

**CITY OF TOLEDO**

Independent Auditors' Reports  
Basic Financial Statements  
Supplementary and Other Information  
Schedule of Findings  
June 30, 2015

# CITY OF TOLEDO

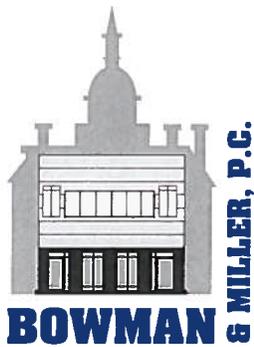
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# CITY OF TOLEDO

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dave Svoboda	Mayor	Jan 2016
Brian Sokol	Mayor Pro-Tem	Jan 2018
Joe Boll	Council Member	Jan 2016
Jeff Filloon	Council Member	Jan 2016
Travis Mullen	Council Member	Jan 2018
Terry Goodhart	Council Member	Jan 2018
Janet Kriegel	Clerk/Treasurer	Indefinite
Michael Marquess	Attorney	Indefinite



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

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Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Toledo, 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.

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

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

Opinions

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

### **Emphasis of a Matter**

As disclosed in Note 3 to the financial statements, the City of Toledo 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 Toledo'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, the City's 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 4 through 9 and 27 through 34, 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 November 5, 2015 on our consideration of the City of Toledo'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 the City of Toledo's internal control over financial reporting and compliance.

*Bowman and Miller, P.C.*

Marshalltown, Iowa  
November 5, 2015

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

### **2015 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased 14.2%, or approximately \$278,000, from fiscal year 2014 to fiscal year 2015. Property tax receipts decreased approximately \$30,000 while operating grants, contributions and restricted interest and capital grants, contributions and restricted interest increased approximately \$147,000 and \$119,000, respectively.
- Disbursements of the City's governmental activities increased 4.3%, or approximately \$73,000, in fiscal year 2015 from fiscal year 2014. Debt service disbursements decreased approximately \$164,000, while public safety and community and economic development increased approximately \$64,000 and \$180,000, respectively.
- The City's total cash basis net position increased 25.6%, or approximately \$696,500, from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities increased approximately \$454,200 while the cash basis net position of the business type activities increased approximately \$242,300.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

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

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, 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 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, and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system, solid waste, community center and child care facility. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

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

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

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from \$970,642 to \$1,424,815. The analysis that follows focuses on the changes in cash basis net position for governmental activities.

<u>Changes in Cash Basis Net Position of Governmental Activities</u>		
	<u>Year Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
<b>Receipts:</b>		
<b>Program receipts:</b>		
Charges for service	\$ 308,148	297,836
Operating grants, contributions and restricted interest	441,883	295,143
Capital grants, contributions and restricted interest	121,751	2,795
<b>General receipts:</b>		
Property tax	1,041,435	1,071,247
Other city tax	139,470	106,630
Local option sales tax	158,136	155,352
Unrestricted interest on investments	1,650	1,313
Other general receipts	20,799	25,102
<b>Total receipts</b>	<u>2,233,272</u>	<u>1,955,418</u>
<b>Disbursements:</b>		
Public safety	601,899	537,899
Public works	315,799	296,993
Health and social services	2,858	3,434
Culture and recreation	304,021	318,288
Community and economic development	183,344	3,512
General government	134,622	145,856
Debt service	217,644	381,626
<b>Total disbursements</b>	<u>1,760,187</u>	<u>1,687,608</u>
Change in cash basis net position before transfers	473,085	267,810
Transfers, net	<u>(18,912)</u>	<u>(18,412)</u>
Change in cash basis net position	454,173	249,398
Cash basis net position beginning of year	<u>970,642</u>	<u>721,244</u>
Cash basis net position end of year	<u>\$ 1,424,815</u>	<u>970,642</u>

The City's total receipts for governmental activities increased by 14.2%, or \$277,854. The total cost of all governmental programs and services increased by \$72,579, or 4.3%, with no new programs added during the year.

The increase in receipts was primarily due to the receipt of a CDBG Housing Grant and proceeds received from an estate gift during the year. The increase in disbursements was primarily due to an increase in community and economic development expenses related to the new housing revitalization project.

The cost of all governmental activities this year was \$1,760,187 compared to \$1,687,608 last year. However, as shown on the Statement of Activities and Net Position on pages 10-11, the amount taxpayers ultimately financed for these activities was only \$888,405 because some of the cost was paid by those who directly benefited from the programs (\$308,148) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$563,634). The City paid the remaining "public benefit" portion of governmental activities with property taxes (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2015 by approximately \$276,000 primarily due to grants and contributions received.

