

CITY OF SAC CITY, IOWA

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

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City of Sac City, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Barb Bloes	Mayor	Jan 2016
Teresa Bruening	Mayor Pro Tem	Jan 2016
Bill Brenny	Council Member	Jan 2016
Gary Hansen	Council Member	Jan 2016
Tom McGinty	Council Member	Jan 2018
Bruce Perry	Council Member	Jan 2018
Adam Ledford	City Administrator	Jan 2016
Sandy Tellinghuisen	City Clerk/Treasurer	Jan 2016
Colin McCullough	Attorney	Jan 2016
Matt Wallace	Airport Commission	Jan 2020
Jim Currie	Airport Commission	Jan 2020
Milo Lines	Airport Commission	Jan 2016
Earl Zimmerman	Airport Commission	Jan 2019

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Certified Public Accountants

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Sac City, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Basis of Accounting

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

Emphasis of a Matter

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

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sac 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 nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of

the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 5 through 11 and 35 through 42, 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 March 26, 2016 on our consideration of the City of Sac 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Sac City's internal control over financial reporting and compliance.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

March 26, 2016

City of Sac City

Management's Discussion & Analysis

June 30, 2015

The discussion and analysis is intended to be an easily readable analysis of the City of Sac City's financial activities based on current conditions. This analysis focuses on activities for the year ended June 30th, 2015 and should be read in conjunction with the financial statements within this report.

2015 Financial Highlights

- Total governmental funds cash balances decreased 4.8% or approximately \$24,890 from fiscal year 2014 to 2015. This decrease is due to expenditures exceeding revenues.
- Disbursements of the City's governmental activities decreased 33.2% or approximately \$789,000 in fiscal year 2014 to 2015. This decrease is most directly a result of expenses in 2014 from the 2013 Main Street Overlay Project.
- Revenues of the City's governmental activities decreased 10.4% or approximately \$181,000 from fiscal year 2014 to 2015.
- Total business funds cash balances decreased 4.4% or approximately \$23,853 from fiscal year 2014 to 2015. This is mainly the result of a decrease in the Gas Fund.
- Disbursements of the City's business activities increased 4.8% or approximately \$120,000.
- Revenues of the City's business activities increased 11.6% or approximately \$271,000.

Using This Annual Report

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a State of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short-term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about lower priority governmental funds.

Basis of Accounting

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

Reporting the City's Financial Activities

Government-wide Financial Statement

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

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

The Statement of Activities and Net Assets is divided into two kinds of activities:

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

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, 3) the Debt Service Fund, 4) the Capital Projects Funds, and 5) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental operations and the basic services it provides. Government 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 statements for governmental funds include a statement of cash receipts, disbursements, and changes in cash balances.

2. Proprietary funds accounts for the City's Enterprise Funds and for the Internal Service Fund. Enterprise funds are used to report business type activities. The City maintains four enterprise funds to provide separate information for the water, sewer, gas, and garbage funds of which water and gas are determined to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements, and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	<u>2015</u>	<u>2014</u>
Receipts & transfers:		
<i>Program Receipts:</i>		
Charges for service	64,140	85,953
Operating Grants	294,542	255,486
Capital Grants	233,216	55,106
<i>General Receipts:</i>		
Property Tax	735,920	723,195
Other City Tax	184,298	187,003
Miscellaneous	85,409	105,787
Use of Money & Property	504	2,041
Transfers, Net	(36,017)	328,006
Total Receipts:	<u>1,562,012</u>	<u>1,742,577</u>
Disbursements:		
Public Safety	408,217	401,745
Public Works	416,995	1,060,748
Culture & Recreation	238,634	280,697
Community & Econ Dev	6,550	6,550
General Government	196,813	209,496
Debt Service	63,583	348,703
Capital Projects	256,110	68,391
Total Disbursements:	<u>1,586,902</u>	<u>2,376,330</u>
Change in cash balances	(24,890)	(633,753)
Cash basis net assets beginning of the year	523,977	1,157,730
Cash basis net assets end of the year	<u>499,087</u>	<u>523,977</u>

The City's total receipts for government activities for Fiscal Year 2015 were \$1,562,012 compared to \$1,742,577 the previous year. This reflects a 10.4% decrease in receipts.

The expenditures of all governmental activities for Fiscal Year 2015 were \$1,586,902 compared to \$2,376,330 the previous year. This reflects a 33.2% decrease in disbursements due in large part to expenses in Fiscal Year 2014 resulting from a Main Street project using one-time DOT funds.

Changes in Cash Basis Net Assets of Business Type Activities

	<u>2015</u>	<u>2014</u>
Receipts:		
<i>Program Receipts:</i>		
Sewer	544,596	462,727
Gas	1,194,909	1,340,445
Water	496,928	523,314
Non-major (Solid Waste/Storm)	296,683	298,189
<i>General Receipts:</i>		
Miscellaneous	36,348	37,113
Interest	1,590	2,175
Transfers, Net	36,017	(328,006)
Total Receipts:	<u>2,607,071</u>	<u>2,335,957</u>
Disbursements:		
Sewer	572,110	316,471
Gas	1,271,781	1,454,175
Water	502,124	497,380
Non-major	284,909	243,049
Total Disbursements:	<u>2,630,924</u>	<u>2,511,075</u>
Change in cash balances	(23,853)	(175,118)
Cash basis net assets beginning of year	<u>536,231</u>	<u>711,349</u>
Case basis net change in assets	<u>512,378</u>	<u>536,231</u>

Total business activities receipts for the fiscal year were \$2.607 million compared to \$2.336 million last year. This change reflects an 11.6% increase in receipts.

