 million, a decrease of 1.3% from the final 2015 budget. Budgeted disbursements are expected to decrease by approximately \$692,000 over 2015 actual.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$370,000 by the close of 2016. Actual amounts can and usually do differ from budgeted amounts.

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 Michelle Anderson, City Clerk, 170 Main Avenue South, Britt, Iowa.

BASIC FINANCIAL STATEMENTS

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

Functions / Programs:	Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
	Disbursements	Operating Grants,		Governmental Activities	Business Type Activities	Total
		Charges for Service	Contributions and Restricted Interest			
Governmental activities:						
Public safety	\$ 346,350		21,271	(325,079)		(325,079)
Public works	442,368	130,865	215,140	(96,363)		(96,363)
Health and social services	6,200			(6,200)		(6,200)
Culture and recreation	230,639	51,167	36,800	(142,672)		(142,672)
Community and economic development	154,977			(154,977)		(154,977)
General government	233,682			(233,682)		(233,682)
Debt service	1,211,302		3,957	(1,207,345)		(1,207,345)
Total governmental activities	2,625,518	182,032	277,168	(2,166,318)		(2,166,318)
Business type activities:						
Water	178,304	189,735			11,431	11,431
Sewer	139,038	196,633			57,595	57,595
Total business type activities	317,342	386,368			69,026	69,026
Total	\$ 2,942,860	568,400	277,168	(2,166,318)	69,026	(2,097,292)
General Receipts and Transfers:						
Property tax levied for:						
General purposes				420,672		420,672
Employee benefits and insurance				78,598		78,598
Debt service				348,044		348,044
Local option sales tax				217,647		217,647
Unrestricted interest on investments				9,663	268	9,931
Miscellaneous				111,678	1,379	113,057
Transfers				50,000	(50,000)	
Total general receipts and transfers				1,236,302	(48,353)	1,187,949
Change in cash basis net position				(930,016)	20,673	(909,343)
Cash basis net position beginning of year				2,109,566	766,217	2,875,783
Cash basis net position end of year				\$ 1,179,550	786,890	1,966,440
Cash Basis Net Position						
Restricted:						
Expendable:						
Streets				\$ 270,026		270,026
Debt service				57,610		57,610
Other purposes				727,034		727,034
Unrestricted				124,880	786,890	911,770
Total cash basis net position				\$ 1,179,550	786,890	1,966,440

See notes to financial statements.

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

As of and for the year ended June 30, 2015

	Special Revenue						Total
	General	Road Use Tax	Local Option	Debt Service	Capital Projects	Nonmajor	
Receipts:							
Property tax	\$ 420,672			348,044		78,598	847,314
Other city tax	1,653		215,994				217,647
Licenses and permits	19,702						19,702
Use of money and property	12,173			3,404			15,577
Intergovernmental	52,448	215,140		553		5,623	273,764
Charges for services	182,032						182,032
Special assessments				29,711			29,711
Miscellaneous	38,860					20,895	59,755
Total receipts	<u>727,540</u>	<u>215,140</u>	<u>215,994</u>	<u>381,712</u>		<u>105,116</u>	<u>1,645,502</u>
Disbursements:							
Operating:							
Public safety	288,969		8,000			49,381	346,350
Public works	141,090	219,153	69,024			13,101	442,368
Health and social services	6,200						6,200
Culture and recreation	199,433		18,570			12,636	230,639
Community and economic development	37,696		68,130			49,151	154,977
General government	212,676		6,762			14,244	233,682
Debt service				1,211,302			1,211,302
Total disbursements	<u>886,064</u>	<u>219,153</u>	<u>170,486</u>	<u>1,211,302</u>		<u>138,513</u>	<u>2,625,518</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(158,524)</u>	<u>(4,013)</u>	<u>45,508</u>	<u>(829,590)</u>		<u>(33,397)</u>	<u>(980,016)</u>
Other financing sources (uses):							
Operating transfers in	50,000					15,000	65,000
Operating transfers out			(15,000)				(15,000)
Total other financing sources (uses)	<u>50,000</u>		<u>(15,000)</u>			<u>15,000</u>	<u>50,000</u>
Change in cash balances	<u>(108,524)</u>	<u>(4,013)</u>	<u>30,508</u>	<u>(829,590)</u>		<u>(18,397)</u>	<u>(930,016)</u>
Cash balances beginning of year	<u>167,586</u>	<u>274,039</u>	<u>538,137</u>	<u>887,200</u>	<u>4,944</u>	<u>237,660</u>	<u>2,109,566</u>
Cash balances end of year	<u>\$ 59,062</u>	<u>270,026</u>	<u>568,645</u>	<u>57,610</u>	<u>4,944</u>	<u>219,263</u>	<u>1,179,550</u>
Cash Basis Fund Balances							
Restricted For:							
Debt service				57,610			57,610
Streets		270,026					270,026
Other purposes			568,645		4,944	153,445	727,034
Unassigned	59,062					65,818	124,880
Total cash basis fund balances	<u>\$ 59,062</u>	<u>270,026</u>	<u>568,645</u>	<u>57,610</u>	<u>4,944</u>	<u>219,263</u>	<u>1,179,550</u>

See notes to financial statements.

