

City of Keokuk

**Independent Auditor's Report
Management's Discussion and Analysis
Financial Statements and Supplementary Information
Independent Auditor's Reports on Internal Control and Compliance
Schedule of Findings**

June 30, 2015

C o n t e n t s

			Page
Officials			1
Independent Auditor's Report			2 - 5
Management's Discussion and Analysis			6 - 13
Basic Financial Statements:	<u>Exhibit</u>		
Government-wide Financial Statement:			
Cash Basis Statement of Activities and Net Position	A		14
Governmental Fund Financial Statement:			
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B		15
Proprietary Fund Financial Statement:			
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C		16
Notes to Financial Statements			17 - 36
Other Information:			
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds			37
Notes to Other Information - Budgetary Reporting			38
Schedule of the City's Proportionate Share of the Net Pension Liability - IPERS			39
Schedule of City Contributions - IPERS			40
Notes to Other Information - IPERS Pension Liability			41
Schedule of the City's Proportionate Share of the Net Pension Liability - MFPRSI			42
Schedule of City Contributions - MFPRSI			43
Notes to Other Information - MFPRSI Pension Liability			44
Supplementary Information:	<u>Schedule</u>		
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1		45
Statement of Indebtedness	2		46
Bond and Note Maturities	3		47 - 48
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds	4		49
Schedule of Expenditures of Federal Awards	5		50 - 51
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 <i>Government Auditing Standards</i>			52 - 53
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133			54 - 55
Schedule of Findings			56 - 59

City of Keokuk

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tom Marion	Mayor	December 31, 2015
Susan Dunek	Mayor Pro-tem	December 31, 2017
Dan Winn	Council Member-At Large	December 31, 2017
John Helenthal	Council Member-At Large	December 31, 2015
Michael O'Connor	Council Member-Ward 1	December 31, 2017
Michael Moore	Council Member-Ward 2	December 31, 2015
Ron Payne	Council Member-Ward 3	December 31, 2017
Larry Mortimer	Council Member-Ward 4	December 31, 2015
Sandra Pollitt	Council Member-Ward 5	December 31, 2017
Roger Bryant	Council Member-Ward 6	December 31, 2015
Susan Dunek	Council Member-Ward 7	December 31, 2017
John Russell	Finance Manager	Indefinite
Barb Barnes	City Clerk	Indefinite
Douglas Dorando	Attorney	Indefinite
David Hinton	Chief of Police	Indefinite
Gabe Rose	Fire Chief	Indefinite



401 South Roosevelt Avenue - Suite 2A, PO Box 547, Burlington, IA 52601 / 319 752 6348 / fax: 319 752 8644 / info@cpaapc.com

Independent Auditor's Report

Honorable Mayor and
Members of the City Council
City of Keokuk, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Keokuk, Iowa (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business Type Activities	Unmodified
Other Activities	Adverse
Aggregate Discretely Presented Component Units	Adverse
Major Governmental Funds:	
General	Unmodified
Road Use Tax	Unmodified
Local Option Sales Tax	Unmodified
Employee Benefits	Unmodified
Urban Renewal TIF	Unmodified
Debt Service	Unmodified
Capital Projects	Unmodified
Major Enterprise Funds:	
Sewer	Unmodified
Bridge	Unmodified
Solid Waste	Unmodified
Internal Service Fund:	
Employee Health	Adverse
Aggregate Remaining Fund Information	Unmodified

Basis for Adverse Opinion on the Internal Service Fund, Employee Health Fund and on Other Activities

Management has not included the Internal Service Fund, Employee Health Fund in the City's financial statements. Accounting principles require this fund to be presented as an internal service fund and financial information about the Internal Service Fund, Employee Health to be part of the other activities, thus increasing that activity's receipts and disbursements, and changing its net position. The amounts by which this departure affects the receipts, disbursements and cash balance of the other activities and the omitted major fund have not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Internal Service Fund, Employee Health Fund and on Other Activities" paragraph, the financial statements referred to above do not present fairly the cash basis financial position of the Internal Service Fund, Employee Health and the other activities of the City as of June 30, 2015, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include the financial data for the City's legally separate component units. Accounting principles applicable to the cash basis of accounting require the financial data for those component units be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity which include the financial data for its component units. The City has not issued such reporting entity financial statements. The amounts by which this departure would affect the receipts, disbursements and cash balances of the aggregate discretely presented component units has not been determined.

Opinions (continued)

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City as of June 30, 2015, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting as described in Note 1.

Correction of Error

As described in Note 18 to the financial statements, the beginning balance was restated to correct a material misstatement due to improper recognition of internal service fund for the year ended December 31, 2014. Our opinions are not modified with respect to this matter.

Emphasis of a Matter

As described in Note 4 and Note 5 to the financial statements, the City adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinions are not modified with respect to this matter.

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.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2014 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Matters (continued)

The other information, Management's Discussion and Analysis, the budgetary comparison information, Schedule of the City's Proportionate Share of the Net Pension Liability - IPERS, Schedule of City Contributions - IPERS, Schedule of the City's Proportionate Share of the Net Pension Liability - MFPRSI, and Schedule of City Contributions - MFPRSI on pages 6 through 13 and 37 through 44, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

CPA Associates PC

January 21, 2016

**City of Keokuk
Management's Discussion and Analysis**

The City of Keokuk (City) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which begin on page 14.

2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 14%, or \$1,672,165, from fiscal 2014 to fiscal 2015. The increase resulted primarily from capital and operating grants received in the current period.
- Disbursements of the City's governmental activities decreased 3%, or \$424,241, in fiscal 2015 from fiscal 2014 due to decreased expenditures for capital projects.
- The City's total cash basis net assets increased 1%, or \$153,213, from fiscal 2014 to fiscal 2015. Of this amount, the assets of the governmental activities decreased \$673,843 and the assets of business type activities increased \$827,056.
- In fiscal 2015, the City of Keokuk expended funds for capital projects which included streets, sidewalks, flood wall, waste water treatment, and storm sewer separation. In the area of street construction, the Grand Avenue Street project and the River Road Bluff project continued during the year, expected to be completed in fiscal 2016. 2013 bond funds in the amount of \$4,050,000 are being used to finance work on Grand Avenue. Construction on the River Road bluff stabilization and street repair project was completed for all practical purposes. The City has incurred \$652,177 of engineering fees and construction costs in connection with the River Road bluff stabilization project during fiscal 2015. This project was funded 69% with an IDOT grant. The pumps at the flood wall were finished during the year with an amount of \$139,723 expended during 2015, funded by FEMA. The ongoing CSO storm sewer project had capital expenditures of \$4,426,020 which included continued expenditures for the Victory Park planning, design, and construction, sewer line televising and cleaning and a new project to rehabilitate and improve the waste water treatment plant. These projects are funded by long term loans provided by the State Revolving Fund and a limited amount of grant funds.
- The City of Keokuk was awarded a Community Development Block Grant through IEDA in the spring of 2012. The grant project, which was completed in 2015, assisted ten low income citizens to rehabilitate their homes making them safer and more enjoyable places to live. These funds also greatly assisted with stabilization of neighborhoods in our community. All ten homes have been completed. The project took longer than expected due to a small number of contractors bidding on the projects. An extension was approved for the project.
- The City continues to participate in the Great River Housing Trust Fund. Low and moderate income households are eligible for down payment assistance in the amount of \$5,000 and a maximum amount of \$10,000, which is available for repairs such as roofing, electrical, plumbing, energy efficiency and heating. These funds can be in the form of a low/no interest bearing loan or grant.
- In fiscal 2015, the City continued planning for the reconstruction of residential streets as part of a comprehensive \$13 million ten year project.

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.

City of Keokuk Management's Discussion and Analysis

- The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.
- The Fund Financial Statements tell how governmental services were financed in the short-term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.
- Notes to 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.
- Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with 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 Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

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

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

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

Fund Financial Statements

City of Keokuk
Management's Discussion and Analysis

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Sales Tax, Urban Renewal Tax Increment Financing (TIF) and Employee Benefits, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Other Nonmajor Governmental funds. The governmental fund financial statement provides 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 includes 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 the Enterprise Funds to provide separate information for the sewer, bridge, and solid waste funds, considered to be major funds of the City. The Internal Service Fund is an accounting device used to accumulate and allocate costs internally among the City's various functions. The Internal Service Fund utilized by the City accounts for retirees', Keokuk Municipal Waterworks', and Low Rent Housing's group health insurance. The required financial statement for proprietary funds includes a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliations between the government-wide financial statement and each fund financial statement follows the respective fund financial statement.

