

**CITY OF CRESCO, IOWA**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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# Officials

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Name	Title	Term Expires
<b>Elected Officials</b>		
Mark Bohle	Mayor	January, 2016
John Loveless	Mayor Pro Tem	January, 2016
Teresa McGee	Council Member	January, 2016
Amy Bouska	Council Member	January, 2018
Jan Carman	Council Member	January, 2016
Steve McCarville	Council Member	January, 2018
<b>Appointed Officials</b>		
Michelle Girolamo	City Clerk	Indefinite
Joseph P. Braun	Attorney	Indefinite
Rodney Freidhof	Public Works Director	Indefinite

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# HOGAN • HANSEN

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Certified Public Accountants and Consultants

## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Cresco, 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 prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America; 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.

### Opinion

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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Cresco as of June 30, 2015, and the respective changes in the cash basis financial position for the year then ended, in conformity with the basis of accounting described in Note 1.

**Basis of Accounting**

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

**Emphasis of a Matter**

As disclosed in Note 4 to the financial statements, the City of Cresco 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 Information**

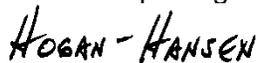
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cresco's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included on pages 33 through 37 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in our 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 general accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Information**

The other information, management's discussion and analysis, budgetary comparison information, schedule of the proportionate share of the net pension liability and schedule of contributions on pages 4 through 10 and 27 through 32, 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 a report dated February 19, 2016 on our consideration of the City of Cresco's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Cresco's internal control over financial reporting and compliance.



HOGAN - HANSEN

Mason City, Iowa  
February 19, 2016

**City of Cresco, Iowa**  
**Management's Discussion and Analysis**  
**June 30, 2015**

The City of Cresco 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 \$3,105,868 from fiscal year 2014 to fiscal year 2015. This increase is primarily due to \$2,968,942 of note proceeds that were received in the 2015 fiscal year.

Disbursements of the City's governmental activities increased \$2,123,094 in fiscal year 2015 from fiscal year 2014. This increase is mainly due to spending approximately \$2,000,000 on the Granger Road project and purchasing a dump truck for \$95,000. In addition, the theatre was operated by the City for the full year which increased revenue and also increased operating expenses by \$92,000.

The City's total cash basis net position increased \$1,240,935 from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities increased \$888,499 and the cash basis net position of the business-type activities increased \$352,436.

**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 statement of activities and net position - cash basis. 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 are financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

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

## **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 - cash basis reports information that helps answer this question.

The statement of activities and net position - cash basis 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 statement of activities and net position - cash basis 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, state and federal grants and charges for service finance most of these activities.
- Business-type activities include the waterworks, the sanitary sewer system and various other activities. 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 such as Road Use Tax and Employee Benefits; (c) the Debt Service Fund and (d) the 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.

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 water, sewer, capital improvement and yard waste, of which 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 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 \$3,831,651 a year ago to \$4,720,150. The analysis that follows focuses on the changes in cash balances for governmental activities.

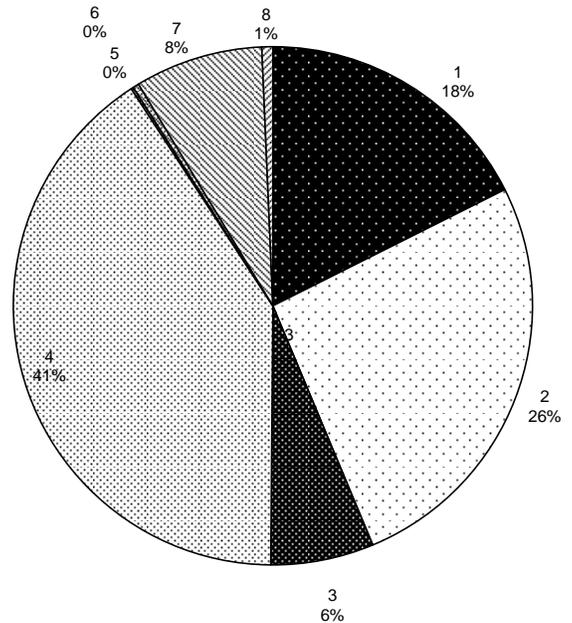
### Changes in Cash Basis Net Position of Governmental Activities

	<u>Year Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Receipts		
Program Receipts		
Charges for service	\$ 1,263,082	\$ 1,157,920
Operating grants, contributions and restricted interest	572,779	616,957
General Receipts		
Property and other city tax	1,874,800	1,869,164
Local option sales tax	460,893	380,683
Unrestricted interest on investments	10,492	9,797
Note proceeds	2,920,000	30,000
Premium on note proceeds	48,942	—
Sale of capital assets	27,436	7,501
Other general receipts	—	534
Total Receipts	<u>7,178,424</u>	<u>4,072,556</u>
Disbursements		
Public safety	678,141	874,205
Public works	1,334,858	1,188,830
Health and social services	4,151	4,151
Culture and recreation	1,161,029	1,076,727
Community and economic development	54,464	146,709
General government	303,322	305,630
Debt service	596,538	387,129
Capital projects	<u>2,189,200</u>	<u>215,228</u>
Total Disbursements	<u>6,321,703</u>	<u>4,198,609</u>
Change in Net Position Before Transfers	856,721	(126,053)
Transfers, net	<u>31,778</u>	<u>43,012</u>
Change in Cash Basis Net Position	888,499	(83,041)
Cash Basis Net Position - Beginning of Year	<u>3,831,651</u>	<u>3,914,692</u>
<b>Cash Basis Net Position - End of Year</b>	<b><u>\$ 4,720,150</u></b>	<b><u>\$ 3,831,651</u></b>

## Receipts by Source

1. Charges for service	\$ 1,263,082
2. Property and other city tax	1,874,800
3. Local option sales tax	460,893
4. Note proceeds	2,920,000
5. Unrestricted interest on investments	10,492
6. Sale of capital assets	27,436
7. Operating grants, contributions and restricted interest	572,779
8. Premium on note proceeds	<u>48,942</u>

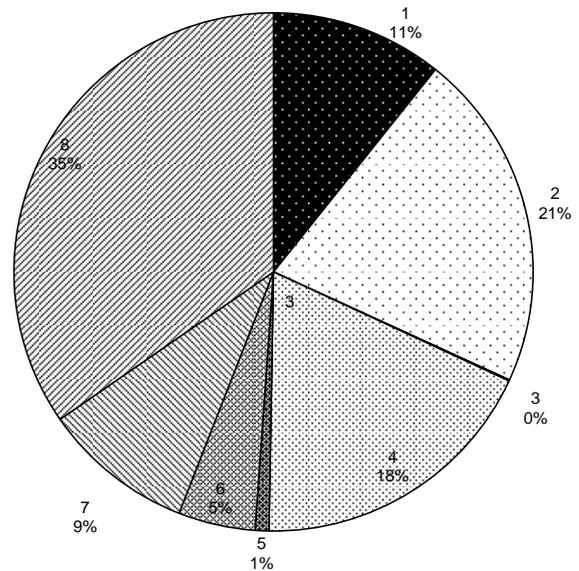
**Total** **\$ 7,178,424**



## Disbursements by Function

1. Public safety	\$ 678,141
2. Public works	1,334,858
3. Health and social services	4,151
4. Culture and recreation	1,161,029
5. Community and economic development	54,464
6. General government	303,322
7. Debt service	596,538
8. Capital projects	<u>2,189,200</u>

**Total** **\$ 6,321,703**



The City's total receipts for governmental activities increased by 76.3%, or \$3,105,868. The increase was primarily due to note proceeds received in the current fiscal year.