Total disbursements for the fiscal year were \$2.631 million compared to \$2.511 million last year. This change reflects a 4.8% increase in disbursements.

The balance decreased approximately \$23,853 to \$512,378 from the prior year. The 4.4% decrease was partially due to a decrease in the Gas Fund.

Individual Major Governmental Fund Analysis

As Sac City completed the year, its governmental funds reported a combined fund balance of \$499,250 a decrease of \$24,727 below last year's total of \$523,977. The following are major contributors to the changes in fund balances from the prior year.

- The General Fund cash balance increased from \$144,338 to \$162,713.
- The Capital Funds cash balance decreased from \$65,741 to \$5,742.

- The Special Revenue Funds cash balance decreased from \$130,629 to \$130,407.
- The Debt Service Fund cash balance increased from \$93,661 to \$109,980.
- The Permanent Fund (Cemetery Perpetual Care) cash balance increase from \$89,608 to \$90,408.

Individual Major Business Type Fund Analysis

As Sac City completed the year, its business funds reported a decrease in the combined fund balance below last year's total. While the balance in the major funds stayed fairly consistent, the following are major contributors to the changes in fund balances from the prior year.

- The Gas Fund cash balance decreased from \$516,453 to \$418,714. This balance reflects capital replacements and grant related projects.
- The Sewer Fund cash balance increased from (\$56,004) to \$981. This balance reflects both continued efforts to stabilize a fund post major project. Utility rates have been increase along with reductions in department expenses in order to resolve the issues.
- The Water Fund cash balance decreased from \$31,826 to \$27,268. This reflects the departments continued efforts to stabilize after previous internal loans.
- The Solid Waste Fund cash balance increased from \$43,413 to \$64,683. This was mostly due to departmental savings through the labor agreement.
- The Storm Sewer Fund cash balance increased from \$543 to \$942.

Budgetary Highlights

Over the course of the year, the City amended its budget once to increase receipts by \$195,000 and disbursements by \$395,000. \$750,000 was reported as an increased in expenditures as a result of the 2013 Street Overlay Project and the 2013 Airport Improvement Project. The remaining \$280,000 reflects minor increases mostly resulting from capital purchases originally anticipated in the 2013 budget.

Debt Administration

At June 30, 2015, the City had approximately \$4,519,000 in bonds and other long-term debt, compared to approximately \$4,710,000 the previous year, as shown below.

Outstanding Debt at Year-End

	<u>2015</u>	<u>2014</u>
General Obligation Bonds	<u>\$120,000</u>	<u>\$175,000</u>
Revenue Debt	<u>\$4,399,000</u>	<u>\$4,535,000</u>
Total	<u>\$4,519,000</u>	<u>\$4,710,000</u>

No new general obligation bonds were created while the City continued to pay down existing bonds.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation of \$175,000 is significantly below its constitutional debt limit of over \$4 million.

Economic Factors & Next Year's Budget & Rates

Several factors were considered and affected the preparation of the City's 2014 budget, as follows:

- The local economy is moderately stable with some concerns as a result of the ongoing national recession.
- The local unemployment rate has remained lower than the state of Iowa averages.
- The rate lids and property tax rollback imposed by the state of Iowa.
- Grant revenues.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or require additional information, contact Charles Adam Ledford, City Administrator, 302 E. Main Street, Sac City, Iowa.

Basic Financial Statements

City of Sac City, Iowa
Statement of Activities and Net Position - Cash Basis
As of and for the year ended June 30, 2015

		Program Receipts	
	Charges for	Operating Grants, Contributions, and Restricted	Capital Grants, Contributions and Restricted
<u>Functions/Programs:</u>	<u>Disbursements</u>	<u>Service</u>	<u>Interest</u>
Primary Government:			
Governmental activities:			
Public safety	\$ 408,217	6,620	46,763
Public works	416,995	7,490	230,841
Culture and recreation	238,634	50,030	16,938
Community and economic development	6,550	-	-
General government	196,813	-	-
Debt service	63,583	-	-
Capital projects	256,110	-	-
Total governmental activities	1,586,902	64,140	294,542
Business type activities:			
Gas	1,271,781	1,194,909	-
Water	502,124	496,928	-
Sewer	572,110	544,596	-
Nonmajor	284,909	296,683	-
Total business type activities	2,630,924	2,533,116	-
Total primary government	4,217,826	2,597,256	294,542
Component unit:			
Airport	\$ 47,734	13,402	9,000

General Receipts:
Property tax and other city tax levied for:
 General purposes
 Debt service
Local option sales tax
Unrestricted interest on investments
Miscellaneous
Transfers
Total general receipts and transfers
Change in cash basis net position
Cash basis net position beginning of year
Cash basis net position end of year

Cash Basis Net Position
Restricted:
 Nonexpendable:
 Cemetery Perpetual Care
 Expendable:
 Streets
 Debt service
 Other purposes
Unrestricted
Total cash basis net position

See notes to financial statements.