**City of Keokuk
Management's Discussion and Analysis**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from \$5,496,975 to \$4,823,132. The analysis below focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities	Year Ended June 30, 2014	
	<u>2015</u>	<u>Not Restated</u>
Receipts:		
Program receipts:		
Charges for services	\$ 377,659	\$ 415,597
Operating grants, contributions and restricted interest	1,795,427	1,551,478
Capital grants, contributions and restricted interest	1,734,418	1,165,836
General receipts:		
Property tax	3,874,303	3,552,874
Local option sales tax	1,449,231	1,117,854
Tax increment financing	1,444,299	1,475,276
Debt service	689,618	639,348
Utility excise tax	772,054	742,883
Replacement tax	70,270	-
Riverboat gaming tax	440,123	392,266
Hotel/Motel tax	288,287	248,872
Unrestricted interest on investments	123,663	92,341
Other general receipts	<u>214,572</u>	<u>207,134</u>
Total receipts	<u>13,273,924</u>	<u>11,601,759</u>
Disbursements:		
Public safety	4,554,654	4,449,096
Public works	1,747,198	2,145,765
Culture and recreation	1,356,187	1,389,511
Community and economic development	700,083	384,173
General government	585,476	597,587
Debt service	2,005,454	1,955,098
Capital projects	<u>2,998,715</u>	<u>3,450,778</u>
Total disbursements	<u>13,947,767</u>	<u>14,372,008</u>
Change in cash basis net position before transfers	(673,843)	(2,770,249)
Transfers, net	<u>-</u>	<u>(174,462)</u>
Change in cash basis net position	(673,843)	(2,944,711)
Cash basis net position beginning of year, restated	<u>5,496,975</u>	<u>8,408,424</u>
Cash basis net position end of year	<u>\$ 4,823,132</u>	<u>\$ 5,463,713</u>

The City's total receipts for governmental activities increased 14%, or \$1,672,165, from fiscal 2014 to fiscal 2015. The total cost of all programs and services decreased by \$424,241 or 3% with no new programs added this year. This increase in receipts was primarily due to an increase in operating and capital grants, property taxes and local option sales tax from fiscal 2014. The decrease in expenditures is primarily due to capital expenditures.

**City of Keokuk
Management's Discussion and Analysis**

The cost of all governmental activities this year was \$13,947,767 compared to \$14,372,008 last year. However, as shown in the Statement of Activities and Net Assets on page 14, the amount that our taxpayers ultimately financed for these activities through City taxes was \$10.04 million because some of the cost was paid by those directly benefited from the programs by (\$377,659) or by other governments and organizations that subsidized certain programs with grants and contributions (\$3,529,845).

Change in Cash Basis Net Position of Business Type Activities	Year Ended June 30,	
	<u>2015</u>	<u>2014</u> <u>Not Restated</u>
Receipts:		
Program receipts:		
Charges for service:		
Sewer charges	\$ 4,069,091	\$ 3,629,722
Bridge charges	238,626	209,088
Solid waste charges	729,893	688,252
Capital grants, contributions and restricted interest	-	381,350
General receipts:		
Bond proceeds	4,754,014	1,962,453
Miscellaneous receipts	<u>633,135</u>	<u>123,326</u>
Total receipts	<u>10,424,759</u>	<u>6,994,191</u>
Disbursements:		
Sewer	8,468,209	6,110,753
Bridge	405,021	447,789
Solid waste	<u>724,473</u>	<u>678,407</u>
Total disbursements	<u>9,597,703</u>	<u>7,236,949</u>
Change in cash basis net position before transfers	827,056	(242,758)
Transfers, net	<u>-</u>	<u>174,462</u>
Change in cash basis net position	827,056	(68,296)
Cash basis net position beginning of year, restated	<u>5,354,687</u>	<u>5,456,245</u>
Cash basis net position end of year	<u>\$ 6,181,743</u>	<u>\$ 5,387,949</u>

Total business type activities receipts for the fiscal year were \$10,424,759 compared to \$6,994,191 last year. This increase was due primarily to the receipt of bond proceeds and rate increases. Total disbursements for the fiscal year increased by 33%, to a total of \$9,597,703, due primarily to a construction project at the waste water treatment plant and continuing combined sewer separation projects.

**City of Keokuk
Management's Discussion and Analysis**

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's funds is to provide information on near-term inflows, outflows and cash balances of spendable resources. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$645,801, an increase of \$370,646. This was due primarily to an increase in property tax receipts and intergovernmental receipts from a completed FEMA project.
- The Road Use Tax Fund (RUTF) cash balance increased by \$126,630 to \$491,653 due to an increase in Road Use Tax receipts and decreased capital expenditures.
- The Local Option Sales Tax cash balance increased by \$223,443 to \$1,311,744. This was due to an increase of \$331,377 in local option sales tax collections.
- The Employee Benefits Fund decreased \$90,280 to \$277,881.
- The Urban Renewal TIF Fund increased \$66,139 to \$338,521, due entirely to budgeted tax collections.
- The Debt Service Fund increased \$15,072 to \$280,271.
- The Capital Projects Fund decreased by \$1,303,128 to \$989,162, due to expenditures of bond funds on the Grand Avenue street project and the City's share of other projects funded primarily with grant monies.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Sewer Fund cash balance increased by \$893,171 to \$2,871,621. This is primarily due to a rate increase.
- The Bridge Fund cash balance decreased by \$71,975 to \$3,165,336 from normal operations.
- The Solid Waste Fund cash balance increased by \$5,860 to \$144,786.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund-type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the City amended its operating budget. The amendment was approved on May 21, 2015, and resulted in an increase in budgeted revenues of \$3,123,364 and an increase in budgeted operating disbursements of \$4,957,803. Increases in revenues included other city taxes, intergovernmental, charges for services, and miscellaneous and increases in expenditures included all functions.

**City of Keokuk
Management's Discussion and Analysis**

DEBT ADMINISTRATION

At year end, the City had \$26,787,048 in bonds and other long-term debt compared to \$25,125,285 last year as shown below.

Outstanding Debt	Year Ended June 30,	
	2015	2014
General obligation bonds	\$ 18,270,000	\$ 19,615,000
Revenue bonds	8,517,048	5,430,165
Capital loan notes	<u>-</u>	<u>80,120</u>
Total	<u>\$ 26,787,048</u>	<u>\$ 25,125,285</u>

Debt increased as a result of issuing revenue bonds to finance sewer construction projects.

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$18,270,000 is below the City's \$27 million legal debt limit. The City's general obligation bond rating continues to be A2, which has been assigned by Moody's Investor Services.

More detailed information about the City's long-term liabilities is presented in Note 3 to the financial statements. It is important to note that all revenues derived from Keokuk Senior Housing TIF are directed toward internal debt service and bank debt for the industrial development project is being serviced from TIF revenues from that project.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2016 fiscal year budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. The Lee County unemployment rate now stands at 5.6% versus 6.6% a year ago.

The continued poor economy, high unemployment regionally, the increased cost of public pensions and a rollback on commercial property taxable valuation has caused the City to continue to experience cuts in revenues resulting in decreased operating revenues for the City especially in general fund departmental operations. There is also concern regarding future property tax revenues resulting from State legislation which could overhaul the property tax system. Changes are currently in effect and will significantly impact the City in future years.

EXCLUDED COMPONENT UNITS

Keokuk Municipal Waterworks (Waterworks) is a component unit of the City of Keokuk. Waterworks and the City of Keokuk are considered separate legal entities. Waterworks meets the component unit definition because the City Council appoints the Board of Trustees of Waterworks. However, since Waterworks operates under the accrual method of accounting and the City of Keokuk operates under the cash method of accounting, this component unit has not been presented in the accompanying financial statements. The financial statements of Waterworks are available at Waterworks' office, 20 North 4th Street, Keokuk, Iowa.

Keokuk Public Library Foundation (Foundation) is a component unit of the City of Keokuk. The Foundation, a separate legal entity, exists for the purpose of attracting funds to benefit the Public Library which serves the Keokuk

**City of Keokuk
Management's Discussion and Analysis**

area and to disburse those funds in a manner which will benefit the Library. The Foundation meets the definition of a component unit since it raises funds on behalf of the Library. The financial statements of the Foundation have not been audited, so this component unit has not been presented in the accompanying financial statements.