The total cost of all programs and services increased by \$2,123,094, or 50.6%. The majority of this increase was in the capital projects function due to the major reconstruction of Granger Road. In addition, the theatre and opera house completed their first year of operation under the direction of the City of Cresco.

## Changes in Cash Basis Net Position of Business-Type Activities

	<b>Year Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
Receipts		
Program Receipts		
Charges for Service		
Water	\$ 523,447	\$ 495,292
Sewer	766,508	736,217
Other proprietary	84,226	84,495
Operating grants, contributions and restricted interest	—	5,100
General Receipts		
Sale of capital assets	100	1,400
Unrestricted interest on investments	2,364	2,085
Other general receipts	25	165
Total Receipts	1,376,670	1,324,754
Disbursements		
Water	388,463	470,642
Sewer	551,997	669,270
Other proprietary	51,996	59,178
Total Disbursements	992,456	1,199,090
Change in Cash Basis Net Position Before Transfers	384,214	125,664
Transfers, net	(31,778)	(43,012)
Change in Cash Basis Net Position	352,436	82,652
Cash Basis Net Position - Beginning of Year	2,071,698	1,989,046
<b>Cash Basis Net Position - End of Year</b>	<b>\$ 2,424,134</b>	<b>\$ 2,071,698</b>

Total business-type activities receipts for the fiscal year were \$1,376,670 compared to \$1,324,754 last year. The increase was mainly due to an increase in water and sewer rates, charges for service and installation. The cash balance increased by \$352,436, or 17.0%, from the prior year. Total disbursements for the fiscal year decreased by 17.2%, or \$206,634. This decrease in disbursements was primarily due to a reduction in wages and benefits by eliminating one employee in the sewer and water department. Also, projects in 2014 included removing a water works building, water main looping, installing lift station generators and purchase of a tractor.

### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The City of Cresco's governmental funds reported a combined fund balance of \$4,663,041, an increase of \$876,282 from last year's total of \$3,786,759.

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 \$187,123 from the prior year to \$2,144,955. This increase was largely due to operating expenses being less than budgeted in several departments, airport land rent increased \$17,000 and the City's portion of law enforcement center expenses decreased \$47,000. In addition, the theatre repair project was not completed during the fiscal year ended June 30, 2015 as originally planned.

The Special Revenue, Road Use Tax Fund cash balance increased by \$36,726 to \$680,968 during the fiscal year. This increase is due to more road use tax received than budgeted and disbursements were less than budgeted.

The Special Revenue, Employee Benefits Fund cash balance increased \$22,594 to \$544,117 during the fiscal year. This year the City received \$469,181 in property tax. The City also received \$23,483 from employees for their portion of family health insurance premiums. This fund pays FICA, Medicare, IPERS, unemployment claims, health and life insurance for employees, except those employees paid from the water and sewer utilities. Revenue decreased approximately \$4,700 from the fiscal year ended June 30, 2014 due to a decrease in the percentage of law enforcement reimbursement; however, health insurance costs increased causing overall fund disbursements to increase approximately \$8,400 over the fiscal year ended June 30, 2014.

The Capital Projects, Street Assessment Project Fund cash balance increased by \$789,554 to \$812,155 during the fiscal year. During the fiscal year ended June 30, 2015, the City issued \$2,968,942 of general obligation notes for the reconstruction of Granger Road and had incurred only \$2,189,200 of expenses. The remaining \$779,742 of note proceeds will be spent on the project in fiscal year 2016.

## **INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS**

The Enterprise, Water Fund cash balance increased \$122,035 to \$577,454 due to an increase in water rates to build the fund balance up for future scheduled projects, including the pulling of both wells.

The Enterprise, Sewer Fund cash balance increased \$212,562 to \$1,418,373 due to less slip lining required than planned. Also, clarifier painting was not completed; therefore it will be getting done next fiscal year. Sewer rates increased to build up the reserves for future progress.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget two times. The amendments were approved on September 15, 2014 and April 6, 2015. The amendments resulted in increasing budgeted disbursements \$1,595,000, budgeted receipts \$1,295,000 and reducing the budgeted profit from \$157,637 to a budgeted loss of \$142,863. Disbursements increased for operating the theatre, reconstruction of Granger Road, LED replacements, nuisance properties, purchase of two trucks, repairs and other unanticipated disbursements.

The City's disbursements did not exceed the amounts budgeted for the year ended June 30, 2015.

## DEBT ADMINISTRATION

As of June 30, 2015, the City had \$5,381,000 of notes outstanding, compared to \$2,972,000 last year, as shown below.

### Outstanding Debt at Year End

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
General obligation notes	\$ 4,753,000	\$ 2,292,000
Revenue notes	<u>628,000</u>	<u>680,000</u>
<b>Total</b>	<b><u>\$ 5,381,000</u></b>	<b><u>\$ 2,972,000</u></b>

Debt increased as a result of general obligation notes issued primarily for the Granger Road reconstruction project as well as for street improvements, water mains and sewer and sanitary sewer improvements.

The City continues to carry a general obligation bond rating of A1. 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 \$4,753,000 is below its constitutional debt limit of \$8,588,940. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The budget for fiscal year 2016 shows an estimated loss due to several projects not getting done in the last fiscal year, such as the Granger Road reconstruction project, theatre repairs, painting clarifier and slip lining of sewers. The reconstruction of the theatre and marquee will be an extensive expense due to maintaining the historical building. The sewer plant will have significant improvements to conform to new EPA and DNR regulations. Energy conservation is an important factor for reducing future expenses.

## 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, please contact Michelle Girolamo, City Clerk, at 130 North Park Place, Cresco, IA 52136-1631.

## **Basic Financial Statements**

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**Statement of Activities and Net Position - Cash Basis**