City of Britt

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	Total
Operating receipts:			
Charges for service	\$ 189,735	196,633	386,368
Miscellaneous		1,379	1,379
Total operating receipts	189,735	198,012	387,747
Operating disbursements:			
Business type activities	178,304	139,038	317,342
Total operating disbursements	178,304	139,038	317,342
Excess of operating receipts over operating disbursements	11,431	58,974	70,405
Non-operating receipts:			
Interest on investments		268	268
Excess of receipts over disbursements	11,431	59,242	70,673
Transfers out		(50,000)	(50,000)
Change in cash balances	11,431	9,242	20,673
Cash balances beginning of year	337,056	429,161	766,217
Cash balances end of year	\$ 348,487	438,403	786,890
Cash Basis Fund Balances			
Unrestricted	\$ 348,487	438,403	786,890
Total cash basis fund balances	\$ 348,487	438,403	786,890

See notes to financial statements.

CITY OF BRITT

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

For financial reporting purposes, City of Britt has included all funds, organizations, agencies, 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 Britt has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also 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: Hancock County Assessor's Conference Board and Hancock County Development Commission, Hancock County Disaster/911 and Hancock County Task Force.

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 nonfiduciary net position. Net position is reported in the following categories/components:

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

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

CITY OF BRITT

Notes to Financial Statements (continued)

June 30, 2015

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

The Local Option Tax Fund is used to account for local option sales tax collected.

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

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities. The City had chosen to report as a major fund.

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.

CITY OF BRITT

Notes to Financial Statements (continued)

June 30, 2015

C. Measurement Focus and Basis of Accounting

The City of Britt 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 assets 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.

Assigned – Amounts the Council intends to use for specific purposes

Unassigned – All amounts not included in the preceding classifications.

CITY OF BRITT

Notes to Financial Statements (continued)

June 30, 2015

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in culture and recreation, community and economic development, and debt service functions.

(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.

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

(3) **Bonds Payable**

Annual debt service requirements to maturity for general obligation indebtedness is as follows:

Year Ending June 30,	General Obligation		Total	
	Bonds		Principal	Interest
	Principal	Interest		
2016	\$ 412,000	78,619	412,000	78,619
2017	427,000	70,325	427,000	70,325
2018	333,000	61,054	333,000	61,054
2019	338,000	52,023	338,000	52,023
2020	353,000	42,432	353,000	42,432
2021-2024	960,000	63,412	960,000	63,412
	<u>\$ 2,823,000</u>	<u>367,865</u>	<u>2,823,000</u>	<u>367,865</u>

CITY OF BRITT

Notes to Financial Statements (continued)

June 30, 2015

General Obligation Refunding Bonds

On May 22, 2013, the City issued \$1,290,000 of general obligation refunding bonds for the crossover advance refunding of \$380,000 of general obligation capital loan, dated March 15, 2007 and \$845,000 of general obligation aquatic center bonds, series 2008, dated August 1, 2008. The City entered into an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted into U.S. government securities. These securities were placed in an escrow account for the express purpose of paying the interest on the general obligation refunding bonds as due until June 1, 2015, at which time the refunded general obligation aquatic center bonds, series 2008, of \$845,000 become callable. After the principal and interest on all of the outstanding notes have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the City.

The refunding resulted in an economic gain of \$64,817.

(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.

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, anytime 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.)

CITY OF BRITT

Notes to Financial Statements (continued)

June 30, 2015

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 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.

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 contribution 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 \$40,676.

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 \$125,717. 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 0.0031699 percent, which was a decrease of 0.0012335 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$15,165, \$8,816 and \$(98,311) respectively.

CITY OF BRITT

Notes to Financial Statements (continued)

June 30, 2015

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 (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan 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 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 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>	

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.