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 demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be directed to the Finance Manager at 415 Blondeau Street, Keokuk, Iowa 52632 or telephone at 319-524-2050.

BASIC FINANCIAL STATEMENTS

City of Keokuk
Cash Basis Statement of Activities and Net Position
As of and for the Year Ended June 30, 2015

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service and Sales	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions / Programs:							
Governmental activities:							
Public safety	\$ 4,554,654	\$ 44,592	\$ 67,447	\$ -	\$ (4,442,615)	\$ -	\$ (4,442,615)
Public works	1,747,198	97,319	1,366,814	-	(283,065)	-	(283,065)
Culture and recreation	1,356,187	95,251	74,963	-	(1,185,973)	-	(1,185,973)
Community and economic development	700,083	-	244,662	-	(455,421)	-	(455,421)
General government	585,476	140,497	41,541	-	(403,438)	-	(403,438)
Debt service	2,005,454	-	-	-	(2,005,454)	-	(2,005,454)
Capital projects	2,998,715	-	-	1,734,418	(1,264,297)	-	(1,264,297)
Total government activities	<u>13,947,767</u>	<u>377,659</u>	<u>1,795,427</u>	<u>1,734,418</u>	<u>(10,040,263)</u>	<u>-</u>	<u>(10,040,263)</u>
Business type activities:							
Sewer	8,468,209	4,069,091	-	-	-	(4,399,118)	(4,399,118)
Bridge	405,021	238,626	-	-	-	(166,395)	(166,395)
Solid waste	724,473	729,893	-	-	-	5,420	5,420
Total business type activities	<u>9,597,703</u>	<u>5,037,610</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,560,093)</u>	<u>(4,560,093)</u>
Total	<u>\$ 23,545,470</u>	<u>\$ 5,415,269</u>	<u>\$ 1,795,427</u>	<u>\$ 1,734,418</u>	<u>(10,040,263)</u>	<u>(4,560,093)</u>	<u>(14,600,356)</u>
General Receipts and Transfers:							
Property and other city tax levied for:							
General purposes					3,874,303	-	3,874,303
Debt service					689,618	-	689,618
Tax increment financing					1,444,299	-	1,444,299
Local option sales tax					1,449,231	-	1,449,231
Utility excise tax					772,054	-	772,054
Replacement tax					70,270	-	70,270
Riverboat gaming tax					440,123	-	440,123
Hotel/Motel tax					288,287	-	288,287
Grants and contributions not restricted to specific purposes					200,000	-	200,000
Unrestricted investment earnings					123,663	93,939	217,602
Sale of capital assets					14,572	-	14,572
Bond proceeds					-	4,754,014	4,754,014
Miscellaneous					-	539,196	539,196
Total general receipts and transfers					<u>9,366,420</u>	<u>5,387,149</u>	<u>14,753,569</u>
Change in cash basis net position					(673,843)	827,056	153,213
Cash basis net position beginning of year, restated					<u>5,496,975</u>	<u>5,354,687</u>	<u>10,851,662</u>
Cash basis net position end of year					<u>\$ 4,823,132</u>	<u>\$ 6,181,743</u>	<u>\$ 11,004,875</u>
Cash Basis Net Position							
Restricted:							
Nonexpendable					\$ 413,662	\$ -	\$ 413,662
Expendable					3,689,232	122,100	3,811,332
Unrestricted					<u>720,238</u>	<u>6,059,643</u>	<u>6,779,881</u>
Total cash basis net position					<u>\$ 4,823,132</u>	<u>\$ 6,181,743</u>	<u>\$ 11,004,875</u>

See notes to financial statements.

City of Keokuk
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the Year Ended June 30, 2015

	Special Revenue							Other Nonmajor Govern- mental	Total
	General	Road Use Tax	Local Option Sales Tax	Employee Benefits	Urban Renewal TIF	Debt Service	Capital Projects		
Receipts:									
Property tax	\$ 2,263,379	\$ -	\$ -	\$ 1,539,941	\$ -	\$ 689,618	\$ -	\$ 70,983	\$ 4,563,921
Tax increment financing collections	-	-	-	-	1,444,299	-	-	-	1,444,299
Other city taxes	1,117,755	-	1,449,231	266,204	-	104,281	-	12,224	2,949,695
Use of money and property	123,663	-	-	-	-	-	-	-	123,663
Licenses and permits	130,274	-	-	-	-	-	-	-	130,274
Intergovernmental	556,583	1,120,932	-	24,229	-	9,491	1,734,417	218,856	3,664,508
Charges for services	209,129	-	-	-	-	-	-	-	209,129
Miscellaneous	141,302	-	-	2,322	-	-	-	30,239	173,863
Total receipts	4,542,085	1,120,932	1,449,231	1,832,696	1,444,299	803,390	1,734,417	332,302	13,259,352
Disbursements:									
Governmental activities:									
Public safety	4,554,654	-	-	-	-	-	-	-	4,554,654
Public works	752,896	994,302	-	-	-	-	-	-	1,747,198
Culture and recreation	1,356,187	-	-	-	-	-	-	-	1,356,187
Community and economic development	118,298	-	-	-	161,025	-	-	420,760	700,083
General government	585,476	-	-	-	-	-	-	-	585,476
Debt service	-	-	-	-	-	2,005,454	-	-	2,005,454
Capital projects	-	-	-	-	-	-	2,998,715	-	2,998,715
Total disbursements	7,367,511	994,302	-	-	161,025	2,005,454	2,998,715	420,760	13,947,767
Excess (deficiency) of receipts over disbursements	(2,825,426)	126,630	1,449,231	1,832,696	1,283,274	(1,202,064)	(1,264,298)	(88,458)	(688,415)
Other financing sources (uses):									
Sale of capital assets	14,572	-	-	-	-	-	-	-	14,572
Operating transfers in (out)	3,181,500	-	(1,225,788)	(1,922,976)	(1,217,135)	1,217,136	(38,830)	6,093	-
Change in cash balances	370,646	126,630	223,443	(90,280)	66,139	15,072	(1,303,128)	(82,365)	(673,843)
Cash balances beginning of year, restated	275,155	365,023	1,088,301	368,161	272,382	265,199	2,292,290	570,464	5,496,975
Cash balances end of year	\$ 645,801	\$ 491,653	\$ 1,311,744	\$ 277,881	\$ 338,521	\$ 280,271	\$ 989,162	\$ 488,099	\$ 4,823,132
Cash Basis Fund Balances									
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 413,662	\$ 413,662
Restricted	-	491,653	-	277,881	338,521	280,271	989,162	-	2,377,488
Committed	-	-	1,311,744	-	-	-	-	-	1,311,744
Assigned	217,173	-	-	-	-	-	-	74,437	291,610
Unassigned	428,628	-	-	-	-	-	-	-	428,628
Total cash basis fund balances	\$ 645,801	\$ 491,653	\$ 1,311,744	\$ 277,881	\$ 338,521	\$ 280,271	\$ 989,162	\$ 488,099	\$ 4,823,132

See notes to financial statements.

City of Keokuk
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the Year Ended June 30, 2015

	<u>Enterprise Funds</u>			
	<u>Sewer</u>	<u>Bridge</u>	<u>Solid Waste</u>	<u>Total</u>
Operating Receipts:				
Charges for service	\$ 4,066,501	\$ 238,626	\$ 729,893	\$ 5,035,020
Total operating receipts	<u>4,066,501</u>	<u>238,626</u>	<u>729,893</u>	<u>5,035,020</u>
Operating Disbursements:				
Business type activities	<u>2,259,508</u>	<u>395,895</u>	<u>623,009</u>	<u>3,278,412</u>
Total operating disbursements	<u>2,259,508</u>	<u>395,895</u>	<u>623,009</u>	<u>3,278,412</u>
Excess (deficiency) of operating receipts over operating disbursements	<u>1,806,993</u>	<u>(157,269)</u>	<u>106,884</u>	<u>1,756,608</u>
Nonoperating receipts (disbursements):				
Interest on investments	461	93,478	-	93,939
Licenses and permits	2,590	-	-	2,590
Miscellaneous	537,814	942	440	539,196
Bond proceeds	4,754,014	-	-	4,754,014
Capital projects	(4,455,560)	(9,126)	(10,400)	(4,475,086)
Debt service	<u>(1,753,141)</u>	<u>-</u>	<u>(91,064)</u>	<u>(1,844,205)</u>
Net nonoperating receipts (disbursements)	<u>(913,822)</u>	<u>85,294</u>	<u>(101,024)</u>	<u>(929,552)</u>
Excess (deficiency) of receipts over disbursements	<u>893,171</u>	<u>(71,975)</u>	<u>5,860</u>	<u>827,056</u>
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in cash balances	893,171	(71,975)	5,860	827,056
Cash balances beginning of year	<u>1,978,450</u>	<u>3,237,311</u>	<u>138,926</u>	<u>5,354,687</u>
Cash balances end of year	<u>\$ 2,871,621</u>	<u>\$ 3,165,336</u>	<u>\$ 144,786</u>	<u>\$ 6,181,743</u>
Cash Basis Fund Balances				
Restricted for debt service	\$ -	\$ -	\$ 122,100	\$ 122,100
Unrestricted	<u>2,871,621</u>	<u>3,165,336</u>	<u>22,686</u>	<u>6,059,643</u>
Total cash basis fund balances	<u>\$ 2,871,621</u>	<u>\$ 3,165,336</u>	<u>\$ 144,786</u>	<u>\$ 6,181,743</u>

See notes to financial statements.