As of and for the Year Ended June 30, 2015

Functions/Programs	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Units
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total	
<b>Governmental Activities</b>							
Public safety .....	\$ 678,141	\$ 25,143	\$ 58,945	\$ (594,053)	\$ —	\$ (594,053)	\$ —
Public works .....	1,334,858	610,570	424,566	(299,722)	—	(299,722)	—
Health and social services .....	4,151	—	—	(4,151)	—	(4,151)	—
Culture and recreation .....	1,161,029	538,447	49,197	(573,385)	—	(573,385)	—
Community and economic development .....	54,464	3,250	36,072	(15,142)	—	(15,142)	—
General government .....	303,322	85,672	3,999	(213,651)	—	(213,651)	—
Debt service .....	596,538	—	—	(596,538)	—	(596,538)	—
Capital projects .....	2,189,200	—	—	(2,189,200)	—	(2,189,200)	—
<b>Total Governmental Activities .....</b>	<b>6,321,703</b>	<b>1,263,082</b>	<b>572,779</b>	<b>(4,485,842)</b>	<b>—</b>	<b>(4,485,842)</b>	<b>—</b>
<b>Business-Type Activities</b>							
Water .....	388,463	523,447	—	—	134,984	134,984	—
Sewer .....	551,997	766,508	—	—	214,511	214,511	—
Other proprietary .....	51,996	84,226	—	—	32,230	32,230	—
<b>Total Business-Type Activities .....</b>	<b>992,456</b>	<b>1,374,181</b>	<b>—</b>	<b>—</b>	<b>381,725</b>	<b>381,725</b>	<b>—</b>
<b>Total .....</b>	<b>\$ 7,314,159</b>	<b>\$ 2,637,263</b>	<b>\$ 572,779</b>	<b>(4,485,842)</b>	<b>381,725</b>	<b>(4,104,117)</b>	<b>—</b>
<b>Component Units</b>							
Cresco Public Library Foundation .....	\$ 25,263	—	\$ 17,979	—	—	—	(7,284)
Cresco Fire Fighters, Inc. ....	65,265	—	39,435	—	—	—	(25,830)
<b>Total Component Units .....</b>	<b>\$ 90,528</b>	<b>—</b>	<b>\$ 57,414</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(33,114)</b>
<b>General Receipts and Transfers</b>							
Property and Other City Tax Levied for							
General purposes .....				1,101,439	—	1,101,439	—
Debt service .....				304,179	—	304,179	—
Employee benefits .....				469,182	—	469,182	—
Local option sales tax .....				460,893	—	460,893	—
Unrestricted interest on investments .....				10,492	2,364	12,856	3,735
Miscellaneous .....				—	25	25	—
General obligation note proceeds .....				2,920,000	—	2,920,000	—
Premium on general obligation note issued .....				48,942	—	48,942	—
Sale of capital assets .....				27,436	100	27,536	—
Transfers .....				31,778	(31,778)	—	—
<b>Total General Receipts and Transfers .....</b>				<b>5,374,341</b>	<b>(29,289)</b>	<b>5,345,052</b>	<b>3,735</b>
<b>Change in Cash Basis Net Position .....</b>				<b>888,499</b>	<b>352,436</b>	<b>1,240,935</b>	<b>(29,379)</b>
Cash Basis Net Position - Beginning of Year .....				3,831,651	2,071,698	5,903,349	360,102
<b>Cash Basis Net Position - End of Year .....</b>				<b>\$ 4,720,150</b>	<b>\$ 2,424,134</b>	<b>\$ 7,144,284</b>	<b>\$ 330,723</b>
<b>Cash Basis Net Position</b>							
Restricted							
Expendable							
Debt service .....				\$ 38,979	\$ 287,469	\$ 326,448	\$ —
Streets .....				680,968	—	680,968	—
Employee benefits .....				544,117	—	544,117	—
Other purposes .....				1,164,022	—	1,164,022	—
Unrestricted .....				2,292,064	2,136,665	4,428,729	330,723
<b>Total Cash Basis Net Position .....</b>				<b>\$ 4,720,150</b>	<b>\$ 2,424,134</b>	<b>\$ 7,144,284</b>	<b>\$ 330,723</b>

See accompanying notes to the financial statements.

**Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Governmental Funds - All Fund Types**

As of and for the Year Ended June 30, 2015

	General	Special Revenue			Capital Projects	Nonmajor	Total
		Road Use Tax	Employee Benefits	Local Option Revenue	Street Assessment Project		
<b>Receipts</b>							
Property tax .....	\$ 1,015,632	\$ —	\$ 452,104	\$ —	\$ —	\$ 293,201	\$ 1,760,937
Other city tax .....	59,430	—	8,975	460,893	—	5,747	535,045
Licenses and permits .....	47,935	—	—	—	—	—	47,935
Use of money and property .....	69,389	—	522	—	1,614	5,607	77,132
Intergovernmental .....	108,518	402,204	8,102	—	—	5,231	524,055
Charges for service .....	1,006,997	—	—	—	—	2,539	1,009,536
Special assessments .....	—	—	—	—	8,198	—	8,198
Miscellaneous .....	144,495	—	23,564	—	—	51,149	219,208
<b>Total Receipts .....</b>	<b>2,452,396</b>	<b>402,204</b>	<b>493,267</b>	<b>460,893</b>	<b>9,812</b>	<b>363,474</b>	<b>4,182,046</b>
<b>Disbursements</b>							
Operating							
Public safety .....	533,583	—	146,282	—	—	1,114	680,979
Public works .....	843,503	365,478	130,311	—	—	—	1,339,292
Health and social services .....	4,151	—	—	—	—	—	4,151
Culture and recreation .....	960,800	—	149,462	—	—	54,603	1,164,865
Community and economic development .....	54,351	—	—	—	—	113	54,464
General government .....	259,813	—	44,618	—	—	—	304,431
Debt service .....	—	—	—	—	—	596,538	596,538
Capital projects .....	—	—	—	—	2,189,200	—	2,189,200
<b>Total Disbursements .....</b>	<b>2,656,201</b>	<b>365,478</b>	<b>470,673</b>	<b>—</b>	<b>2,189,200</b>	<b>652,368</b>	<b>6,333,920</b>
<b>Receipts Over (Under) Disbursements .....</b>	<b>(203,805)</b>	<b>36,726</b>	<b>22,594</b>	<b>460,893</b>	<b>(2,179,388)</b>	<b>(288,894)</b>	<b>(2,151,874)</b>
<b>Other Financing Sources (Uses)</b>							
General obligation note proceeds .....	—	—	—	—	2,968,942	—	2,968,942
Sales of capital assets .....	27,436	—	—	—	—	—	27,436
Transfers in .....	418,844	—	—	—	—	131,219	550,063
Transfers out .....	(55,352)	—	—	(460,893)	—	(2,040)	(518,285)
<b>Total Other Financing Sources (Uses) .....</b>	<b>390,928</b>	<b>—</b>	<b>—</b>	<b>(460,893)</b>	<b>2,968,942</b>	<b>129,179</b>	<b>3,028,156</b>
<b>Change in Cash Balances .....</b>	<b>187,123</b>	<b>36,726</b>	<b>22,594</b>	<b>—</b>	<b>789,554</b>	<b>(159,715)</b>	<b>876,282</b>
Cash Balances - Beginning of Year .....	1,957,832	644,242	521,523	—	22,601	640,561	3,786,759
<b>Cash Balances - End of Year .....</b>	<b>\$ 2,144,955</b>	<b>\$ 680,968</b>	<b>\$ 544,117</b>	<b>\$ —</b>	<b>\$ 812,155</b>	<b>\$ 480,846</b>	<b>\$ 4,663,041</b>
<b>Cash Basis Fund Balances</b>							
Restricted for							
Employee benefits .....	\$ —	\$ —	\$ 544,117	\$ —	\$ —	\$ —	\$ 544,117
Fire equipment .....	—	—	—	—	—	161,932	161,932
Equipment repair - fitness .....	—	—	—	—	—	46,888	46,888
CIDC revolving loan .....	—	—	—	—	—	81,388	81,388
Debt service .....	—	—	—	—	—	38,979	38,979
Streets .....	—	680,968	—	—	—	—	680,968
Library .....	—	—	—	—	—	40,189	40,189
Capital projects .....	—	—	—	—	812,155	—	812,155
Other purposes .....	—	—	—	—	—	21,470	21,470
Committed to							
Telecommunications .....	64,359	—	—	—	—	—	64,359
Airpacks and turnout gear .....	—	—	—	—	—	90,000	90,000
Assigned for							
Streets .....	52,382	—	—	—	—	—	52,382
Other purposes .....	107,231	—	—	—	—	—	107,231
Unassigned .....	1,920,983	—	—	—	—	—	1,920,983
<b>Total Cash Basis Fund Balances .....</b>	<b>\$ 2,144,955</b>	<b>\$ 680,968</b>	<b>\$ 544,117</b>	<b>\$ —</b>	<b>\$ 812,155</b>	<b>\$ 480,846</b>	<b>\$ 4,663,041</b>

See accompanying notes to the financial statements.

## Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Position - Cash Basis - Governmental Funds

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As of and for the Year Ended June 30, 2015

**Total Governmental Funds Cash Balances (Page 12)..... \$ 4,663,041**

***Amounts reported for governmental activities in the statement of activities and net position - cash basis are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in governmental activities in the statement of activities and net position - cash basis

57,109

**Cash Basis Net Position of Governmental Activities (Page 11)..... \$ 4,720,150**

**Change in Cash Balances (Page 12) ..... \$ 876,282**

***Amounts reported for governmental activities in the statement of activities and net position - cash basis are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with governmental activities in the statement of activities and net position - cash basis .....

12,217

**Change in Cash Basis Net Position of Governmental Activities (Page 11) ..... \$ 888,499**

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

As of and for the Year Ended June 30, 2015

	Water	Enterprise Sewer	Nonmajor	Total	Internal Service Employee Health
<b>Operating Receipts</b>					
Charges for service .....	\$ 495,057	\$ 746,842	\$ 84,226	\$ 1,326,125	\$ 32,535
Miscellaneous.....	28,490	19,666	—	48,156	3,960
<b>Total Operating Receipts .....</b>	<b><u>523,547</u></b>	<b><u>766,508</u></b>	<b><u>84,226</u></b>	<b><u>1,374,281</u></b>	<b><u>36,495</u></b>
<b>Operating Disbursements</b>					
Governmental Activities					
General government.....	—	—	—	—	19,300
Business-type activities .....	391,178	484,147	51,996	927,321	—
<b>Total Operating Disbursements .....</b>	<b><u>391,178</u></b>	<b><u>484,147</u></b>	<b><u>51,996</u></b>	<b><u>927,321</u></b>	<b><u>19,300</u></b>
<b>Operating Receipts Over Operating Disbursements.....</b>	<b><u>132,369</u></b>	<b><u>282,361</u></b>	<b><u>32,230</u></b>	<b><u>446,960</u></b>	<b><u>17,195</u></b>
<b>Nonoperating Receipts (Disbursements)</b>					
Interest on investments .....	592	1,386	411	2,389	72
Debt service .....	—	(70,185)	—	(70,185)	—
<b>Net Nonoperating Receipts (Disbursements).....</b>	<b><u>592</u></b>	<b><u>(68,799)</u></b>	<b><u>411</u></b>	<b><u>(67,796)</u></b>	<b><u>72</u></b>
<b>Receipts Over Disbursements .....</b>	<b><u>132,961</u></b>	<b><u>213,562</u></b>	<b><u>32,641</u></b>	<b><u>379,164</u></b>	<b><u>17,267</u></b>
<b>Other Financing Uses</b>					
Transfers out .....	(10,926)	(1,000)	(19,852)	(31,778)	—
<b>Change in Cash Balances.....</b>	<b>122,035</b>	<b>212,562</b>	<b>12,789</b>	<b>347,386</b>	<b>17,267</b>
Cash Balances - Beginning of Year.....	455,419	1,205,811	391,649	2,052,879	63,711
<b>Cash Balances - End of Year.....</b>	<b><u>\$ 577,454</u></b>	<b><u>\$ 1,418,373</u></b>	<b><u>\$ 404,438</u></b>	<b><u>\$ 2,400,265</u></b>	<b><u>\$ 80,978</u></b>
<b>Cash Basis Fund Balances</b>					
Restricted for debt service.....	\$ —	\$ 287,469	\$ —	\$ 287,469	\$ —
Unrestricted .....	577,454	1,130,904	404,438	2,112,796	80,978
<b>Total Cash Basis Fund Balances .....</b>	<b><u>\$ 577,454</u></b>	<b><u>\$ 1,418,373</u></b>	<b><u>\$ 404,438</u></b>	<b><u>\$ 2,400,265</u></b>	<b><u>\$ 80,978</u></b>

See accompanying notes to financial statements.

# Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Position - Cash Basis - Proprietary Funds

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As of and for the Year Ended June 30, 2015

**Total Enterprise Funds Cash Balances (Page 14)..... \$ 2,400,265**

***Amounts reported for business-type activities in the statement of activities and net position - cash basis are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in the business-type activities in the statement of activities and net position - cash basis .

23,869

**Cash Basis Net Position of Business-Type Activities (Page 11)..... \$ 2,424,134**

**Change in Cash Balances (Page 14) ..... \$ 347,386**

***Amounts reported for business-type activities in the statement of activities and net position - cash basis are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in cash balance of the Internal Service Fund is reported with business-type activities in the statement of activities and net position - cash basis .

5,050

**Change in Cash Basis Net Position of Business-Type Activities (Page 11) ..... \$ 352,436**

## Notes to the Financial Statements

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### **(1) Summary of Significant Accounting Policies**

The City of Cresco is a political subdivision of the State of Iowa located in Howard County. It was first incorporated in 1866 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 nonpartisan 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.

#### **Reporting Entity**

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

These financial statements present the City of Cresco (the primary government) and its discretely presented component units, the Cresco Public Library Foundation (Foundation) and Cresco Fire Fighters, Inc. (Organization). Neither the Foundation nor the Organization issue separately audited financial statements.

#### **Discrete Component Units**

The Cresco Public Library Foundation (an Iowa nonprofit corporation) is a component unit that is legally separate from the City. The Foundation is governed by a Board of Trustees, which is the same Board as the Library Board. Economic resources received by the Foundation are used for the direct benefit of the Cresco Public Library and, therefore, the City's constituents.

Cresco Fire Fighters, Inc. (an Iowa nonprofit corporation) is a component unit that is legally separate from the City. The Organization is governed by a Board of Directors. Economic resources received by the Organization are used for the direct benefit of the City's constituents. The Organization has a year end of December 31. Accordingly, the Organization's financial information included in the statement of activities and net position is as of and for the year ended December 31, 2014.

In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation and the Cresco Fire Fighters, Inc. meet the definition of a component unit which should be discretely presented.

#### **Jointly Governed Organizations**

The City also participates in several jointly governed organizations that provide goods and 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: Cresco Industrial Development Corporation, Planning and Zoning Board, Regional Health Services Foundation Board, Intermediary Relending Program Board, Prairie Springs Recreation Trails Board, Upper Explorerland Regional Planning Commission and Howard County Agricultural Society Board.

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

### Basis of Presentation

#### ***Government-Wide Financial Statements***

The statement of activities and net position - cash basis 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 revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of activities and net position - cash basis presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

*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 category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The statement of activities and net position - cash basis 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 other nonmajor governmental funds, and all remaining enterprise funds are aggregated and reported as other nonmajor proprietary funds.

The City reports the following major governmental funds:

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

#### *Special Revenue*

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

The *Employee Benefits Fund* is used to account for employee payroll taxes and health and life insurance expense.

## Notes to the Financial Statements

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### (1) Summary of Significant Accounting Policies

The *Local Option Revenue Fund* is used to account for the collection and use of local option sales and services tax.

#### *Capital Projects*

The *Street Assessment Project Fund* is used to account for all resources used in the acquisition and construction of City roads and other capital expenditures related to City roads.

The City reports the following major proprietary funds:

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

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

The City also reports the following additional proprietary fund:

The *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.