CITY OF BRITT

Notes to Financial Statements (continued)

June 30, 2015

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 the net pension	\$339,33	\$125,71	\$ (54,495)

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.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. Sick leave hours are accumulated for subsequent use but are not paid upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time termination payments payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount June 30, 2015</u>
Vacation and Comp Time	\$ <u>11,057</u>

This liability has been computed based on rates of pay as of June 30, 2015.

(6) Related Party Transactions

No transactions between the City and City officials occurred during the year ended June 30, 2015.

(7) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

CITY OF BRITT

Notes to Financial Statements

June 30, 2015

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on the cash basis, the Pool's general and administrative expenses, claims, claim expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City of Britt's annual contributions to the Pool for the year ended June 30, 2015 were \$45,238.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The City does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been disclosed in the City's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City of Britt also carries commercial insurance purchased from other insurers for surety bond coverage. The City assumes liability for any deductibles and claims in excess of coverage limitations.

CITY OF BRITT

Notes to Financial Statements

June 30, 2015

(8) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 6 active members in the plan. Participants must be age 55 or older at retirement.

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

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on pay-as-you-go basis. For the year ended June 30, 2015 the city contributed \$43,390 to the plan.

(9) Date of Management Evaluation

The City has evaluated subsequent events through January 15, 2016, the date which financial statements were available to be issued.

OTHER INFORMATION

City of Britt

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	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
				Receipts:		
Property tax	\$ 847,314		847,314	809,207	809,207	38,107
Other city tax	217,647		217,647	206,146	206,146	11,501
Licenses and permits	19,702		19,702	5,125	5,125	14,577
Use of money and property	15,577	268	15,845	16,800	16,800	(955)
Intergovernmental	273,764		273,764	247,945	347,945	(74,181)
Charges for services	182,032	386,368	568,400	581,326	581,326	(12,926)
Special assessment	29,711		29,711	20,163	20,163	9,548
Miscellaneous	59,755	1,379	61,134	123,628	123,628	(62,494)
Total receipts	1,645,502	388,015	2,033,517	2,010,340	2,110,340	(76,823)
Disbursements:						
Public safety	346,350		346,350	319,812	359,812	13,462
Public works	442,368		442,368	385,130	535,130	92,762
Health and social services	6,200		6,200	6,000	7,500	1,300
Culture and recreation	230,639		230,639	227,887	227,887	(2,752)
Community and economic development	154,977		154,977	126,704	126,704	(28,273)
General government	233,682		233,682	363,173	376,173	142,491
Debt service	1,211,302		1,211,302	374,090	374,090	(837,212)
Capital projects				5,000	105,000	105,000
Business type activities		317,342	317,342	487,553	487,553	170,211
Total disbursements	2,625,518	317,342	2,942,860	2,295,349	2,599,849	(343,011)
Excess (deficiency) of receipts over (under) disbursements	(980,016)	70,673	(909,343)	(285,009)	(489,509)	(419,834)
Other financing sources net	50,000	(50,000)		12,040	22,040	(22,040)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(930,016)	20,673	(909,343)	(272,969)	(467,469)	(441,874)
Balances beginning of year	2,109,566	766,217	2,875,783	1,852,021	1,852,021	1,023,762
Cash balances end of year	\$ 1,179,550	786,890	1,966,440	1,579,052	1,384,552	581,888

See accompanying independent auditor's report.

City of Britt

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 Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. 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 Funds 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 increased budget disbursements by \$304,500. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in culture and recreation, community and economic development, and debt service functions.

City of Britt
Schedule of City Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.0031699%
City's proportionate share of the net pension liability	\$ 125,717
City's covered-employee payroll	433,407
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	29.01%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* 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 Britt
Schedule of City Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years

Other Information

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 40,676	37,981	37,195	32,188	28,025	26,148	34,593	22,947	23,467	23,189
Contributions in relation to the statutorily required contribution	(40,676)	(37,981)	(37,195)	(32,188)	(28,025)	(26,148)	(34,593)	(22,947)	(23,467)	(23,189)
Contribution deficiency (excess)	\$ -									
City's covered-employee payroll	\$ 433,407	406,125	404,846	369,218	352,638	349,605	440,354	33,806	340,195	334,032
Contributions as a percentage of covered-employee payroll	9.39%	9.35%	9.19%	8.72%	7.95%	7.48%	7.86%	67.88%	6.90%	6.94%

See accompanying independent auditor's report.

City of Britt

Notes to Other Information – Pension Liability

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 per 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.

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.