City of Keokuk
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The City of Keokuk (City) is a political subdivision of the State of Iowa located in Lee County. It was incorporated in 1847 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides solid waste removal and sewer utilities for its citizens.

Reporting Entity

Except as discussed below, for financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board 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 Keokuk (the primary government) and exclude the City's component units. The component units discussed below are not included in the City's reporting entity although their operational or financial relationship with the City is significant.

Excluded Component Units

Keokuk Municipal Waterworks (Waterworks) is a component unit of the City of Keokuk. Waterworks and the City of Keokuk are considered separate legal entities. Waterworks meets the component unit definition because the City Council appoints the Board of Trustees of Waterworks. However, since Waterworks operates under the accrual method of accounting and the City of Keokuk operates under the cash method of accounting, this component unit has not been presented in the accompanying financial statements. The financial statements of Waterworks are available at Waterworks' office, 20 North 4th Street, Keokuk, Iowa.

Keokuk Public Library Foundation (Foundation) is a component unit of the City of Keokuk. The Foundation, a separate legal entity, exists for the purpose of attracting funds to benefit the public library which serves the Keokuk area, and to disburse those funds in a manner that will benefit the library. The Foundation meets the definition of a component unit since it raises funds on behalf of the library. The financial statements of the Foundation have not been audited, so this component unit has not been presented in the accompanying financial statements.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Keokuk Economic Development Corporation and Great River Regional Waste Authority. See Note 15.

City of Keokuk
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Presentation

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

City of Keokuk
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

The Urban Renewal Tax Increment Fund (TIF) is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and is used for property tax relief, infrastructure, parks and recreation services.

The Employee Benefits Fund is used to account for the employee benefits paid.

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

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

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

The Bridge Fund accounts for the operation and maintenance of the City's bridge.

Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there 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 by general receipts.

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

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.

City of Keokuk
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Governmental Cash Basis Fund Balances

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

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

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

Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council.

Assigned - Amounts the City Council intends to use for a specific purpose.

Unassigned - All amounts not included in the preceding classifications.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

Subsequent Events

The City performed an evaluation of subsequent events through January 21, 2016, which is the date the financial statements were issued. There are no subsequent events that require disclosure or recognition in the financial statements as of June 30, 2015.

Note 2. Cash and Pooled Investments

The City's deposits at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

City of Keokuk
Notes to Financial Statements

Note 2. Cash and Pooled Investments (continued)

At June 30, 2015, the City held the following investments:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Maturity</u>
Certificates of deposit	\$ 46,274	\$ 46,274	Various
United States Treasury Note	498,125	506,465	2/29/2016
United States Treasury Note	503,828	548,010	2/15/2021
United States Treasury Note	<u>1,016,875</u>	<u>1,297,340</u>	2/15/2041
Total	<u>\$ 2,065,102</u>	<u>\$ 2,398,089</u>	

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$4,349,463 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

At June 30, 2015, the City invested the cemetery perpetual care trust in the following investments. The carrying amount at June 30, 2015 was \$410,342.

<u>Type</u>	<u>Fair Value</u>
Cash and Cash Equivalents	\$ 13,418
Fixed Income Funds	178,743
Equity Funds	<u>214,198</u>
Total	<u>\$ 406,359</u>

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

Credit risk - The City's investment in the Iowa Public Agency Investment Trust is unrated.

City of Keokuk
Notes to Financial Statements

Note 3. Bonds and Notes Payable

A summary of the City's June 30, 2015 general obligation, revenue bond and urban renewal indebtedness is as follows:

Year Ended June 30,	General Obligation and Capital Loan Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 1,105,000	\$ 486,946	\$ 685,000	\$ 278,833	\$ 1,790,000	\$ 765,779
2017	1,105,000	471,744	700,000	263,888	1,805,000	735,632
2018	1,210,000	455,149	715,000	248,499	1,925,000	703,648
2019	1,250,000	431,649	735,000	232,797	1,985,000	664,446
2020	1,290,000	407,021	664,000	216,585	1,954,000	623,606
2021-2025	6,790,000	1,552,170	2,299,982	673,125	9,089,982	2,225,295
2026-2030	4,710,000	578,893	2,211,000	283,055	6,921,000	861,948
2031-2034	<u>810,000</u>	<u>43,423</u>	<u>507,066</u>	<u>43,423</u>	<u>1,317,066</u>	<u>86,846</u>
	<u>\$18,270,000</u>	<u>\$4,426,995</u>	<u>\$8,517,048</u>	<u>\$2,240,205</u>	<u>\$26,787,048</u>	<u>\$6,667,200</u>

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

Refunding Notes

During the year ended June 30, 2013, the City refunded the 2008A urban renewal tax increment financing (TIF) capital loan note for the 2013C GO urban renewal bonds. The City used the net proceeds to purchase U.S. government securities. These securities were deposited into an account to provide for all future debt service on the refunded portion of the bonds. As a result, that portion of the bonds is considered defeased, and the City has removed the liability from its accounts.

	2008A Urban Renewal TIF Capital Loan Note	2013C GO Urban Renewal Bonds	Difference in Debt Service/ Economic Gain
Debt service cash flow	\$ 3,982,513	\$ 3,287,968	\$ 694,545
Present value cash flow	2,425,388	2,918,131	(492,743)
Defeased debt	2,715,000		

Revenue Notes

The City has pledged future solid waste customer receipts, net of specified operating disbursements, to repay \$765,000 in solid waste revenue notes issued in April 2008. The notes are payable solely from solid waste customer net receipts and are payable through 2019. The total principal and interest remaining to be paid on the notes is \$352,111. For the current year, principal and interest paid and total customer net receipts were \$90,563 and \$106,884, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$17,195,500 in sewer revenue notes issued between January 2010 and June 2015. The notes are payable solely from sewer customer net receipts and are payable through 2032. The total principal and interest remaining to be paid on the notes is \$10,405,142. For the current year, principal and interest paid and total customer net receipts were \$1,792,986 and \$1,806,993, respectively.

City of Keokuk
Notes to Financial Statements

Note 3. Bonds and Notes Payable (continued)

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

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) A Solid Waste Enterprise Revenue Debt Service Reserve Fund of \$122,100 shall be maintained and used solely for the purpose of paying principal of and interest on the Note and Parity Obligations as the same shall become due and payable.
- (c) Solid Waste Net Revenues must be sufficient to produce and maintain net revenues at a level not less than 130% of the principal and interest requirements of the fiscal year.
- (d) Sewer Net Revenues must be sufficient to produce and maintain net revenues at a level not less than 110% of the principal and interest requirements of the fiscal year.
- (e) Sufficient monthly transfers shall be made to separate solid waste revenue bond sinking accounts for the purpose of making the bond principal and interest payments when due.

At June 30, 2015, the City had an outstanding contract between the Iowa Department of Economic Development (IDED) and a city business for a Community Economic Betterment Account (CEBA) loan. Although the note bears the name of the City, the City has no obligation for such debt beyond the resources provided by the business entity upon whose behalf it is issued. Accordingly, the loan is not reported as a liability in the accompanying financial statements.

Note 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 Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

Pension Benefits

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

City of Keokuk
Notes to Financial Statements

Note 4. Pension and Retirement Benefits (continued)

- 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.

Contributions

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

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% 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 \$240,340.