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Unit
Governmental Activities	Business Type Activities	Total	Airport
(354,834)	-	(354,834)	-
(178,664)	-	(178,664)	-
(171,666)	-	(171,666)	-
36,333	-	36,333	-
(196,813)	-	(196,813)	-
(63,583)	-	(63,583)	-
(65,777)	-	(65,777)	-
<u>(995,004)</u>	<u>-</u>	<u>(995,004)</u>	<u>-</u>
-	(76,872)	(76,872)	-
-	(5,196)	(5,196)	-
-	(27,514)	(27,514)	-
-	11,774	11,774	-
-	(97,808)	(97,808)	-
<u>(995,004)</u>	<u>(97,808)</u>	<u>(1,092,812)</u>	<u>-</u>
-	-	-	<u>(25,332)</u>
698,171	-	698,171	-
37,749	-	37,749	-
184,298	-	184,298	-
504	1,590	2,094	261
85,409	36,348	121,757	7,446
(36,017)	36,017	-	-
<u>970,114</u>	<u>73,955</u>	<u>1,044,069</u>	<u>7,707</u>
(24,890)	(23,853)	(48,743)	(17,625)
<u>523,977</u>	<u>536,231</u>	<u>1,060,208</u>	<u>68,333</u>
<u>\$ 499,087</u>	<u>512,378</u>	<u>1,011,465</u>	<u>50,708</u>
90,408	-	90,408	-
1,622	-	1,622	-
109,980	-	109,980	-
134,527	-	134,527	-
<u>162,550</u>	<u>512,378</u>	<u>674,928</u>	<u>50,708</u>
<u>\$ 499,087</u>	<u>512,378</u>	<u>1,011,465</u>	<u>50,708</u>

City of Sac City, Iowa
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2015

	Special revenue		
		Road Use Tax	Employee Benefits
	General		
Receipts:			
Property tax	\$ 450,571	-	213,932
Other city tax	16,101	-	7,709
Licenses and permits	19,093	-	-
Use of money and property	12,433	-	-
Intergovernmental	62,635	230,841	3,192
Charges for service	52,131	-	-
Special assessments	-	-	-
Miscellaneous	43,747	-	-
Total receipts	656,711	230,841	224,833
Disbursements:			
Operating:			
Public safety	408,217	-	-
Public works	186,300	230,532	-
Culture and recreation	234,978	-	-
Community and economic development	6,550	-	-
General government	196,813	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	1,032,858	230,532	-
Excess (deficiency) of receipts over (under) disbursements	(376,147)	309	224,833
Other financing sources (uses):			
Operating transfers in	394,522	-	-
Operating transfers out	-	-	(224,833)
Total other financing sources (uses)	394,522	-	(224,833)
Change in cash balances	18,375	309	-
Cash balances beginning of year	144,338	1,313	-
Cash balances end of year	\$ 162,713	1,622	-
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for:			
Streets	-	1,622	-
Debt service	-	-	-
Capital projects	-	-	-
Other purposes	-	-	-
Unassigned	162,713	-	-
Total cash basis fund balances	\$ 162,713	1,622	-

See notes to financial statements.

Exhibit B

<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
35,877	-	700,380
1,324	184,298	209,432
-	-	19,093
-	-	12,433
549	240,950	538,167
-	-	52,131
-	-	-
-	22,646	66,393
<u>37,750</u>	<u>447,894</u>	<u>1,598,029</u>
-	-	408,217
-	-	416,832
-	3,656	238,634
-	-	6,550
-	-	196,813
63,583	-	63,583
-	256,110	256,110
<u>63,583</u>	<u>259,766</u>	<u>1,586,739</u>
<u>(25,833)</u>	<u>188,128</u>	<u>11,290</u>
42,152	16,207	452,881
-	(264,065)	(488,898)
<u>42,152</u>	<u>(247,858)</u>	<u>(36,017)</u>
16,319	(59,730)	(24,727)
93,661	284,665	523,977
<u>109,980</u>	<u>224,935</u>	<u>499,250</u>
-	90,408	90,408
-	-	1,622
109,980	-	109,980
-	11,331	11,331
-	123,196	123,196
-	-	162,713
<u>109,980</u>	<u>224,935</u>	<u>499,250</u>

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Governmental Funds
As of and for the year ended June 30, 2015

Change in cash balances (page 15)	\$ (24,727)
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Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of the City's payroll to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.	_____ (163)
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Change in cash basis net position of governmental activities (page 13)	<u>\$ (24,890)</u>
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See notes to financial statements.