Changes in Cash Basis Net Position of Business Type Activities		
	Year Ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 511,553	447,463
Sewer	508,606	515,215
Solid waste	32,899	33,166
Reinig estate	24,369	29,615
Child care facility	27,906	28,408
Operating grants, contributions and restricted interest	968	1,182
Capital grants, contributions and restricted interest	357,650	153,300
Revenue note proceeds	2,122,074	-
Other general receipts	45,297	53,239
Total receipts	<u>3,631,322</u>	<u>1,261,588</u>
Disbursements:		
Water	2,802,690	659,006
Sewer	471,352	314,968
Solid waste	56,184	18,728
Reinig estate	54,081	58,714
Child care facility	23,580	23,063
Total disbursements	<u>3,407,887</u>	<u>1,074,479</u>
Change in cash basis net position before transfers	223,435	187,109
Transfers, net	18,912	18,412
Change in cash basis net position	242,347	205,521
Cash basis net position beginning of year	1,751,106	1,545,585
Cash basis net position end of year	<u>\$ 1,993,453</u>	<u>1,751,106</u>

Total business type activities receipts for the fiscal year were \$3,631,322 compared to \$1,261,588 last year. The significant increase was primarily due to revenue note proceeds and a CDBG grant received in the amount of \$2,122,074 and \$357,650, respectively, for the new water treatment plant project. Total disbursements for business type activities for the fiscal year were \$3,407,887 which was an increase of \$2,333,408 from the prior year. The significant increase in disbursements is primarily due to the construction of the new water treatment plant. The cash balance for business type activities increased \$242,347 from the prior fiscal year primarily due to the grant and revenue note proceeds received for the water treatment plant and an increase in water service charges due to an increase in water rates.

### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Toledo completed the year, its governmental funds reported a combined fund balance of \$1,424,815 which is an increase of \$454,173 from last year's total of \$970,642. The following are the major reasons for the changes in fund balance of the major funds from the prior year.

- The General Fund cash balance increased by \$297,541 primarily due to an increase in property tax revenue compared to the prior year and the receipt of an estate gift.
- The Special Revenue, Employee Benefits Fund cash balance increased by \$67,347 during the fiscal year. Property tax revenue increased slightly while expenses remained virtually the same compared to the prior year.
- The Special Revenue, Road Use Tax Fund cash balance increased by \$68,698 during the fiscal year. While operating expenses increased compared to the prior year, the state funding received also increased.
- The Debt Service Fund cash balance remained virtually unchanged from the prior year. This is due to the transfers in from other funds to cover the bond and interest payments.

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

- The Enterprise, Water Utility Fund cash balance increased by \$198,736 to \$537,882. The increase was primarily due to increased user charges and receipt of grant funds and revenue bond proceeds for the new water treatment plant that hadn't all been expended by year end.
- The Enterprise, Sewer Utility Fund cash balance increased by \$52,087 to \$1,389,147. Even though operating and debt service disbursements increased from the prior year, they were exceeded by charges for services received.
- The Enterprise, Child Care Facility Fund cash balance remained virtually unchanged from the prior year.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was approved on December 22, 2014, and included a \$140,000 increase to revenues and \$271,000 increase to expenses. The amendment was primarily to account for community development block grant funds received and expenses related to the new housing revitalization project as well as additional expenses related to the demolition of a building. Despite the budget amendment, disbursements exceeded the amount budgeted in the community and economic development function before the amendment was made.

## DEBT ADMINISTRATION

At June 30, 2015, the City had \$5,448,938 in bonds and other long-term debt outstanding, compared to \$3,647,887 last year as shown below.

Outstanding Debt at Year-End		
	June 30,	
	2015	2014
General obligation bonds	\$ 1,875,000	2,025,000
General obligation notes	120,000	230,000
Revenue bonds	3,097,074	1,030,000
Revenue note	356,864	362,887
Total	<u>\$ 5,448,938</u>	<u>3,647,887</u>

Debt increased significantly due to the new revenue bond for the construction of the new water treatment plant.

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 debt of \$1,995,000 is below its constitutional debt limit of \$5,062,184.