City of Keokuk
Notes to Financial Statements

Note 4. Pension and Retirement Benefits (continued)

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

At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$1,595,962. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014 the City's proportion was 0.039435%, which was an increase of 0.000200% 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 \$121,539, \$328,118 and \$608,654 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)	3.00% per annum
Rates of salary increase (effective June 30, 2010)	4.00% to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major 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:

City of Keokuk
Notes to Financial Statements

Note 4. Pension and Retirement Benefits (continued)

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

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 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$ 3,015,524	\$ 1,595,962	\$ 397,703

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.

City of Keokuk
Notes to Financial Statements

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

Plan Description

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

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

Pension Benefits

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

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

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

City of Keokuk
Notes to Financial Statements

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

Disability and Death Benefits

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

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

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

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

Contributions

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

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

The City's contributions to MFPRSI for the year ended June 30, 2015 was \$652,890.

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

City of Keokuk
Notes to Financial Statements

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

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

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

At June 30, 2015, the City's liability for its proportionate share of the net pension liability totaled \$2,934,090. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all MFPRSI participating employers. At June 30, 2014, the City's proportion was 0.809408% which was an increase of 0.009982% from its proportions measured as of June 30, 2013.

For the year ended June 30, 2015, the City's pension expense totaled \$253,407.

Actuarial Assumptions

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

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

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

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

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

**City of Keokuk
Notes to Financial Statements**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	7.0 %	3.8 %
Emerging Markets Debt	3.0	6.5
Domestic Equities	12.5	6.0
Master Limited partnerships (MLP)	5.0	8.5
International Equities	<u>12.5</u>	7.0
Core Investments	40.0	
Tactical Asset Allocation	35.0	6.0
Private Equity	15.0	9.8
Private Non-Core Real Estate	5.0	9.3
Private Core Real Estate	<u>5.0</u>	6.8
Real Estate	<u>10.0</u>	
Total	<u>100.0</u> %	

Discount Rate

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

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the city's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent lower (6.50 percent) or 1-percent higher (8.5 percent) than the current rate.

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Proportionate share of the net pension liability	\$ 5,625,881	\$ 2,934,090	\$ 697,453

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MFPRSI financial report which is available on MFPRSI's website at www.mfprsi.org.

City of Keokuk
Notes to Financial Statements

Note 6. Self-Insured Health Benefits

The City of Keokuk has agreed to provide certain health benefits to its employees. The City pays 100% of the premium for health insurance for all full-time employees selecting single coverage. For full-time employees selecting family coverage, the City pays 90% of the premium for health insurance. The total maximum reimbursement liability to be paid by the City is \$559,000. The City's cost related to this reimbursement for the year ended June 30, 2015 was \$292,598.

Note 7. Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical, prescription drug, dental, and vision benefits for retirees and their spouses. There are 135 active and 14 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical, prescription drug, dental and vision benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$506 for single coverage, \$1,172 for employee/spouse coverage, \$1,141 for employee/child coverage and \$1,398 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2015, the City contributed \$1,287,981 and plan members eligible for benefits contributed \$131,526 to the plan.

Note 8. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death, or normal retirement. Upon retirement each employee is entitled to 100% of his accumulated sick leave up to a maximum of 71 days or 568 hours. City management employees may accumulate a maximum of 90 days or 720 hours. The fire department employees are entitled to 900 hours of accumulated sick leave due to their longer average work week. Fire and police administration employees are entitled to 720 hours of accumulated sick leave.

Accumulated sick leave and vacation are not recognized as expenditures by the City until used or paid. The City's maximum liability for unrecognized accrued employee benefits as of June 30, 2015, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 444,023
Sick leave	<u>159,456</u>
	<u>\$ 603,479</u>

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

City of Keokuk
Notes to Financial Statements

Note 9. Industrial Development Revenue Bonds

The City issued \$8,745,000 of industrial revenue bonds of which \$3,570,000 is outstanding at June 30, 2015, for the purpose of constructing privately owned manufacturing and other related facilities within the City. The bonds are not direct or contingent liabilities of the City, as the revenue from lease agreements and property purchased with the bond proceeds are pledged for the total payment of principal and interest on the bonds and the bondholders can only look to these sources for repayment.

Note 10. Revolving Loan Fund

The City has entered into an agreement with Southeast Iowa Regional Planning Commission (SEIRPC) to establish a revolving loan fund for commercial business growth and to assist in new business development. The City received a matching grant of \$99,000 from the United States Department of Agriculture - Rural Business Enterprise Grant. The City transferred \$100,000 in fiscal year 2007 to SEIRPC, which administers and manages the revolving loan fund. At June 30, 2015, these loans to businesses had outstanding balances totaling \$21,214. At June 30, 2015, SEIRPC held cash of \$143,830 for the City, which represents loan repayments received from participating businesses that is available to fund future commercial business growth loans.

Note 11. Operating Leases - Lessor

The City leases land to Crown Castle in Tolmie Park. The original lease had a term of five years, expiring December 2005, with the option to renew for four additional five-year periods. Crown Castle intends to renew the lease for the remaining additional periods. Rental income for the year ended June 30, 2015 totaled \$15,870. Future minimum lease payments are as follows:

<u>Year Ended</u> <u>June 30.</u>	<u>Amount</u>
2016	\$ 17,060
2017	18,251
2018	18,251
2019	18,251
2020	18,251
Thereafter	<u>114,066</u>
	<u>\$ 204,130</u>

The City leases hangar space to individuals on a month-to-month basis. Rental income for the year ended June 30, 2015 totaled \$53,525.

Note 12. Related Party Transactions

Keokuk Municipal Waterworks pays the City on an annual basis. This amounted to \$200,000 for the year ended June 30, 2015 and is included as revenue in the general fund.

City of Keokuk
Notes to Financial Statements

Note 13. Risk Management

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

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

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2015 were \$108,590.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

City of Keokuk
Notes to Financial Statements

Note 13. Risk Management (continued)

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

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

The City also carries commercial insurance purchased from other insurers for coverage associated with workmen's compensation and various types of liability insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 14. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special revenue	\$ 3,130,002
Debt service	Special revenue	1,217,136
Capital projects	Special revenue	12,668
General	Capital projects	51,498

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

Note 15. Jointly Governed Organization

The City is a participant in Great River Regional Waste Authority, a political subdivision pursuant to the Code of Iowa Chapter 28E. The purpose of the agreement is to provide area governments with solid waste disposal sources. The City currently provides one member of the five member board. The City paid \$174,668 in fees in fiscal year June 30, 2015. Great River Regional Waste Authority's audited financial statements are available at City Hall.

City of Keokuk
Notes to Financial Statements

Note 16. Cash Basis Fund Balances

The detail of the governmental fund cash basis fund balances for the year ended June 30, 2015 is as follows:

	General	Road Use	Sales Tax	Employee Benefits	Urban Renewal TIF	Debt Service	Capital Projects	Other Nonmajor	Total
Nonspendable for cemetery perpetual care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 413,662	\$ 413,662
Restricted for:									
Road use purposes	-	491,653	-	-	-	-	-	-	491,653
Employee benefits	-	-	-	277,881	-	-	-	-	277,881
Urban renewal projects	-	-	-	-	338,521	-	-	-	338,521
Debt service	-	-	-	-	-	280,271	-	-	280,271
Other capital projects	-	-	-	-	-	-	989,162	-	989,162
Committed to:									
Local option sales tax	-	-	1,311,744	-	-	-	-	-	1,311,744
Assigned to:									
Community & economic development	-	-	-	-	-	-	-	74,437	74,437
Other purposes	217,173	-	-	-	-	-	-	-	217,173
Unassigned	<u>428,628</u>	-	-	-	-	-	-	-	<u>428,628</u>
Total	<u>\$645,801</u>	<u>\$491,653</u>	<u>\$1,311,744</u>	<u>\$277,881</u>	<u>\$338,521</u>	<u>\$280,271</u>	<u>\$989,162</u>	<u>\$488,099</u>	<u>\$4,823,132</u>

Note 17. Commitments

In the normal course of business, the City has various outstanding commitments that are not reflected in the accompanying financial statements. The principal commitments of the City at June 30, 2015 are as follows:

	<u>Amount</u>
Wastewater treatment plant improvements	\$ 4,013,010
Sewer projects	414,928
Street projects	384,955
Airport improvements	<u>30,806</u>
Total	<u>\$ 4,843,699</u>

City of Keokuk
Notes to Financial Statements

Note 18. Restatement

For the year ended June 30, 2014, the City disclosed the employee health fund as an internal service fund rather than in the general fund.