City of Sac City, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2015

	Enterprise Funds		
	Gas	Water	Sewer
Operating receipts:			
Charges for service	\$ 1,194,909	496,928	544,596
Miscellaneous	13,455	5,861	7,423
Total operating receipts	1,208,364	502,789	552,019
Operating disbursements:			
Governmental activities:			
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	-	-	-
General government	-	-	-
Business type activities	1,271,571	502,124	288,722
Total operating disbursements	1,271,571	502,124	288,722
Excess (deficiency) of operating receipts over (under) operating disbursements	(63,207)	665	263,297
Non-operating receipts (disbursements):			
Interest on investments	1,159	69	76
Debt service	-	-	(283,388)
Total non-operating receipts (disbursements)	1,159	69	(283,312)
Excess (deficiency) of receipts over (under) disbursements	(62,048)	734	(20,015)
Transfers in	18,516	-	77,000
Transfers out	(54,207)	(5,292)	-
Total transfers	(35,691)	(5,292)	77,000
Change in cash balances	(97,739)	(4,558)	56,985
Cash balances beginning of year	516,453	31,826	(56,004)
Cash balances end of year	\$ 418,714	27,268	981
Cash Basis Fund Balances			
Unrestricted	\$ 418,714	27,268	981
Total cash basis fund balances	\$ 418,714	27,268	981

See notes to financial statements.

Exhibit D

<u>Nonmajor</u>	<u>Total</u>	<u>Internal Service Fund Employee Payroll</u>
296,683	2,533,116	-
9,609	36,348	1,153,704
<u>306,292</u>	<u>2,569,464</u>	<u>1,153,704</u>
-	-	219,444
-	-	169,055
-	-	103,369
-	-	12,116
<u>284,909</u>	<u>2,347,326</u>	<u>650,093</u>
<u>284,909</u>	<u>2,347,326</u>	<u>1,154,077</u>
<u>21,383</u>	<u>222,138</u>	<u>(373)</u>
286	1,590	-
<u>-</u>	<u>(283,388)</u>	<u>-</u>
<u>286</u>	<u>(281,798)</u>	<u>-</u>
<u>21,669</u>	<u>(59,660)</u>	<u>(373)</u>
-	95,516	-
<u>-</u>	<u>(59,499)</u>	<u>-</u>
<u>-</u>	<u>36,017</u>	<u>-</u>
21,669	(23,643)	(373)
<u>43,956</u>	<u>536,231</u>	<u>-</u>
<u>65,625</u>	<u>512,588</u>	<u>(373)</u>
<u>65,625</u>	<u>512,588</u>	<u>(373)</u>
<u>65,625</u>	<u>512,588</u>	<u>(373)</u>

Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
to the Statement of Activities and Net Position -
Proprietary Funds
As of and for the year ended June 30, 2015

Net change in cash balances (page 18) \$ (23,643)

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

The Internal Service Fund is used by management to charge the costs of the City's payroll to individual funds. The change in net position of the Internal Service Fund is reported with business type activities.

(210)

Change in cash basis net position of business type activities (page 13)

\$ (23,853)

See notes to financial statements.

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

The City of Sac City is a political subdivision of the State of Iowa located in Sac County. It was first incorporated in 1875 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer and gas utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Sac 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.

Discretely Presented Component Unit

These financial statements present the City of Sac City (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2015

The Sac City Municipal Airport Authority (Authority) was established pursuant to Chapter 330A of the Code of Iowa to operate the City's airport facility. The Authority is governed by a five member board appointed by the Sac City, City Council. The board members serve at the pleasure of the City. The City annually provides significant operating subsidies to the Authority. In accordance with criteria set by the Governmental Accounting Standards Board, the Authority meets the definition of a component unit which should be discretely presented. The Authority is accounted for as a Governmental Fund in these 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: Sac County Emergency Management Commission, Sac County Landfill Commission, Sac County Joint E911 Service Board, Recreation Center Board, and Kid's World Board.

B. Basis of Presentation

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

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

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

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

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2015

constitutional provisions or enabling legislation. Enabling legislation did not result in any unrestricted net position.

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

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

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 the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is used to account for tax receipts levied to pay employee benefits for the governmental funds.

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2015

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 City reports the following major proprietary funds:

The Enterprise, Gas Fund accounts for the operation and maintenance of the City's gas system.

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

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

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the City's payroll, which is then allocated to the City's departments on a cost reimbursement basis.

C. 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 U.S. generally accepted accounting principles.

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

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2015

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

(2) **Cash and Pooled Investments**

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

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2015

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

The City and its component unit had no investments at June 30, 2015. The City and its component unit invested its excess funds in savings accounts and certificates of deposit.

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	60,000	5,580	140,000	131,970	200,000	137,550
2017	60,000	2,820	145,000	127,770	205,000	130,590
2018	-	-	149,000	123,420	149,000	123,420
2019	-	-	154,000	118,950	154,000	118,950
2020	-	-	159,000	114,330	159,000	114,330
2021-2025	-	-	877,000	496,890	877,000	496,890
2026-2030	-	-	1,029,000	356,460	1,029,000	356,460
2031-2035	-	-	1,207,000	191,790	1,207,000	191,790
2036-2037	-	-	539,000	20,280	539,000	20,280
Total	<u>\$ 120,000</u>	<u>8,400</u>	<u>4,399,000</u>	<u>1,681,860</u>	<u>4,519,000</u>	<u>1,690,260</u>

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2015

Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements to repay \$4,793,000 of sewer revenue bonds issued in January 2010. Proceeds from the bonds provided financing for the construction of improvements to the sewer system. Annual principal and interest payments on the bonds are expected to require less than 90 percent of net receipts. The bonds are payable solely from the sewer customer net receipts and are payable through 2037. Total principal and interest remaining to be paid on the bonds is \$6,080,860. For the current year, principal and interest paid and total customer net receipts were \$272,050 and \$263,297 respectively.