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

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

During fiscal year 2015-2016, the City plans to complete the construction of the new water treatment plant expected to cost approximately \$3,000,000 which has been funded by a community development block grant and a water revenue bond. The City will also be focusing on monitoring fund balances and repaying their outstanding debt balances, most of which arose from the recent capital projects. There is no increase in the property tax levy for next year; however, property tax receipts are budgeted to slightly increase due to increased valuations.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Toledo City Hall  
PO Box 234  
Toledo, Iowa 52342

## Basic Financial Statements

**CITY OF TOLEDO**  
**Cash Basis Statement of Activities and Net Position**  
**As of and for the year ended June 30, 2015**

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 601,899	264,972	175,701	-
Public works	315,799	-	245,241	-
Health and social services	2,858	-	-	-
Culture and recreation	304,021	3,569	11,255	-
Community and economic development	183,344	-	1,200	121,751
General government	134,622	39,607	8,486	-
Debt service	217,644	-	-	-
Total governmental activities	<u>1,760,187</u>	<u>308,148</u>	<u>441,883</u>	<u>121,751</u>
Business type activities:				
Water	2,802,690	511,553	524	357,650
Sewer	471,352	508,606	421	-
Solid waste	56,184	32,899	-	-
Reinig center	54,081	24,369	-	-
Child care facility	23,580	27,906	23	-
Total business type activities	<u>3,407,887</u>	<u>1,105,333</u>	<u>968</u>	<u>357,650</u>
Total	<u>\$ 5,168,074</u>	<u>1,413,481</u>	<u>442,851</u>	<u>479,401</u>
<b>General Receipts and Transfers:</b>				
Property tax levied for:				
General purposes				
Employee benefits				
Debt service				
Other city tax				
Local option sales tax				
Unrestricted interest on investments				
Sale of capital assets				
Revenue note proceeds				
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				
<b>Cash Basis Net Position</b>				
Restricted:				
Expendable:				
Debt service				
Streets				
Property tax relief				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

Net (Disbursements) Receipts  
and Changes in Cash Basis Net Position

Governmental Activities	Business Type Activities	Total
(161,226)	-	(161,226)
(70,558)	-	(70,558)
(2,858)	-	(2,858)
(289,197)	-	(289,197)
(60,393)	-	(60,393)
(86,529)	-	(86,529)
(217,644)	-	(217,644)
(888,405)	-	(888,405)
-	(1,932,963)	(1,932,963)
-	37,675	37,675
-	(23,285)	(23,285)
-	(29,712)	(29,712)
-	4,349	4,349
-	(1,943,936)	(1,943,936)
(888,405)	(1,943,936)	(2,832,341)
617,147	-	617,147
306,608	-	306,608
117,680	-	117,680
139,470	-	139,470
158,136	-	158,136
1,650	-	1,650
610	-	610
-	2,122,074	2,122,074
20,189	45,297	65,486
(18,912)	18,912	-
1,342,578	2,186,283	3,528,861
454,173	242,347	696,520
970,642	1,751,106	2,721,748
\$ 1,424,815	1,993,453	3,418,268
\$ 28,163	273,843	302,006
202,128	-	202,128
65,848	-	65,848
195,251	-	195,251
933,425	1,719,610	2,653,035
\$ 1,424,815	1,993,453	3,418,268

**CITY OF TOLEDO**  
**Statement of Cash Receipts, Disbursements and**  
**Changes in Cash Balances**  
**Governmental Funds**  
**As of and for the year ended June 30, 2015**

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Debt Service
<b>Receipts:</b>				
Property tax	\$ 599,263	-	306,608	117,680
Other city tax	122,562	-	11,727	4,497
Licenses and permits	1,280	-	-	-
Use of money and property	20,422	-	373	-
Intergovernmental	178,746	245,241	-	-
Charges for service	283,737	-	-	-
Miscellaneous	158,561	-	1,739	-
Total receipts	<u>1,364,571</u>	<u>245,241</u>	<u>320,447</u>	<u>122,177</u>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	470,354	-	125,411	-
Public works	86,121	176,543	53,135	-
Health and social services	2,858	-	-	-
Culture and recreation	236,632	-	63,351	-
Community and economic development	183,344	-	-	-
General government	123,419	-	11,203	-
Debt service	-	-	-	217,644
Total disbursements	<u>1,102,728</u>	<u>176,543</u>	<u>253,100</u>	<u>217,644</u>
Excess (deficiency) of receipts over (under) disbursements	<u>261,843</u>	<u>68,698</u>	<u>67,347</u>	<u>(95,467)</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	610	-	-	-
Transfers in	54,000	-	-	102,444
Transfers out	(18,912)	-	-	-
Total other financing sources (uses)	<u>35,698</u>	<u>-</u>	<u>-</u>	<u>102,444</u>
Change in cash balances	297,541	68,698	67,347	6,977
Cash balances beginning of year	<u>618,203</u>	<u>133,430</u>	<u>79,845</u>	<u>21,186</u>
Cash balances end of year	<u>\$ 915,744</u>	<u>202,128</u>	<u>147,192</u>	<u>28,163</u>
<b>Cash Basis Fund Balances</b>				
<b>Restricted for:</b>				
Streets	\$ -	202,128	-	-
Debt service	-	-	-	28,163
Property tax relief	-	-	-	-
Other purposes	-	-	147,192	-
<b>Assigned for:</b>				
Ambulance equipment	250,583	-	-	-
Fire equipment	152,401	-	-	-
Capital improvements	27,637	-	-	-
Other purposes	95,586	-	-	-
Unassigned	389,537	-	-	-
Total cash basis fund balances	<u>\$ 915,744</u>	<u>202,128</u>	<u>147,192</u>	<u>28,163</u>