	<u>Internal Service Fund</u>	
	<u>Employee Health</u>	<u>General</u>
As previously reported, June 30, 2014	\$ 75	\$ -
Accounting adjustment due to improper recognition of internal service fund	<u>(75)</u>	<u>75</u>
As restated, June 30, 2014	<u>\$ -</u>	<u>\$ 75</u>

The Cash Basis Statement of Activities and Net Position for the year ended June 30, 2014 has been restated as follows:

	<u>Governmen tal Activitie s</u>	<u>Business Type Activities</u>
As previously reported, June 30, 2014	\$ 5,463,713	\$ 5,387,949
Accounting adjustment due to improper recognition of internal service fund	33,187	(33,262)
Internal service fund ending cash balance, June 30, 2014	<u>75</u>	<u>-</u>
As restated, June 30, 2014	<u>\$ 5,496,975</u>	<u>\$ 5,354,687</u>

OTHER INFORMATION

City of Keokuk
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
Other Information
Year Ended June 30, 2015

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds Not Required to be <u>Budgeted</u>	<u>Net</u>	Budget <u>Original</u>	Budget <u>Final</u>	Final to Actual Variance Favorable (Unfavorable)
Receipts:							
Property tax	\$ 4,563,921	\$ -	\$ -	\$ 4,563,921	\$ 4,453,879	\$ 4,424,603	\$ 139,318
Tax increment financing collections	1,444,299	-	-	1,444,299	1,441,832	1,441,832	2,467
Other city taxes	2,949,695	-	-	2,949,695	2,609,212	2,736,413	213,282
Use of money and property	123,663	93,939	-	217,602	195,584	194,010	23,592
Licenses and permits	130,274	-	-	130,274	132,215	127,517	2,757
Intergovernmental	3,664,508	-	-	3,664,508	1,443,351	3,960,393	(295,885)
Charges for services	209,129	5,035,020	-	5,244,149	4,800,850	5,299,062	(54,913)
Miscellaneous	173,863	541,786	-	715,649	140,100	156,557	559,092
Total receipts	<u>13,259,352</u>	<u>5,670,745</u>	<u>-</u>	<u>18,930,097</u>	<u>15,217,023</u>	<u>18,340,387</u>	<u>589,710</u>
Disbursements:							
Public safety	4,554,654	-	-	4,554,654	4,666,324	4,776,682	222,028
Public works	1,747,198	-	-	1,747,198	1,715,756	1,819,581	72,383
Culture and recreation	1,356,187	-	-	1,356,187	1,386,058	1,407,111	50,924
Community and economic development	700,083	-	-	700,083	203,994	706,962	6,879
General government	585,476	-	-	585,476	586,998	598,131	12,655
Debt service	2,005,454	-	-	2,005,454	2,005,200	2,006,000	546
Capital projects	2,998,715	-	-	2,998,715	495,000	3,212,765	214,050
Business type	-	9,597,703	-	9,597,703	7,851,345	9,341,246	(256,457)
Total disbursements	<u>13,947,767</u>	<u>9,597,703</u>	<u>-</u>	<u>23,545,470</u>	<u>18,910,675</u>	<u>23,868,478</u>	<u>323,008</u>
Excess (deficiency) of receipts over disbursements	(688,415)	(3,926,958)	-	(4,615,373)	(3,693,652)	(5,528,091)	912,718
Other financing sources, net	<u>14,572</u>	<u>4,754,014</u>	<u>-</u>	<u>4,768,586</u>	<u>4,124,000</u>	<u>5,585,911</u>	<u>(817,325)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(673,843)	827,056	-	153,213	430,348	57,820	95,393
Cash balances beginning of year, restated	<u>5,496,975</u>	<u>5,354,687</u>	<u>-</u>	<u>10,851,662</u>	<u>10,762,898</u>	<u>10,762,898</u>	<u>88,764</u>
Cash balances end of year	<u>\$ 4,823,132</u>	<u>\$ 6,181,743</u>	<u>\$ -</u>	<u>\$ 11,004,875</u>	<u>\$ 11,193,246</u>	<u>\$ 10,820,718</u>	<u>\$ 184,157</u>

See accompanying independent auditor's report.

City of Keokuk
Other Information
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 blended component units, internal service, non-expendable trust, and agency funds (when they exist). The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, budget amendments increased budgeted disbursements by \$4,957,803. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the business type function.

City of Keokuk
Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)
Other Information

City's proportion of the net pension liability	0.0394350%
City's proportionate share of the net pension liability	\$1,596
City's covered-employee payroll	\$2,632
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.64%
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 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report.

**City of Keokuk
Schedule of City Contributions
Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)
Other Information**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contribution	\$ 240	\$ 235	\$ 220	\$ 205	\$ 185	\$ 183	\$ 165	\$ 147	\$ 144	\$ 143
Contributions in relation to the statutorily required contribution	<u>(240)</u>	<u>(235)</u>	<u>(220)</u>	<u>(205)</u>	<u>(185)</u>	<u>(183)</u>	<u>(165)</u>	<u>(147)</u>	<u>(144)</u>	<u>(143)</u>
Contribution deficiency (excess)	<u>\$ -</u>									
City's covered-employee payroll	\$ 2,688	\$ 2,632	\$ 2,537	\$ 2,540	\$ 2,662	\$ 2,752	\$ 2,598	\$ 2,430	\$ 2,504	\$ 2,487
Contributions as a percentage of covered-employee payroll	8.93 %	8.93 %	8.67 %	8.07 %	6.95 %	6.65 %	6.35 %	6.05 %	5.75 %	5.75 %

See accompanying independent auditor's report.

City of Keokuk
Notes to Other Information – IPERS Pension Liability
Year ended June 30, 2015

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

- Decreased the inflation assumption from 3.25% 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.

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.

City of Keokuk
Schedule of the City's Proportionate Share of the Net Pension Liability
Municipal Fire and Police Retirement System of Iowa
Last Fiscal Year*
(In Thousands)
Other Information

City's proportion of the net pension liability	0.8094080%
City's proportionate share of the net pension liability	\$2,934
City's covered-employee payroll	\$2,058
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	142.57%
Plan fiduciary net position as a percentage of the total pension liability	86.27%

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

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

See accompanying independent auditor's report.

**City of Keokuk
Schedule of City Contributions
Municipal Fire and Police Retirement System of Iowa
Last 10 Fiscal Years
(In Thousands)
Other Information**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contribution	\$ 653	\$ 620	\$ 522	\$ 485	\$ 397	\$ 346	\$ 351	\$ 453	\$ 464	\$ 483
Contributions in relation to the statutorily required contribution	<u>(653)</u>	<u>(620)</u>	<u>(522)</u>	<u>(485)</u>	<u>(397)</u>	<u>(346)</u>	<u>(351)</u>	<u>(453)</u>	<u>(464)</u>	<u>(483)</u>
Contribution deficiency (excess)	<u>\$ -</u>									
City's covered-employee payroll	\$ 2,147	\$ 2,058	\$ 1,998	\$ 1,959	\$ 1,995	\$ 2,035	\$ 1,872	\$ 1,778	\$ 1,672	\$ 1,712
Contributions as a percentage of covered-employee payroll	30.41 %	30.12 %	26.12 %	24.76 %	19.90 %	17.00 %	18.75 %	25.48 %	27.75 %	28.21 %

See accompanying independent auditor's report.