### **Basis of Accounting**

The City of Cresco 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 fund types in accordance with accounting principles generally accepted in the United States of America.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then 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 nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

### Governmental Cash Basis Fund Balances

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

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

**Committed** - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

**Assigned** - Amounts the City Council intends to use for specific purposes.

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

### Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. Disbursements for the year ended June 30, 2015 did not exceed the amounts budgeted.

## (2) Cash and Pooled Investments

The City's deposits as of 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 other than certificates of deposit as of June 30, 2015.

### Component Units

The Cresco Public Library Foundation cash and investments as of June 30, 2015 are shown below:

Certificates of deposit .....	\$ 248,601
Checking/savings .....	21,681
	<u>\$ 270,282</u>

Cresco Fire Fighters, Inc. cash and investments as of December 31, 2014 are shown below:

Certificates of deposit .....	\$ 10,362
Checking/savings .....	50,079
	<u>\$ 60,441</u>

## Notes to the Financial Statements

### (3) Notes Payable

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

Ending June 30,	General Obligation Notes		Sewer Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016 .....	\$ 515,000	\$ 102,287	\$ 54,000	\$ 15,890	\$ 569,000	\$ 118,177
2017 .....	440,000	103,519	57,000	14,708	497,000	118,227
2018 .....	351,000	97,083	58,000	13,460	409,000	110,543
2019 .....	352,000	91,077	61,000	12,195	413,000	103,272
2020 .....	357,000	84,906	64,000	10,865	421,000	95,771
2021-2025 ..	1,413,000	324,954	163,000	37,370	1,576,000	362,324
2026-2030 ..	775,000	182,813	140,000	17,550	915,000	200,363
2031-2035 ..	550,000	66,375	31,000	930	581,000	67,305
	<b><u>\$ 4,753,000</u></b>	<b><u>\$ 1,053,014</u></b>	<b><u>\$ 628,000</u></b>	<b><u>\$ 122,968</u></b>	<b><u>\$ 5,381,000</u></b>	<b><u>\$ 1,175,982</u></b>

#### Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay sewer revenue notes issued in August, 2001 and June, 2011. Proceeds from the notes provided financing for improvements to the sewer system. The notes are payable solely from sewer customer net receipts and are payable through 2021 and 2031, respectively. Sewer user charges must be established at a level which produces and maintains net revenue at a level not less than 110% of principal and interest falling due in the same year. As of June 30, 2015, the total principal and interest remaining to be paid on the notes is \$750,968. For the current year, principal and interest paid and total customer net receipts were \$69,025 and \$282,361, respectively.

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

1. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the fund.
2. Sufficient cash transfers shall be made to the municipal sanitary sewer utility revenue note and interest sinking account within the Sewer Fund for the purpose of making the note principal and interest payments when due.
3. Additional cash transfers shall be made to the municipal sanitary sewer utility revenue debt service reserve account within the Sewer Fund until a specific minimum balance has been reached to provide a reserve to meet future note principal and interest payments.

The City was in compliance with these provisions as of June 30, 2015.

### (4) Pension and Retirement Benefits

#### 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 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](http://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.)

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% 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% 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.

## (4) Pension and Retirement Benefits

### 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 one 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% of pay and the City contributed 8.93% for a total rate of 14.88%.

The City's contributions to IPERS for the year ended June 30, 2015 were \$121,350.

### Collective Net Pension Liabilities, Collective Pension Expense and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions

As of June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$544,263. 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. As of June 30, 2014, the City's proportion was 0.0137235% which was a decrease of 0.0022713% 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 \$53,251, \$137,704 and \$317,089, 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:

Rate of inflation (effective June 30, 2014)	3%
Salary increases (effective June 30, 2010)	4% to 17%, average, including inflation
Investment rate of return (effective June 30, 1996)	7.5% 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.

## Notes to the Financial Statements

### (4) Pension and Retirement Benefits

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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
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)
<b>Total</b>	<u><u>100%</u></u>	

#### Discount Rate

The discount rate used to measure the total pension liability was 7.5%. 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%, 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 one percentage point lower (6.5%) or one percentage point higher (8.5%) 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	\$1,249,725	\$544,263	(\$50,993)

#### 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](http://www.ipers.org).

# Notes to the Financial Statements

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## (5) Other Postemployment Benefits (OPEB)

### Plan Description

The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 27 active members and 5 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded plan with Wellmark. Retirees pay their actual premium based on age as determined by Wellmark.

### 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 \$460 for single coverage and \$1,145 for family coverage. For the year ended June 30, 2015, the City contributed \$310,144 and plan members eligible for benefits contributed \$66,938 to the plan.

## (6) Compensated Absences

City employees accumulate a limited amount of earned but unused compensatory time off, vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. Compensatory time off and vacation benefits are payable in full when used or upon termination, retirement or death. Sick leave hours are payable in full when used, while the amount payable upon retirement or death is 20% of accumulated hours at the current hourly rate. Additionally, an employee may apply 100% of unused sick leave to pay health insurance premiums upon retirement.

These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate maximum liability for earned compensatory time off, vacation and sick leave (including related fringe benefits) payable to employees as of June 30, 2015 was as follows:

<b>Type of Benefit</b>	<b>Amount</b>
Compensatory time off .....	\$ 32,879
Vacation .....	103,063
Sick leave .....	<u>513,444</u>
<b>Total</b> .....	<b><u>\$ 649,386</u></b>

This liability has been computed based on rates of pay as of June 30, 2015 and includes a 45.95% fringe benefits factor.

## Notes to the Financial Statements

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### (7) Interfund Transfers

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

Transfer To	Transfer From	Amount
General	Enterprise	
	Water	\$ 1,000
	Sewer	1,000
	Special Revenue	
	Local Option Revenue	414,804
	Expendable Trust	<u>2,040</u>
		<u>418,844</u>
Capital Projects		
150th Celebration	General	<u>500</u>
Special Revenue		
Expendable Trust	General	<u>35,000</u>
Debt Service	General	19,852
	Special Revenue	
	Local Option Revenue	46,089
	Enterprise	
	Municipal Sanitary Sewer Utility and	
	Water Utility Capital Improvements	19,852
	Water	<u>9,926</u>
		<u>95,719</u>
<b>Total</b>		<b><u>\$ 550,063</u></b>

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

### (8) Risk Management

The City of Cresco 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 the Financial Statements

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### **(9) Commitments**

As of June 30, 2015, the City had entered into various contracts and agreements with remaining commitments totaling approximately \$433,000 for road improvements, \$255,000 for the 3rd Street, West reconstruction project, \$171,000 for water main improvements and \$50,000 for repairs at the theatre.

### **(10) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$10,787 during the year ended June 30, 2015.

### **(11) Subsequent Events**

Management has evaluated subsequent events through February 19, 2016, the date which the financial statements were available to be issued.

Subsequent to June 30, 2015, the City approved a contract to purchase 49 LED lights for approximately \$78,000.