SUPPLEMENTARY INFORMATION

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				
	Housing Rehabilitation	Revolving Loan	Employee Benefits	Sunset Ridge	Total
Receipts:					
Intergovernmental	\$ 4,350		1,273		5,623
Property tax			78,598		78,598
Miscellaneous	9,700	11,195			20,895
Total receipts	14,050	11,195	79,871		105,116
Disbursements:					
Public safety			49,381		49,381
Public works			13,101		13,101
Culture and recreation			12,636		12,636
Community and economic development	37,198	11,000	953		49,151
General government			14,244		14,244
Total disbursements	37,198	11,000	90,315		138,513
Excess (deficiency) of receipts over (under) disbursements	(23,148)	195	(10,444)		(33,397)
Other financing uses:					
Transfers in			15,000		15,000
Change in cash balances	(23,148)	195	4,556		(18,397)
Cash balances beginning of year	\$ 55,553	103,554	12,735	65,818	237,660
Cash balances end of year	\$ 32,405	103,749	17,291	65,818	219,263
Cash Basis Fund Balances					
Restricted For:					
Other purposes	\$ 32,405	103,749	17,291		153,445
Unassigned				65,818	65,818
Total Cash Basis Fund Balances	\$ 32,405	103,749	17,291	65,818	219,263

See accompanying independent auditor's report.

City of Britt

Schedule of Indebtedness

Year ended June 30, 2015

Obligation	Date of Issue	Interest Rate	Amount Originally Issued	Balance Beginning of Year	Issued During the Year	Redeemed During Year	Balance End of Year	Interest Paid
General Obligation Bonds:								
Aquatic Center	8-1-08	4.5-4.6%	\$ 1,550,000	945,000		100,000	845,000	42,723
First Street	9-29-11	.95-3.70%	930,000	790,000		70,000	720,000	11,859
Refunding Capital Loan Notes,								
Series 2012	5-22-12	.60-2.25%	1,290,000	1,190,000		100,000	1,090,000	17,455
Street Improvement	9-18-12	.75-2.55%	222,000	185,000		17,000	168,000	13,274
Total				\$ 3,110,000		287,000	2,823,000	85,311

See accompanying independent auditor's report.

City of Britt

Bond and Note Maturities

June 30, 2015

General Obligation Bond									
Year	Street Improvement Issued September 18, 2012		Aquatic Center Issued August 1, 2008		1st Street Issued September 29, 2011		Refunding Capital Loan Notes, Series 2012 Issued May 7, 2012		
	Ending June 30,	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2016	1.05%	\$ 17,000	4.50%	105,000	1.70%	70,000	1.00%	220,000	412,000
2017	1.05	17,000	4.55	110,000	2.00	75,000	1.15	225,000	427,000
2018	1.45	18,000	4.55	115,000	2.30	75,000	1.45	125,000	333,000
2019	1.45	18,000	4.40	120,000	2.65	75,000	1.65	125,000	338,000
2020	1.95	18,000	4.50	125,000	2.95	80,000	1.85	130,000	353,000
2021	1.95	19,000	4.55	130,000	3.15	80,000	2.00	130,000	359,000
2022	1.95	20,000	4.60	140,000	3.35	85,000	2.25	135,000	380,000
2023	2.55	20,000			3.55	90,000			110,000
2024	2.55	21,000			3.70	90,000			111,000
Total		\$ 168,000		845,000		720,000		1,090,000	2,823,000

See accompanying independent auditor's report.

City of Britt

Schedule of Receipts by Source and Disbursements by Function –
All Governmental Funds