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

- (a) The bonds will only be redeemed from the future net revenues of the municipal sanitary sewer system of the City, a sufficient portion of which has been ordered to be set aside and pledged for that purpose.
- (b) Monthly transfers shall be made to the Sewer Revenue Sinking Fund for the purpose of making the bond principal and interest payments when due.
- (c) Rates shall be established at a level sufficient to meet the operation and maintenance expenses of the Wastewater Treatment System and to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue bond.

(4) Pension Plan

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

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2015

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 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 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 formulas used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30th, 2012, the highest three-year average salary as of the 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 .025 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012 the reduction is 0.50 percent for each month that the member receives benefits before age 65.

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

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2015

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point IPERS Contribution

Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

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

The City's contributions to IPERS for the year ended June 30, 2015 were \$101,714.

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 collective net pension liability totaled \$477,882. The collective net pension liability was measured as of June 30, 2014, and 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 position liability was based on the City's share of contributions to the pension plan relative to the contribution of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.0120498 percent, which was a decrease of 0.0013258 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$44,221, \$58,154 and \$310,826 respectively.

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2015

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

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.5 percent, compounded annually, net investment expense, including inflation.

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

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

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

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

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2015

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net position liability calculated using 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 <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
City's proportionate share of the net pension liability	\$ 1,052,451	\$ 477,882	\$ (6,961)

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

(5) Other Postemployment Benefits (OPEB)

Plan Description – The city operates a single-employer health benefit plan which provides medical/dental benefits for employees, retirees and their spouses. There are 21 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

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

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2015

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 \$553 for single coverage, \$1,174 for 2-person coverage, and \$1,579 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2015, the City contributed \$303,898.

(6) Compensated Absences

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

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 54,000
Sick Leave	<u>-</u>
	<u>\$ 54,000</u>

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

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2015

(7) 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:	
	Employee Benefits	\$ 224,833
	Local Option Sales Tax	147,438
	Long-term Capital – Fire Dept.	1,251
	Enterprise:	
	Gas	<u>21,000</u>
		<u>394,522</u>
Debt Service	Enterprise:	
	Water	5,292
	Special Revenue:	
	Local Option Sales Tax	<u>36,860</u>
		<u>42,152</u>
Special Revenue:	Enterprise:	
Downtown Façade	Gas	<u>16,207</u>
Enterprise:	Special Revenue:	
Gas	Revolving Loan	<u>18,516</u>
Sewer	Capital Projects:	
	Special Assessments	60,000
	Enterprise:	
	Gas	<u>17,000</u>
		<u>77,000</u>
Total		\$ <u>548,397</u>

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

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2015

(8) Risk Management

The City of Sac 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 casualty 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 property 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 risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2015 were \$101,920.

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

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2015

are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

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

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

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

The City also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation in the amount of \$24,687. 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.

(9) Intergovernmental Agreements

The County entered into an agreement with the Sac County Solid Waste Agency, in accordance with Chapter 28E of the Code of Iowa, to provide for the disposal of solid waste. For the year ended June 30, 2014, \$81,544 was paid for landfill fees pursuant to the agreement.

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2015

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The cost to the Agency for compliance with these requirements have been estimated at \$1,040,776 according to the Agency's latest audit report available, which was for the year ended June 30, 2014.

The Agency has demonstrated financial assurance for closure and post closure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(9) of the Iowa Administrative Code.

(10) Early Childhood Development Project

A management agreement is in effect where Kid's World will repay the City the amount it advanced plus interest. The balance owing to the City at June 30, 2015, including interest, is \$160,791.

(11) Industrial Development Revenue Bonds

The City has issued a total of \$11,500,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$10,905,000 is outstanding at June 30, 2015. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

(12) Construction Commitments

The City of Sac City has committed to a downtown façade construction project for approximately \$772,000. The majority of this project will be paid from a \$500,000 façade grant and the remaining balance will be financed from local businesses and the City.

(13) Capital Leases

The City entered into a capital lease for the purchase of a Holland tractor. This lease is from March 28, 2013 through April 1, 2018. During the year ended June 30, 2015, the City disbursed \$22,934 for this lease.

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2015

Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2016	20,296	2,638	22,934
June 30, 2017	<u>21,512</u>	<u>1,422</u>	<u>22,934</u>
	\$ <u>41,808</u>	<u>4,060</u>	<u>45,868</u>

The City entered into a capital lease for the purchase of a 2014 Chevrolet truck. This lease is from October 24, 2013 to June 30, 2018. During the year ended June 30, 2015, the City disbursed \$16,618 for this lease.

Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2016	7,511	798	8,309
June 30, 2017	7,768	541	8,309
June 30, 2018	<u>8,034</u>	<u>275</u>	<u>8,309</u>
	\$ <u>23,313</u>	<u>1,614</u>	<u>24,927</u>

The City entered into a capital lease for the purchase of a 2013 Chevrolet truck. This lease is from October 24, 2013 to June 30, 2018. During the year ended June 30, 2015, the City disbursed a \$18,808 down payment.

Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2016	8,501	903	9,404
June 30, 2017	8,792	612	9,404
June 30, 2018	<u>9,093</u>	<u>311</u>	<u>9,404</u>
	\$ <u>26,386</u>	<u>1,826</u>	<u>28,212</u>

City of Sac City, Iowa

Notes to Financial Statements

June 30, 2015

(14) Subsequent Events

The City has evaluated subsequent events through March 26, 2016, the date which the financial statements were available to be issued.

In July, 2015 the City approved issuing a loan up to \$63,650 for water improvements.

Other Information

City of Sac City, Iowa

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

Other Information

Year ended June 30, 2015

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 700,380	-
Other city tax	209,432	-
Licenses and permits	19,093	-
Use of money and property	12,433	1,590
Intergovernmental	538,167	-
Charges for service	52,131	2,533,116
Special assessments	-	-
Miscellaneous	66,393	1,190,052
Total receipts	<u>1,598,029</u>	<u>3,724,758</u>
Disbursements:		
Public safety	408,217	219,444
Public works	416,832	169,055
Health and social services	-	-
Culture and recreation	238,634	103,369
Community and economic development	6,550	-
General government	196,813	12,116
Debt service	63,583	-
Capital projects	256,110	-
Business type activities	-	3,280,807
Total disbursements	<u>1,586,739</u>	<u>3,784,791</u>
Excess (deficiency) of receipts over (under) disbursements	11,290	(60,033)
Other financing sources (uses), net	<u>(36,017)</u>	<u>36,017</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(24,727)	(24,016)
Balances beginning of year	<u>523,977</u>	<u>536,231</u>
Balances end of year	<u>\$ 499,250</u>	<u>512,215</u>

See accompanying independent auditor's report.

Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
		Original	Final	
-	700,380	697,469	697,469	2,911
-	209,432	190,094	190,094	19,338
-	19,093	7,700	7,700	11,393
-	14,023	18,900	18,900	(4,877)
-	538,167	779,736	899,736	(361,569)
-	2,585,247	2,718,920	2,793,920	(208,673)
-	-	-	-	-
<u>1,153,704</u>	<u>102,741</u>	<u>173,170</u>	<u>173,170</u>	<u>(70,429)</u>
<u>1,153,704</u>	<u>4,169,083</u>	<u>4,585,989</u>	<u>4,780,989</u>	<u>(611,906)</u>
219,444	408,217	383,625	428,625	20,408
169,055	416,832	385,860	450,860	34,028
-	-	-	-	-
103,369	238,634	270,670	285,670	47,036
-	6,550	655,600	655,600	649,050
12,116	196,813	193,200	243,200	46,387
-	63,583	63,083	63,083	(500)
-	256,110	-	100,000	(156,110)
<u>650,093</u>	<u>2,630,714</u>	<u>2,576,558</u>	<u>2,696,558</u>	<u>65,844</u>
<u>1,154,077</u>	<u>4,217,453</u>	<u>4,528,596</u>	<u>4,923,596</u>	<u>706,143</u>
(373)	(48,370)	57,393	(142,607)	94,237
-	-	-	-	-
(373)	(48,370)	57,393	(142,607)	94,237
-	<u>1,060,208</u>	<u>1,784,319</u>	<u>1,061,964</u>	<u>(1,756)</u>
<u>(373)</u>	<u>1,011,838</u>	<u>1,841,712</u>	<u>919,357</u>	<u>92,481</u>

City of Sac City, Iowa

Notes to Other Information – Budgetary Reporting

June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, 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, one budget amendment increased budgeted receipts by \$195,000 and disbursements by \$395,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the debt service and capital projects functions.

City of Sac City, Iowa

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

Iowa Public Employees' Retirement System

Last Fiscal Year*

(In Thousands)

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.012050%
City's proportionate share of the net pension liability	\$ 478
City's covered-employee payroll	\$ 1,086
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	44.01%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

See accompanying independent auditor's report

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

City of Sac City, Iowa
Schedule of City's Contributions

Iowa Public Employees' Retirement System
Last 5 Fiscal Years
(In Thousands)

Other Information

	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 102	100
Contributions in relation to the statutorily required contribution	<u>(102)</u>	<u>(100)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
City's covered-employee payroll	\$ 1,114	1,086
Contributions as a percentage of covered-employee payroll	9.16%	9.21%

See accompanying independent auditor's report.

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

<u>2013</u>	<u>2012</u>	<u>2011</u>
95	88	76
<u>(95)</u>	<u>(88)</u>	<u>(76)</u>
<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
1,062	1,080	1,014
8.95%	8.15%	7.50%

City of Sac City, Iowa

Notes to Other Information – Pension Liability

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 quadrennial experience study:

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

City of Sac City, Iowa

Notes to Other Information – Pension Liability

June 30, 2015

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 if the annual actuarial contribution rate.