**Other Information** 

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

Year Ended June 30, 2015

	Governmental Funds - Actual	Proprietary Funds - Actual	Less Funds Not Required to be Budgeted	Total	Budgeted Amounts		Final to Total Variance
					Original	Final	
<b>Receipts</b>							
Property tax.....	\$ 1,760,937	\$ —	\$ —	\$ 1,760,937	\$ 1,746,257	\$ 1,746,257	\$ 14,680
Other city tax.....	535,045	—	—	535,045	447,915	527,915	7,130
Licenses and permits.....	47,935	—	—	47,935	13,100	50,700	(2,765)
Use of money and property.....	77,132	2,461	72	79,521	83,498	83,498	(3,977)
Intergovernmental.....	524,055	—	—	524,055	483,122	494,022	30,033
Charges for service.....	1,009,536	1,358,660	32,535	2,335,661	2,281,860	2,333,060	2,601
Special assessments.....	8,198	—	—	8,198	—	40,000	(31,802)
Miscellaneous.....	219,208	52,116	3,960	267,364	218,765	264,165	3,199
<b>Total Receipts.....</b>	<b>4,182,046</b>	<b>1,413,237</b>	<b>36,567</b>	<b>5,558,716</b>	<b>5,274,517</b>	<b>5,539,617</b>	<b>19,099</b>
<b>Disbursements</b>							
Public safety.....	680,979	—	—	680,979	754,145	771,245	90,266
Public works.....	1,339,292	—	—	1,339,292	1,291,550	1,385,950	46,658
Health and social services.....	4,151	—	—	4,151	4,500	4,500	349
Culture and recreation.....	1,164,865	—	—	1,164,865	1,083,020	1,236,620	71,755
Community and economic development.....	54,464	—	—	54,464	56,000	67,500	13,036
General government.....	304,431	19,300	19,300	304,431	313,600	335,100	30,669
Debt service.....	596,538	—	—	596,538	385,765	597,765	1,227
Capital projects.....	2,189,200	—	—	2,189,200	2,100,000	3,000,000	810,800
Business-type activities.....	—	997,506	—	997,506	1,230,300	1,297,800	300,294
<b>Total Disbursements.....</b>	<b>6,333,920</b>	<b>1,016,806</b>	<b>19,300</b>	<b>7,331,426</b>	<b>7,218,880</b>	<b>8,696,480</b>	<b>1,365,054</b>
<b>Receipts Over (Under) Disbursements.....</b>	<b>(2,151,874)</b>	<b>396,431</b>	<b>17,267</b>	<b>(1,772,710)</b>	<b>(1,944,363)</b>	<b>(3,156,863)</b>	<b>1,384,153</b>
<b>Other Financing Sources (Uses), Net.....</b>	<b>3,028,156</b>	<b>(31,778)</b>	<b>—</b>	<b>2,996,378</b>	<b>2,102,000</b>	<b>3,014,000</b>	<b>(17,622)</b>
<b>Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses.....</b>	<b>876,282</b>	<b>364,653</b>	<b>17,267</b>	<b>1,223,668</b>	<b>157,637</b>	<b>(142,863)</b>	<b>1,366,531</b>
Balances - Beginning of Year.....	3,786,759	2,116,590	63,711	5,839,638	5,545,665	5,839,188	450
<b>Balances - End of Year.....</b>	<b>\$ 4,663,041</b>	<b>\$ 2,481,243</b>	<b>\$ 80,978</b>	<b>\$ 7,063,306</b>	<b>\$ 5,703,302</b>	<b>\$ 5,696,325</b>	<b>\$ 1,366,981</b>

See accompanying independent auditor's report.

## Notes to Other Information - Budgetary Reporting ---

Year Ended 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 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, two budget amendments increased budgeted disbursements by \$1,477,600. The budget amendments are reflected in the final budgeted amounts.

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

# Schedule of Proportionate Share of the Net Pension Liability ————— Iowa Public Employees' Retirement System

Last Fiscal Year\*

	<b>2015</b>
City's proportion of the net pension liability .....	0.0137235%
City's proportionate share of the net pension liability .....	\$544,263
City's covered-employee payroll .....	\$1,330,000
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll .....	40.92%
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.

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

**Schedule of Contributions**  
**Iowa Public Employees' Retirement System**

Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution .....	\$ 121,350	\$ 122,503	\$ 120,296	\$ 112,563	\$ 109,321	\$ 100,742	\$ 90,810	\$ 86,347	\$ 77,034	\$ 76,854
Contributions in relation to the statutorily required contributions...	<u>(121,350)</u>	<u>(122,503)</u>	<u>(120,296)</u>	<u>(112,563)</u>	<u>(109,321)</u>	<u>(100,742)</u>	<u>(90,810)</u>	<u>(86,347)</u>	<u>(77,034)</u>	<u>(76,854)</u>
Contribution Deficiency (Excess) .....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>					
City's covered-employee payroll .....	\$ 1,316,000	\$ 1,330,000	\$ 1,329,000	\$ 1,325,000	*	*	*	*	*	*
Contributions as a percentage of covered-employee payroll .....	9.22%	9.21%	9.05%	8.50%	*	*	*	*	*	*

\* The City's covered-employee payroll information was not readily available. Therefore, contributions as a percentage of covered payroll could not be calculated.

## Notes to Other Information - Pension Liability

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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% per year measured from the member's first unreduced retirement age to a 6% 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% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% 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.

## Notes to Other Information - Pension Liability

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Year Ended June 30, 2015

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% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

**Supplementary Information**

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## 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			Capital Projects	Debt Service	Total
	CDIC Revolving Loan	Police Forfeitures	Expendable Trust	150th Celebration		
<b>Receipts</b>						
Property tax .....	\$ —	\$ —	\$ —	\$ —	\$ 293,201	\$ 293,201
Other city tax .....	—	—	—	—	5,747	5,747
Use of money and property .....	4,950	—	354	—	303	5,607
Intergovernmental .....	—	—	—	—	5,231	5,231
Charges for service .....	—	1,229	1,310	—	—	2,539
Miscellaneous .....	33,045	—	18,104	—	—	51,149
<b>Total Receipts .....</b>	<b><u>37,995</u></b>	<b><u>1,229</u></b>	<b><u>19,768</u></b>	<b><u>—</u></b>	<b><u>304,482</u></b>	<b><u>363,474</u></b>
<b>Disbursements</b>						
Operating						
Public safety .....	—	1,114	—	—	—	1,114
Culture and recreation .....	—	—	54,603	—	—	54,603
Community and economic development .....	37	—	—	76	—	113
Debt service .....	—	—	—	—	596,538	596,538
<b>Total Disbursements .....</b>	<b><u>37</u></b>	<b><u>1,114</u></b>	<b><u>54,603</u></b>	<b><u>76</u></b>	<b><u>596,538</u></b>	<b><u>652,368</u></b>
<b>Receipts Over (Under) Disbursements .....</b>	<b><u>37,958</u></b>	<b><u>115</u></b>	<b><u>(34,835)</u></b>	<b><u>(76)</u></b>	<b><u>(292,056)</u></b>	<b><u>(288,894)</u></b>
<b>Other Financing Sources (Uses)</b>						
Transfers in .....	—	—	35,000	500	95,719	131,219
Transfers out .....	—	—	(2,040)	—	—	(2,040)
<b>Total Other Financing Sources (Uses) .....</b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>32,960</u></b>	<b><u>500</u></b>	<b><u>95,719</u></b>	<b><u>129,179</u></b>
<b>Change in in Cash Balances</b>	<b>37,958</b>	<b>115</b>	<b>(1,875)</b>	<b>424</b>	<b>(196,337)</b>	<b>(159,715)</b>
Cash Balances - Beginning of Year .....	43,430	—	361,815	—	235,316	640,561
<b>Cash Balances - End of Year .....</b>	<b><u>\$ 81,388</u></b>	<b><u>\$ 115</u></b>	<b><u>\$ 359,940</u></b>	<b><u>\$ 424</u></b>	<b><u>\$ 38,979</u></b>	<b><u>\$ 480,846</u></b>
<b>Cash Basis Fund Balances</b>						
Restricted for						
Fire equipment .....	\$ —	\$ —	\$ 161,932	\$ —	\$ —	\$ 161,932
Equipment repair - fitness .....	—	—	46,888	—	—	46,888
CDIC revolving loan .....	81,388	—	—	—	—	81,388
Debt service .....	—	—	—	—	38,979	38,979
Library .....	—	—	40,189	—	—	40,189
Other purposes .....	—	115	20,931	424	—	21,470
Committed to airpacks and turnout gear .....	—	—	90,000	—	—	90,000
<b>Total Cash Basis Fund Balances .....</b>	<b><u>\$ 81,388</u></b>	<b><u>\$ 115</u></b>	<b><u>\$ 359,940</u></b>	<b><u>\$ 424</u></b>	<b><u>\$ 38,979</u></b>	<b><u>\$ 480,846</u></b>

## Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Proprietary Funds

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As of and for the Year Ended June 30, 2015

	Enterprise		Total
	Municipal Sanitary Sewer Utility and Water Utility Capital Improvements	Yard Waste and Recycling	
<b>Operating Receipts</b>			
Charges for service .....	\$ 45,770	\$ 38,456	\$ 84,226
<b>Operating Disbursements</b>			
Business-type activities .....	<u>33,033</u>	<u>18,963</u>	<u>51,996</u>
<b>Operating Receipts Over Operating Disbursements</b> .....	<u>12,737</u>	<u>19,493</u>	<u>32,230</u>
<b>Nonoperating Receipts</b>			
Interest on investments .....	<u>301</u>	<u>110</u>	<u>411</u>
<b>Receipts Over Disbursements</b> .....	13,038	19,603	32,641
<b>Other Financing Uses</b>			
Transfers out .....	<u>(19,852)</u>	<u>—</u>	<u>(19,852)</u>
<b>Change in Cash Balances</b> .....	(6,814)	19,603	12,789
Cash Balances - Beginning of Year .....	<u>291,709</u>	<u>99,940</u>	<u>391,649</u>
<b>Cash Balances - End of Year</b> .....	<u>\$ 284,895</u>	<u>\$ 119,543</u>	<u>\$ 404,438</u>
<b>Cash Basis Fund Balances</b>			
Unrestricted .....	<u>\$ 284,895</u>	<u>\$ 119,543</u>	<u>\$ 404,438</u>

## Schedule of Indebtedness

Year Ended June 30, 2015

	Amount Originally Issued	Date of Issue	Interest Rates	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
<b>General Obligation Notes</b>								
Capital Loan Notes								
Series 2001B .....	\$ 253,000	8-1-01	1.750%	\$ 112,000	\$ —	\$ 14,000	\$ 98,000	\$ 1,960
Series 2010.....	1,050,000	11-15-10	1.900 - 3.750	685,000	—	125,000	560,000	17,500
Series 2013.....	1,700,000	3-6-13	0.600 - 1.850	1,495,000	—	210,000	1,285,000	15,802
Series 2014.....	2,950,000	7-8-14	2.000 - 3.375	<u>30,000</u>	<u>2,920,000</u>	<u>140,000</u>	<u>2,810,000</u>	<u>70,320</u>
<b>Total General Obligation Notes .....</b>				<b><u>\$ 2,322,000</u></b>	<b><u>\$ 2,920,000</u></b>	<b><u>\$ 489,000</u></b>	<b><u>\$ 4,753,000</u></b>	<b><u>\$ 105,582</u></b>
<b>Sewer Revenue Capital Loan Notes</b>								
Series 2001 .....	\$ 600,000	8-1-01	1.750%	\$ 270,000	\$ —	\$ 34,000	\$ 236,000	\$ 4,725
Series 2011 .....	463,000	6-8-11	3.000	<u>410,000</u>	<u>—</u>	<u>18,000</u>	<u>392,000</u>	<u>12,300</u>
<b>Total Sewer Revenue Capital Loan Notes...</b>				<b><u>\$ 680,000</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 52,000</u></b>	<b><u>\$ 628,000</u></b>	<b><u>\$ 17,025</u></b>

# Schedule of Note Maturities

As of June 30, 2015

Year Ending June 30,	General Obligation Notes								Total
	Series 2001B		Series 2010		Series 2013		Series 2014		
	Issued August 1, 2001		Issued November 15, 2010		Issued March 6, 2013		Issued July 8, 2014		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2016	1.75%	\$ 15,000	1.90%	\$ 130,000	0.60%	\$ 215,000	2.000%	\$ 155,000	\$ 515,000
2017	1.75	15,000	2.50	60,000	0.75	210,000	2.000	155,000	440,000
2018	1.75	16,000	2.50	60,000	0.90	125,000	2.000	150,000	351,000
2019	1.75	17,000	2.50	60,000	1.10	125,000	2.000	150,000	352,000
2020	1.75	17,000	3.10	65,000	1.25	125,000	2.000	150,000	357,000
2021	1.75	18,000	3.10	65,000	1.40	125,000	2.000	150,000	358,000
2022		—	3.75	20,000	1.55	130,000	2.000	150,000	300,000
2023		—	3.75	25,000	1.70	130,000	3.000	150,000	305,000
2024		—	3.75	25,000	1.85	100,000	3.000	150,000	275,000
2025		—	3.75	25,000		—	3.000	150,000	175,000
2026		—	3.75	25,000		—	3.000	150,000	175,000
2027		—		—		—	3.000	150,000	150,000
2028		—		—		—	3.000	150,000	150,000
2029		—		—		—	3.000	150,000	150,000
2030		—		—		—	3.125	150,000	150,000
2031		—		—		—	3.125	150,000	150,000
2032		—		—		—	3.375	150,000	150,000
2033		—		—		—	3.375	150,000	150,000
2034		—		—		—	3.375	100,000	100,000
<b>Total</b>		<b>\$ 98,000</b>		<b>\$ 560,000</b>		<b>\$ 1,285,000</b>		<b>\$ 2,810,000</b>	<b>\$ 4,753,000</b>

Year Ending June 30,	Sewer Revenue				Total
	Capital Loan Notes				
	Issued August 1, 2001		Issued June 8, 2011		
Interest Rates	Amount	Interest Rates	Amount		
2016	1.75%	\$ 35,000	3.00%	\$ 19,000	\$ 54,000
2017	1.75	37,000	3.00	20,000	57,000
2018	1.75	38,000	3.00	20,000	58,000
2019	1.75	40,000	3.00	21,000	61,000
2020	1.75	42,000	3.00	22,000	64,000
2021	1.75	44,000	3.00	22,000	66,000
2022		—	3.00	23,000	23,000
2023		—	3.00	24,000	24,000
2024		—	3.00	25,000	25,000
2025		—	3.00	25,000	25,000
2026		—	3.00	26,000	26,000
2027		—	3.00	27,000	27,000
2028		—	3.00	28,000	28,000
2029		—	3.00	29,000	29,000
2030		—	3.00	30,000	30,000
2031		—	3.00	31,000	31,000
<b>Total</b>		<b>\$ 236,000</b>		<b>\$ 392,000</b>	<b>\$ 628,000</b>