For the Last Ten Years

	2015	2,014	2,013	2,012	2,011	2010	2009	2008	2007	2006
Receipts:										
Property tax	\$ 847,314	844,793	813,705	750,512	725,597	722,995	712,536	704,736	587,176	527,179
Tax increment financing								525	86,642	57,755
Other city tax	217,647	171,493	173,672	165,470	125,675	178,531	162,349	127,991	134,871	142,126
Licenses and permits	19,702	19,735	21,935	22,367	6,514	22,364	24,020	23,992	22,291	2,651
Use of money and property	15,577	16,095	18,564	19,523	31,936	34,314	36,907	39,846	39,016	7,787
Intergovernmental	273,764	263,004	253,846	460,413	1,325,123	535,380	434,906	206,767	233,654	292,596
Charges for service	182,032	172,293	74,879	64,542	112,807	88,157	73,814	39,329	46,713	38,844
Special assessments	29,711	26,610	27,171	71,895						
Miscellaneous	59,755	54,391	63,713	109,606	56,279	55,288	262,375	301,394	149,765	147,244
Total	\$ 1,645,502	1,568,414	1,447,485	1,664,328	2,383,931	1,637,029	1,706,907	1,444,580	1,300,128	1,216,182
Disbursements:										
Operating:										
Public safety	\$ 346,350	322,187	280,695	289,096	240,802	217,064	231,053	219,589	236,671	246,957
Public works	442,368	348,656	365,894	233,872	197,451	210,408	285,650	282,552	319,535	285,894
Health and social services	6,200	4,950	5,500	5,000	3,570	3,500	3,500			
Culture and recreation	230,639	229,912	208,234	212,764	219,759	207,378	205,604	114,609	162,517	164,626
Community and economic development	154,977	45,926	75,252	31,800	68,488	45,583	64,894	87,336	95,011	156,537
General government	233,682	283,279	185,002	202,454	174,926	203,231	193,162	190,036	233,067	223,085
Debt service	1,211,302	373,259	776,486	273,163	251,038	247,600	325,867	107,319	158,533	183,818
Capital projects			290,084	1,643,905	1,317,184	400,161	2,024,181	128,333	279,726	694,880
Total	\$ 2,625,518	1,608,169	2,187,147	2,892,054	2,473,218	1,534,925	3,333,911	1,129,774	1,485,060	1,955,797

See accompanying independent auditor's report.



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

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Britt, Iowa, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 15, 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 Britt's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Britt's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Britt'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 significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Britt's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-15 through I-F-15 to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 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 Britt's Responses to Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Britt 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.

January 15, 2016



Renner & Birchem, P.C.
Britt, Iowa

City of Britt

Schedule of Findings

Year ended June 30, 2015

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

I-A-15 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The areas of cash receipts, cash disbursements, investments, and payroll under ideal conditions would be segregated.

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

Response - We will investigate this.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-15 Preparation of Financial Statements – The City does not have an internal control system designed to provide for the preparation of the financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for a governmental entity similar in population to the City of Britt. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, the City’s management and those charged with governance should decide whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – The city will continue to review and monitor procedures currently in place and evaluate the risks to be accepted in preparation of the financial statements.

Conclusion - Response accepted.

City of Britt
Schedule of Findings
Year ended June 30, 2015

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

I-C-15 Posting of Financial Transactions – Receipts and disbursements were not always posted to the correct accounts.

Recommendation – More care should be exercised when posting transactions to reduce the incidence of mispostings.

Response – In the future, more care will be exercised when posting transactions.

Conclusion - Response acknowledged.

I-D-15 Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement personnel.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so that they will not have to be made each time the same, or similar, situation arises.

Response – The City will investigate.

Conclusion – Response accepted.

I-E-15 Annual Financial Report – The City prepared the Annual Financial Report for the year ended June 30, 2015. However, the beginning balances did not agree with the ending balances in the prior years Annual Financial Report.

Recommendation – The City should implement procedures to ensure the Annual Financial Report is accurate in total as well as by fund/fund type.

Response – More training, time and attention will be given to the preparation of the Annual Financial Reports to ensure proper reporting in the future.

Conclusion - Response accepted.

I-F-15 Payroll – It was noted that timesheets did not include evidence of supervisory review and approval.

Recommendation – All employees should prepare timesheets and they should be reviewed and approved by a supervisor or the Mayor prior to payroll being processed.

City of Britt
Schedule of Findings
Year ended June 30, 2015

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

Response – We will attempt to have timesheets approved by a supervisor or Mayor.

Conclusion - Response accepted.

Instances of Non-compliance:

No matters were noted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget – At June 30, 2015, disbursements exceeded the amounts budgeted in the culture and recreation, community and economic development and debt service activities function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

Response – The budget will be amended before disbursements are allowed to exceed the budget.

Conclusion - Response accepted.

II-B-15 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

II-D-15 Business Transactions - No transactions between the City and City officials were noted.

II-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 insure that the coverage is adequate for current operations.

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

Although minutes of City Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

City of Britt

Schedule of Findings

Year ended June 30, 2015

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

Minutes of City Council meetings were not always signed as required by Chapter 380.7 of the Code of Iowa.

Minutes of City Council meetings were not always approved at a subsequent meeting.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and publish minutes as required. All minutes should also be signed to authenticate the actions taken.

Response – All minutes will be published within fifteen days. All minutes will also be signed.

Conclusion - Response accepted.

II-G-15 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy. However, no depository resolution including all depositories used by the City was adopted as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – A resolution in amount sufficient to cover anticipated balances at approved depositories should be adopted by the City.

Response – We will comply.

Conclusion - Response accepted.

II-H-15 Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.