City of Keokuk
Notes to Other Information – MFPRSI Pension Liability
Year ended June 30, 2015

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

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

SUPPLEMENTARY INFORMATION

City of Keokuk
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the Year Ended June 30, 2015

	<u>Special Revenue</u>		<u>Permanent</u>	<u>Total</u>
	<u>Economic</u>	<u>Emergency</u>	<u>Cemetery</u>	
	<u>Development</u>	<u>Tax Levy</u>	<u>Perpetual</u>	
			<u>Care</u>	
Receipts:				
Property tax	\$ -	\$ 70,983	\$ -	\$ 70,983
Other city taxes	-	12,224	-	12,224
Intergovernmental	217,743	1,113	-	218,856
Miscellaneous	<u>26,919</u>	<u>-</u>	<u>3,320</u>	<u>30,239</u>
Total receipts	<u>244,662</u>	<u>84,320</u>	<u>3,320</u>	<u>332,302</u>
Disbursements:				
Community and economic development	<u>420,760</u>	<u>-</u>	<u>-</u>	<u>420,760</u>
Total disbursements	<u>420,760</u>	<u>-</u>	<u>-</u>	<u>420,760</u>
Excess (deficiency) of receipts over disbursements	<u>(176,098)</u>	<u>84,320</u>	<u>3,320</u>	<u>(88,458)</u>
Other financing sources (uses):				
Operating transfer in (out)	<u>90,413</u>	<u>(84,320)</u>	<u>-</u>	<u>6,093</u>
Total other financing sources (uses)	<u>90,413</u>	<u>(84,320)</u>	<u>-</u>	<u>6,093</u>
Change in cash balances	(85,685)	-	3,320	(82,365)
Cash balances beginning of year, restated	<u>160,122</u>	<u>-</u>	<u>410,342</u>	<u>570,464</u>
Cash balances end of year	<u>\$ 74,437</u>	<u>\$ -</u>	<u>\$ 413,662</u>	<u>\$ 488,099</u>
Cash Basis Fund Balances				
Nonspendable	\$ -	\$ -	\$ 413,662	\$ 413,662
Assigned	<u>74,437</u>	<u>-</u>	<u>-</u>	<u>74,437</u>
Total cash basis fund balances	<u>\$ 74,437</u>	<u>\$ -</u>	<u>\$ 413,662</u>	<u>\$ 488,099</u>

See accompanying independent auditor's report.

**City of Keokuk
Statement of Indebtedness
Year Ended June 30, 2015**

<u>Obligation</u>	<u>Date of Issuance</u>	<u>Interest Rate</u>	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation bonds:									
Capital loan notes	8/01/06	4.20-6.00%	\$ 3,000,000	\$ 85,000	\$ -	\$ 85,000	\$ -	\$ 104,344	\$ -
Capital loan notes	5/01/09	4.25-5.25%	3,000,000	2,485,000	-	120,000	2,365,000	121,870	-
Capital loan notes	10/01/09	2.00-4.70%	2,565,000	1,970,000	-	-	1,970,000	86,021	-
Capital loan notes	12/01/10	1.20-4.40%	4,225,000	3,600,000	-	225,000	3,375,000	117,675	-
Capital loan notes	11/19/12	0.30-2.50%	2,300,000	1,725,000	-	290,000	1,435,000	27,308	-
Refunding capital loan notes	5/01/13	0.30-0.60%	600,000	465,000	-	160,000	305,000	2,320	-
Refunding capital loan notes	5/01/13	0.50-2.00%	2,410,000	2,410,000	-	-	2,410,000	-	-
Urban renewal bonds	5/01/13	0.30-2.00%	3,330,000	3,055,000	-	265,000	2,790,000	38,360	-
Urban renewal bonds	5/01/13	1.00-2.80%	4,050,000	<u>3,820,000</u>	<u>-</u>	<u>200,000</u>	<u>3,620,000</u>	<u>74,300</u>	<u>-</u>
Total				<u>19,615,000</u>	<u>-</u>	<u>1,345,000</u>	<u>18,270,000</u>	<u>572,198</u>	<u>-</u>
Revenue bonds:									
Solid waste capital loan note	4/24/08	3.94%	765,000	395,000	-	75,000	320,000	15,563	-
Sewer revenue capital loan note	1/20/10	3.00%	3,889,000	2,320,000	-	104,000	2,216,000	69,600	-
Sewer revenue capital loan note	3/16/11	0.00%	610,000	610,000	-	610,000	-	-	-
Sewer revenue capital loan note	9/21/11	0.00%	340,000	340,000	-	340,000	-	-	-
Sewer revenue capital loan note	9/27/13	0.00%	452,500	318,131	-	318,131	-	78,500	-
Sewer revenue capital loan note	12/20/13	1.75%	5,333,000	1,447,034	2,977,032	220,000	4,204,066	52,755	-
Sewer revenue capital loan note	6/05/15	1.75%	6,571,000	-	<u>1,776,982</u>	<u>-</u>	<u>1,776,982</u>	<u>-</u>	<u>-</u>
Total				<u>5,430,165</u>	<u>4,754,014</u>	<u>1,667,131</u>	<u>8,517,048</u>	<u>216,418</u>	<u>-</u>
Capital loan notes:									
Capital loan - Industrial development project	11/03/06	4.78%	470,120	<u>80,120</u>	<u>-</u>	<u>80,120</u>	<u>-</u>	<u>3,886</u>	<u>-</u>
Total of all debt				<u>\$ 25,125,285</u>	<u>\$ 4,754,014</u>	<u>\$ 3,092,251</u>	<u>\$ 26,787,048</u>	<u>\$ 792,502</u>	<u>\$ -</u>

See accompanying independent auditor's report.

**City of Keokuk
Bond and Note Maturities
June 30, 2015**

Revenue Bonds									
Year Ending June 30,	Solid Waste Capital Loan Note		Sewer Revenue Capital Loan Notes						
	Issued April 24, 2008		Issued January 20, 2010		Issued December 20, 2013		Issued June 5, 2015		
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Total
2016	3.94%	\$ 75,000	3.00%	\$ 108,000	1.75%	\$ 224,000		\$ 278,000	\$ 685,000
2017	3.94%	80,000	3.00%	111,000	1.75%	228,000		281,000	700,000
2018	3.94%	80,000	3.00%	115,000	1.75%	233,000		287,000	715,000
2019	3.94%	85,000	3.00%	119,000	1.75%	238,000		293,000	735,000
2020		-	3.00%	123,000	1.75%	242,000		299,000	664,000
2021		-	3.00%	126,000	1.75%	247,000		304,000	677,000
2022		-	3.00%	131,000	1.75%	252,000		34,982	417,982
2023		-	3.00%	135,000	1.75%	257,000		-	392,000
2024		-	3.00%	139,000	1.75%	262,000		-	401,000
2025		-	3.00%	144,000	1.75%	268,000		-	412,000
2026		-	3.00%	148,000	1.75%	273,000		-	421,000
2027		-	3.00%	153,000	1.75%	278,000		-	431,000
2028		-	3.00%	158,000	1.75%	284,000		-	442,000
2029		-	3.00%	163,000	1.75%	290,000		-	453,000
2030		-	3.00%	169,000	1.75%	295,000		-	464,000
2031		-	3.00%	174,000	1.75%	301,000		-	475,000
2032		-		-	1.75%	32,066		-	32,066
		<u>\$ 320,000</u>		<u>\$ 2,216,000</u>		<u>\$ 4,204,066</u>		<u>\$ 1,776,982</u>	<u>\$ 8,517,048</u>

See accompanying independent auditor's report.

City of Keokuk
Schedule of Receipts by Source and Disbursements by Function
All Governmental Funds

	Year Ended June 30.									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Receipts:										
Property tax	\$ 4,563,921	\$ 4,192,222	\$ 4,049,068	\$ 3,832,718	\$ 3,768,516	\$ 3,533,012	\$ 3,401,013	\$ 3,383,054	\$ 5,686,286	\$ 5,233,320
Tax increment financing	1,444,299	1,475,276	1,524,770	1,573,868	1,466,359	1,384,357	1,064,215	1,036,347	428,735	281,426
Other city tax	2,949,695	2,501,875	2,505,805	2,703,582	2,504,157	2,502,081	2,625,428	2,487,089	-	-
Use of money and property	123,663	91,338	137,508	117,145	141,003	154,553	263,587	481,309	456,053	238,818
Licenses and permits	130,274	133,055	148,821	138,043	193,719	139,211	156,705	161,416	153,330	150,293
Intergovernmental	3,664,508	1,812,070	5,484,072	2,084,405	2,584,132	2,400,299	4,821,069	2,494,575	1,733,506	2,325,377
Charges for service	209,129	251,948	230,424	320,194	220,583	210,197	221,190	164,847	194,165	212,194
Miscellaneous	<u>173,863</u>	<u>1,136,841</u>	<u>342,430</u>	<u>127,099</u>	<u>122,979</u>	<u>186,685</u>	<u>291,241</u>	<u>165,213</u>	<u>146,134</u>	<u>835,057</u>
Total	<u>\$13,259,352</u>	<u>\$11,594,625</u>	<u>\$14,422,898</u>	<u>\$10,897,054</u>	<u>\$11,001,448</u>	<u>\$10,510,395</u>	<u>\$12,844,448</u>	<u>\$10,373,850</u>	<u>\$ 8,798,209</u>	<u>\$ 9,276,485</u>
Disbursements:										
Public safety	\$ 4,554,654	\$ 4,449,148	\$ 4,316,334	\$ 4,413,059	\$ 4,565,371	\$ 4,611,053	\$ 3,971,172	\$ 4,054,327	\$ 4,978,881	\$ 3,858,498
Public works	1,747,198	2,145,775	1,716,978	1,500,390	1,720,183	1,858,150	3,827,983	1,418,235	1,370,077	1,367,974
Culture and recreation	1,356,187	1,389,520	1,313,819	1,265,330	1,315,959	1,382,831	1,171,850	1,059,749	1,068,664	1,560,772
Community and economic development	700,083	384,175	352,134	153,374	473,589	445,286	1,485,349	370,196	369,678	155,496
General government	585,476	597,592	576,226	594,634	539,907	560,719	523,056	584,972	493,239	524,259
Debt service	2,005,454	1,955,098	3,937,346	1,757,380	7,418,290	2,148,587	4,536,373	1,523,847	916,686	788,247
Capital projects	<u>2,998,715</u>	<u>3,450,778</u>	<u>6,777,796</u>	<u>716,900</u>	<u>2,174,428</u>	<u>3,189,899</u>	<u>4,556,521</u>	<u>2,437,932</u>	<u>1,332,133</u>	<u>1,250,768</u>
Total	<u>\$13,947,767</u>	<u>\$14,372,086</u>	<u>\$18,990,633</u>	<u>\$10,401,067</u>	<u>\$18,207,727</u>	<u>\$14,196,525</u>	<u>\$20,072,304</u>	<u>\$11,449,258</u>	<u>\$10,529,358</u>	<u>\$ 9,506,014</u>