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

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

Supplementary Information

City of Sac City, Iowa

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

As of and for the year ended June 30, 2015

	Special Revenue			
	Unemployment Compensation	Local Option	Arts Council	Long-term Capital Fire Department
Receipts:				
Property tax	\$ -	-	-	-
Other city tax	-	184,298	-	-
Intergovernmental	-	-	-	7,733
Special assessments	-	-	-	-
Miscellaneous	-	-	-	-
Total receipts	-	184,298	-	7,733
Disbursements				
Operating:				
Culture and recreation	-	-	-	-
Capital projects	-	-	-	-
Total Disbursements	-	-	-	-
Excess (deficiency) of receipts over (under) disbursements	-	184,298	-	7,733
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	(184,298)	-	(1,251)
Total other financing sources (uses)	-	(184,298)	-	(1,251)
Change in cash balances	-	-	-	6,482
Cash balances beginning of year	9,042	-	2,230	100,547
Cash balances end of year	9,042	-	2,230	107,029
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	-	-	-	-
Restricted for:				
Capital projects	-	-	-	-
Other purposes	9,042	-	2,230	107,029
Total cash basis fund balances	\$ 9,042	-	2,230	107,029

See accompanying independent auditor's report.

Schedule 1

		Capital Projects			Permanent	
Revolving Loan	Downtown Façade	Library	Special Assessment	Airport Improvements	Cemetery Perpetual Care	Total
-	-	-	-	-	-	-
-	-	-	-	-	-	184,298
-	42,883	-	-	190,334	-	240,950
-	-	-	-	-	-	-
18,516	-	3,330	-	-	800	22,646
18,516	42,883	3,330	-	190,334	800	447,894
-	-	3,656	-	-	-	3,656
-	65,777	-	-	190,333	-	256,110
-	65,777	3,656	-	190,333	-	259,766
18,516	(22,894)	(326)	-	1	800	188,128
-	16,207	-	-	-	-	16,207
(18,516)	-	-	(60,000)	-	-	(264,065)
(18,516)	16,207	-	(60,000)	-	-	(247,858)
-	(6,687)	(326)	(60,000)	1	800	(59,730)
-	12,276	5,221	64,017	1,724	89,608	284,665
-	5,589	4,895	4,017	1,725	90,408	224,935
-	-	-	-	-	90,408	90,408
-	5,589	-	4,017	1,725	-	11,331
-	-	4,895	-	-	-	123,196
-	5,589	4,895	4,017	1,725	90,408	224,935

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

As of and for the year ended June 30, 2015

	Enterprise Funds		
	Storm Sewer	Garbage	Total
Operating receipts:			
Charges for service	\$ 59,427	237,256	296,683
Miscellaneous	-	9,609	9,609
Total operating receipts	59,427	246,865	306,292
Operating disbursements:			
Business type activities	59,028	225,881	284,909
Total operating disbursements	59,028	225,881	284,909
Excess (deficiency) of operating receipts over (under) operating disbursements	399	20,984	21,383
Non-operating receipts (disbursements):			
Interest on investments	-	286	286
Total non-operating receipts (disbursements):	-	286	286
Excess (deficiency) of receipts over (under) disbursements	399	21,270	21,669
Cash balances beginning of year	543	43,413	43,956
Cash balances end of year	\$ 942	64,683	65,625
Cash Basis Fund Balances			
Unrestricted	942	64,683	65,625
Total cash basis fund balances	\$ 942	64,683	65,625

See accompanying independent auditor's report.

City of Sac City, Iowa

Schedule of Indebtedness

Year ended June 30, 2015

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds/notes: Corporate purpose	Jul 15, 2006	4.15-4.70%	\$ 660,000
Revenue Bonds: Sewer	Jan 27, 2010	3.00%	\$ 4,793,000

See accompanying independent auditor's report.

Schedule 3

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ <u>175,000</u>	<u>-</u>	<u>55,000</u>	<u>120,000</u>	<u>8,083</u>	<u>-</u>
\$ <u>4,535,000</u>	<u>-</u>	<u>136,000</u>	<u>4,399,000</u>	<u>136,050</u>	<u>-</u>

Bond and Note Maturities

June 30, 2015

Year Ending June 30,	<u>General Obligation Notes</u>		<u>Revenue Bonds</u>	
	Corporate Purpose Issued July 15, 2006		Sewer - Non-forgivable Issued January 27, 2010	
	Interest Rates	Amount	Interest Rates	Amount
2016	4.60	60,000	3.00	140,000
2017	4.70	60,000	3.00	145,000
2018			3.00	149,000
2019			3.00	154,000
2020			3.00	159,000
2021			3.00	164,000
2022			3.00	170,000
2023			3.00	175,000
2024			3.00	181,000
2025			3.00	187,000
2026			3.00	193,000
2027			3.00	199,000
2028			3.00	206,000
2029			3.00	212,000
2030			3.00	219,000
2031			3.00	226,000
2032			3.00	234,000
2033			3.00	241,000
2034			3.00	249,000
2035			3.00	257,000
2036			3.00	265,000
2037			3.00	274,000
Total		<u>\$ 120,000</u>		<u>\$4,399,000</u>

See accompanying independent auditor's report.