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

For the Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Receipts</b>										
Property tax.....	\$ 1,760,937	\$ 1,774,897	\$ 1,737,623	\$ 1,804,372	\$ 1,623,593	\$ 1,574,522	\$ 1,500,615	\$ 1,496,480	\$ 1,300,355	\$ 1,218,728
Tax increment financing .....	—	—	39	18,280	19,645	19,427	1,276	129,468	297,248	476,662
Other city tax .....	535,045	453,570	473,002	453,558	434,642	406,618	425,758	373,542	363,312	326,821
Licenses and permits.....	47,935	50,411	13,396	13,161	12,367	12,593	12,475	13,536	13,740	14,739
Use of money and property .....	77,132	66,464	56,400	60,614	82,522	87,950	91,424	136,944	107,094	82,320
Intergovernmental .....	524,055	506,403	510,964	769,610	469,936	428,138	681,859	1,351,428	784,852	400,676
Charges for service .....	1,009,536	957,817	991,696	940,448	930,141	891,148	884,095	871,211	846,977	830,777
Special assessments.....	8,198	21,380	36,282	102,024	947	1,168	1,442	1,435	2,281	13,269
Miscellaneous.....	219,208	204,113	187,892	150,093	197,656	157,287	216,808	136,971	149,997	291,877
<b>Total Receipts.....</b>	<b>\$ 4,182,046</b>	<b>\$ 4,035,055</b>	<b>\$ 4,007,294</b>	<b>\$ 4,312,160</b>	<b>\$ 3,771,449</b>	<b>\$ 3,578,851</b>	<b>\$ 3,815,752</b>	<b>\$ 4,511,015</b>	<b>\$ 3,865,856</b>	<b>\$ 3,655,869</b>
<b>Disbursements</b>										
Operating										
Public safety.....	\$ 680,979	\$ 875,373	\$ 859,182	\$ 774,664	\$ 742,033	\$ 658,589	\$ 670,862	\$ 637,709	\$ 629,691	\$ 631,399
Public works.....	1,339,292	1,190,197	1,198,791	1,152,241	1,343,542	993,547	1,048,598	997,573	1,057,308	935,299
Health and social services.....	4,151	4,151	3,929	1,000	6,858	3,929	3,929	3,929	3,929	2,953
Culture and recreation.....	1,164,865	1,078,009	1,047,886	995,603	1,010,385	897,248	931,256	958,363	888,419	995,473
Community and economic development.....	54,464	146,709	274,145	171,021	138,720	117,753	405,374	608,006	533,219	211,124
General government .....	304,431	305,992	301,425	294,583	297,800	247,610	251,369	232,533	220,785	281,937
Debt service .....	596,538	387,129	1,573,696	343,687	246,775	268,654	271,216	357,027	335,041	644,290
Capital projects.....	2,189,200	215,228	405,829	949,126	191,464	319,213	937,722	883,829	258,537	514
<b>Total Disbursements.....</b>	<b>\$ 6,333,920</b>	<b>\$ 4,202,788</b>	<b>\$ 5,664,883</b>	<b>\$ 4,681,925</b>	<b>\$ 3,977,577</b>	<b>\$ 3,506,543</b>	<b>\$ 4,520,326</b>	<b>\$ 4,678,969</b>	<b>\$ 3,926,929</b>	<b>\$ 3,702,989</b>

## **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**

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

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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Cresco, 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, and have issued our report thereon dated February 19, 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 accounting principles generally accepted in the United States of America.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Cresco'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 Cresco's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Cresco'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, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Cresco'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 15-I-IC-1 and 15-I-IC-2 to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Cresco'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 noncompliance 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 or other legal matters are not intended to constitute legal interpretations of those statutes.

### **City of Cresco's Responses to the Findings**

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

### **Purpose of This Report**

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

*HOGAN - HANSEN*

HOGAN - HANSEN

Mason City, Iowa  
February 19, 2016

## Schedule of Findings

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Year Ended June 30, 2015

### **Part I: Findings Related to the Financial Statements:**

#### **Instances of Noncompliance:**

There were no current year instances of noncompliance noted.

#### **Internal Control Deficiencies**

**15-I-IC-1 Theatre Segregation of Duties** - During our testing, we noted that theatre shift leaders are responsible for balancing their own cash drawer at the end of the night. We also noted instances where the theatre manager balanced her own drawer, made the deposit and generated the summary cash report. The potential effect of this material weakness is the possibility of misappropriation of cash.

**Auditor's Recommendation** - We recommend that workers do not balance their own drawer at the end of the night, but instead, switch and count each other's drawer and have another worker take the deposit to the bank. The manager can then review the cash count of each drawer and prepare the necessary summary cash reports.

**City's Response** - Each worker will count the other's drawer at the end of the night and fill out a Daily Cash Drawer Reconciliation form and sign it. The shift leader will take the deposit to the bank night drop box. The theatre manager will balance the deposit made with the cash register tapes the following day and enter the information into QuickBooks. The City deputy clerk will continue to reconcile QuickBooks with the bank statement at the end of each month.

**Auditor's Conclusion** - Response accepted.

**15-I-IC-2 Fitness Center Procedures** - During our testing, we noted inventory purchases and sales are not closely monitored. The effect of this material weakness is the possibility of theft of inventory. Since the Fitness Center only counts inventory once each year, accurate records and monitoring of items on hand are important to protect against possible theft.

**Auditor's Recommendation** - We recommend that the Fitness Center manager maintain accurate inventory records and monitor inventory levels closely.

**City's Response** - The amount of merchandise purchased to be sold is being reduced per recommendations from the Park Board earlier this year. More frequent counts of the inventory will be made but without an expensive automated inventory program, it will be difficult to monitor. A system will be developed to better monitor the inventory.

**Auditor's Conclusion** - Response accepted.

## Schedule of Findings

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Year Ended June 30, 2015

### **Part II: Other Findings Related to Statutory Reporting:**

- 15-II-A Certified Budget** - Disbursements during the year ended June 30, 2015 did not exceed the amounts budgeted.
- 15-II-B 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.
- 15-II-C Travel Expense** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- 15-II-D Business Transactions** - Business transactions between the City and City officials or employees are detailed as follows:

<b>Name, Title and Business Connection</b>	<b>Transaction Description</b>	<b>Amount</b>
John Loveless, Council member, part owner of Cresco Shopper	Advertising and supplies	\$ 4,953
Jeffrey Holmstrom, volunteer fireman, owner of Computer Professionals Unlimited	Computer repair, maintenance and supplies	3,741
Steve McCarville, Council member, owner of Campsite RV	LP tank fill and chip sealing	2,093

In accordance with Chapter 362.5 of the Code of Iowa, the transactions with Council member Loveless, volunteer fireman Holmstrom and Council member McCarville may represent conflicts of interest since a competitive bidding process was not utilized and the total of the transactions were in excess of \$1,500.

**Auditor's Recommendation** - The City should use a competitive bidding process when practicable.

**City's Response** - The transactions were normal expenses (repairs, maintenance, advertising and supply costs). A competitive bidding process is not always practical, however, we will endeavor to competitively bid the work when practicable in the future.

**Auditor's Conclusion** - Response accepted.

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

## Schedule of Findings

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Year Ended June 30, 2015

- 15-II-G Deposits and Investments** - We noted no instances of noncompliance with deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- 15-II-H Revenue Notes** - No instances of noncompliance with the revenue note resolutions were noted.
- 15-II-I Urban Renewal Annual Report** - The urban renewal annual report was approved and certified to the Iowa Department of Management on or before December 1.