See accompanying independent auditor's report.

City of Keokuk
Schedule of Expenditures of Federal Awards
June 30, 2015

<u>Federal Agency/Pass-Through Agency Program - Grant Title</u>	<u>CFDA Number</u>	<u>Grantor Program Number</u>	<u>Program Expenditures</u>
U.S. Department of Justice:			
Byrne Memorial Justice Assistance Grant	16.738	2013-DJ-BX-0821	\$ <u>1,684</u>
Pass-through Iowa Governor's Office of Drug Control Policy and Lee County, Iowa:			
Byrne/Iowa - Justice Assistance Grant (JAG)	16.738	#12-JAG-78337	14,820
Byrne/Iowa - Justice Assistance Grant (JAG)	16.738	#2013-DJ-BX-0821	<u>3,590</u>
Subtotal U.S. Department of Justice pass-through programs			<u>18,410</u>
Public Safety Partnership and Community Policing Grants	16.710	#14-HotSpots-11	<u>176</u>
Total U.S. Department of Justice			<u>20,270</u>
U.S. Department of Homeland Security:			
Pass-through from Iowa Department of Public Defense Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	DR-1930-IA	9,169
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	DR-4187-IA	<u>91,550</u>
Total U.S. Department of Homeland Security			<u>100,719</u>
U.S. Department of Housing and Urban Development:			
Pass-through from Iowa Economic Development Authority:			
Community Development Block Grant Program	14.228	12-HSG-006	203,680
Community Development Block Grant Program	14.228	11-WS-030	<u>405,959</u>
Total U.S. Department of Housing and Urban Development			<u>609,639</u>
U.S. Department of Transportation:			
Federal Aviation Administration Airport Improvement Program	20.106	3-19-0050-20-2015	<u>51,124</u>
Pass-through from Iowa Department of Transportation:			
Safe Routes to School	20.205	SRTS-U-3942(616)--8U-56	109,826
Emergency Relief	20.205	ER-3942(614)--8R-56	<u>447,631</u>
			<u>557,457</u>
Pass-through from Iowa Governor's Traffic Safety Bureau:			
Public Traffic Services - NHTSA	20.601	15-402-M0PT, Task 14-00-00	3,197
Public Traffic Services - NHTSA	20.601	14-402-M0PT, Task 12-00-00	<u>2,882</u>
			<u>6,079</u>
Subtotal U.S. Department of Transportation pass-through programs			<u>563,536</u>
Total U.S. Department of Transportation			<u>614,660</u>
			<u>\$ 1,345,288</u>

(Continued)

See accompanying independent auditor's report.

City of Keokuk
Schedule of Expenditures of Federal Awards
June 30, 2015

Note A - Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Keokuk and is presented 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. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



C P A A S S O C I A T E S P C
C E R T I F I E D P U B L I C A C C O U N T A N T S

401 South Roosevelt Avenue - Suite 2A, PO Box 547, Burlington, IA 52601 / 319 752 6348 / fax: 319 752 8644 / info@cpaapc.com

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

Honorable Mayor and
Members of the City Council
City of Keokuk, Iowa

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Keokuk, Iowa (City), as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 21, 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. We expressed adverse opinions on the aggregate discretely presented component units, internal service fund, employee health fund and on other activities.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified a deficiency in internal control we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying schedule of findings as item II-A-15 to be a material weakness.

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

Compliance and Other Matters

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

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

City's Responses to the Findings

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

Purpose of this Report

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

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

CPA Associates PC

January 21, 2016



C P A A S S O C I A T E S P C
C E R T I F I E D P U B L I C A C C O U N T A N T S

401 South Roosevelt Avenue - Suite 2A, PO Box 547, Burlington, IA 52601 / 319 752 6348 / fax: 319 752 8644 / info@cpaapc.com

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Keokuk, Iowa's (City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2015. The City's major federal programs are identified in Part I of the accompanying schedule of findings.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Other Matters

We did not identify any instances of noncompliance which is required to be reported in accordance with OMB Circular A-133.

Report on Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

CPA Associates PC

January 21, 2016

City of Keokuk
Schedule of Findings
Year Ended June 30, 2015

Part I: Summary of the Independent Auditor's Results

- (a) An unmodified opinion was issued on the primary government financial statements, except the internal service fund and other activities were issued adverse opinions, which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses or significant deficiencies in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs are as follows:
 - CFDA Number 97.036 - U.S. Department of Homeland Security -
Disaster Grants - Public Assistance
 - CFDA Number 14.228 - U.S. Department of Housing and Urban
Development - Community Development Block Grant Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Keokuk did not qualify as a low-risk auditee.

**City of Keokuk
Schedule of Findings
Year Ended June 30, 2015**

Part II: Findings Related to the Financial Statements

MATERIAL WEAKNESS

II-A-15 Financial Reporting - The City is not recording the activity from the internal service fund, employee health. The balance of this fund is also not included in the City's financial statements.

Recommendation - We recommend the City include the balance of this fund in their financial statements and record the activity related to this fund.

Response - The City consider recording this activity and the balance of the internal service fund, employee health in their financial statements.

Conclusion - Response accepted.

SIGNIFICANT DEFICIENCY

II-B-15 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling a transaction from its inception to its completion. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City Council and management should continue to provide oversight and direction based upon their direct knowledge of the City's operations and day-to-day contact with employees to control and safeguard assets.

Response - The City will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control.

Conclusion - Response accepted.

INSTANCES OF NONCOMPLIANCE:

None reported.

Part III: Findings for Federal Awards

INTERNAL CONTROLS

None reported.

INSTANCES OF NONCOMPLIANCE:

None reported.

**City of Keokuk
Schedule of Findings
Year Ended June 30, 2015**

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-15 Certified Budget - Disbursements during the year ended June 30, 2015, exceeded the amounts budgeted in the business type function. Chapter 384.20 of the Code of Iowa states in part that monies may not be expended or encumbered except under an annual or continuing appropriation.

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

Response - The budget was not amended timely due to debt issued after the final budget amendment was done. The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

IV-B-15 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-C-15 Business Transactions - There were no business transactions between the City and City officials or employees.

IV-D-15 Revenue Bonds - No instances of non-compliance with revenue bond and note resolutions were noted.

IV-E-15 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy.

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

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

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

IV-I-15 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa requires the City to retain cancelled checks in an electronic format and requires retention in this matter to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check.

Recommendation - The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

Response - The City will comply with this recommendation.

Conclusion - Response accepted.

**City of Keokuk
Schedule of Findings
Year Ended June 30, 2015**

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

IV-J-15 Library Invoices - The library submits invoices for payment but does not include the entire invoice. The only page of the invoice that is submitted is the last page, if there are multiple pages, with the invoice total. Therefore, we could not verify that the items purchased were for public purpose.

Recommendation - The City should require submission of complete documentation prior to remitting payment of invoices.

Response - The City will comply with this recommendation.

Conclusion - Response accepted.