City of Sac City, Iowa

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Ten Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Receipts:				
Property tax	\$ 700,380	\$ 695,344	768,553	726,089
Other city tax	209,432	213,373	220,773	215,252
Licenses and permits	19,093	17,436	19,453	20,086
Use of money and property	12,433	10,787	17,972	31,860
Intergovernmental	538,167	312,074	751,333	318,543
Charges for service	52,131	70,967	53,013	57,772
Special assessments	-	-	-	1,836
Miscellaneous	<u>66,393</u>	<u>92,681</u>	<u>104,383</u>	<u>79,695</u>
Total	<u>\$ 1,598,029</u>	<u>\$ 1,412,662</u>	<u>1,935,480</u>	<u>1,451,133</u>
Disbursements:				
Operating				
Public safety	\$ 408,217	\$ 401,745	398,268	371,107
Public works	416,832	1,060,748	502,303	496,624
Culture and recreation	238,634	280,697	244,083	272,630
Community and economic development	6,550	6,550	4,342	3,850
General government	196,813	209,496	193,485	205,045
Debt service	63,583	348,703	279,357	134,430
Capital projects	<u>256,110</u>	<u>68,391</u>	<u>53,444</u>	<u>45,794</u>
Total	<u>\$ 1,586,739</u>	<u>\$ 2,376,330</u>	<u>1,675,282</u>	<u>1,529,480</u>

See accompanying independent auditor's report.

Schedule 5

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
672,860	818,521	811,747	810,620	825,999	820,574
190,998	199,271	197,818	157,567	216,251	73,857
18,553	20,274	35,770	38,336	7,167	5,532
17,372	12,623	5,730	3,677	704	1,243
568,903	638,323	257,207	408,955	346,795	307,071
52,356	45,536	50,232	59,131	81,176	82,927
2,367	9,164	3,457	5,880	6,946	2,602
99,839	73,522	134,723	52,228	70,527	53,246
<u>1,623,248</u>	<u>1,817,234</u>	<u>1,496,684</u>	<u>1,536,394</u>	<u>1,555,565</u>	<u>1,347,052</u>
400,363	335,507	372,935	322,888	298,221	315,358
361,042	311,642	358,469	341,981	312,692	280,860
270,683	291,850	231,848	240,422	237,138	225,204
3,600	3,850	54,268	-	-	-
198,890	343,673	161,786	177,950	170,766	181,399
134,420	302,415	377,345	407,980	304,999	278,800
319,624	196,035	53,444	156,472	339,278	82,364
<u>1,688,622</u>	<u>1,784,972</u>	<u>1,610,095</u>	<u>1,647,693</u>	<u>1,663,094</u>	<u>1,363,985</u>

Cornwell, Frideres, Maher & Associates, P.L.C.

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

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Sac City, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 26, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Sac 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 of Sac City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Sac City's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Sac 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 I of the accompanying Schedule of Findings as item I-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 I of the accompanying Schedule of Findings as item I-B-15 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sac 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 II of the accompanying Schedule of Findings.

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

The City of Sac City's Responses to Findings

The City of Sac City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Sac 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 of Sac 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.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

March 26, 2016

City of Sac City, Iowa

Schedule of Findings

Year ended June 30, 2015

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-15 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noticed that certain functions are not entirely segregated, such as preparing receipts and posting utility billing.

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

Response – We feel we are doing the best we can and that no further segregation is possible without additional staff.

Conclusion – Response accepted.

I-B-15 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. The City of Sac City does not have an internal control system designed provide for the preparation of the financial statements, including the accompanying to footnotes as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

City of Sac City, Iowa

Schedule of Findings

Year ended June 30, 2015

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with the cash basis of accounting can be considered costly and ineffective. However, it is the responsibility of the City’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis.

Conclusion – Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-15 Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the debt service and capital projects functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

II-B-15 Questionable Disbursements – We noted certain allotments to non-profit entities that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

Recommendation – The City Council should determine and document the public purpose served by these allocations.

City of Sac City, Iowa

Schedule of Findings

Year ended June 30, 2015

Response – We will review our policies and document the public purpose served by these allocations.

Conclusion – Response accepted.

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

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

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

II-F-15 Council Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published, include the total expenditures from each city fund and a summary of all receipts, within fifteen days of the meeting. It was noted that the minutes were not always published within 15 days and there was not always a summary of disbursements by fund or a summary of receipts.

Recommendation – City officials should review their procedures to ensure all items required by the Code of Iowa are published within fifteen days and publications include disbursement totals for each fund and a summary of all receipts.

Response – We will review our procedures to ensure all minutes are published within fifteen days and include all required information.

Conclusion – Response accepted.

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

City of Sac City, Iowa

Schedule of Findings

Year ended June 30, 2015

II-H-15 Revenue Bonds and Notes – The City has not complied with all the revenue bond and note provisions. The Sewer Fund did not maintain net revenues of 110% of the amount of principal and interest on the bonds/notes falling due in 2015.

Recommendation – The City should evaluate the rates currently being charged to customers to see if increases need to be implemented in order to meet the 110% net revenue requirement.

Response – The City implemented 2 rate increases in fiscal year 2014 and will utilize the Consumer Price Index to determine a rate adequate enough to maintain our loan covenants.

Conclusion – Response accepted.