Nonmajor	Total
17,884	1,041,435
158,820	297,606
-	1,280
178	20,973
2,999	426,986
345	284,082
-	160,300
<u>180,226</u>	<u>2,232,662</u>
6,134	601,899
-	315,799
-	2,858
4,038	304,021
-	183,344
-	134,622
-	217,644
<u>10,172</u>	<u>1,760,187</u>
<u>170,054</u>	<u>472,475</u>
-	610
-	156,444
(156,444)	(175,356)
<u>(156,444)</u>	<u>(18,302)</u>
13,610	454,173
117,978	970,642
<u>131,588</u>	<u>1,424,815</u>
-	202,128
-	28,163
65,848	65,848
48,059	195,251
-	250,583
-	152,401
-	27,637
17,681	113,267
-	389,537
<u>131,588</u>	<u>1,424,815</u>

**CITY OF TOLEDO**  
**Statement of Cash Receipts, Disbursements**  
**and Changes in Cash Balances**  
**Proprietary Funds**  
**As of and for the year ended June 30, 2015**

	Enterprise Funds		
	Water Utility	Sewer Utility	Child Care Facility
Operating receipts:			
Charges for services	\$ 511,553	508,606	27,906
Miscellaneous	9,625	-	-
Total operating receipts	<u>521,178</u>	<u>508,606</u>	<u>27,906</u>
Operating disbursements:			
Business type activities	<u>503,844</u>	<u>299,838</u>	<u>2,700</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>17,334</u>	<u>208,768</u>	<u>25,206</u>
Non-operating receipts (disbursements):			
Interest on investments	524	421	23
Intergovernmental	357,650	-	-
Revenue note proceeds	2,122,074	-	-
Rent	-	-	-
Debt service	(31,075)	(171,514)	(20,880)
Capital projects	(2,267,771)	-	-
Total non-operating receipts (disbursements)	<u>181,402</u>	<u>(171,093)</u>	<u>(20,857)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>198,736</u>	<u>37,675</u>	<u>4,349</u>
Other financing sources:			
Transfers in	-	14,412	-
Total other financing sources	<u>-</u>	<u>14,412</u>	<u>-</u>
Change in cash balances	198,736	52,087	4,349
Cash balances beginning of year	<u>339,146</u>	<u>1,337,060</u>	<u>35,993</u>
Cash balances end of year	<u>\$ 537,882</u>	<u>1,389,147</u>	<u>40,342</u>
<b>Cash Basis Fund Balances</b>			
Restricted for debt service	\$ 172,125	80,838	20,880
Unrestricted	<u>365,757</u>	<u>1,308,309</u>	<u>19,462</u>
Total cash basis fund balances	<u>\$ 537,882</u>	<u>1,389,147</u>	<u>40,342</u>

Nonmajor	Total
57,268	1,105,333
9,615	19,240
<u>66,883</u>	<u>1,124,573</u>
 110,265	 916,647
 <u>(43,382)</u>	 <u>207,926</u>
 -	 968
-	357,650
-	2,122,074
26,057	26,057
-	(223,469)
-	(2,267,771)
<u>26,057</u>	<u>15,509</u>
 <u>(17,325)</u>	 <u>223,435</u>
 4,500	 18,912
<u>4,500</u>	<u>18,912</u>
 (12,825)	 242,347
 <u>38,907</u>	 <u>1,751,106</u>
 <u>26,082</u>	 <u>1,993,453</u>
 -	 273,843
<u>26,082</u>	<u>1,719,610</u>
<u>26,082</u>	<u>1,993,453</u>

**CITY OF TOLEDO**  
**Notes to Financial Statements**  
**June 30, 2015**

Note 1 – Summary of Significant Accounting Policies

The City of Toledo is a political subdivision of the State of Iowa located in Tama County. It was first incorporated in 1866 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Toledo has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City, but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Tama County Assessor's Conference Board, Tama County Emergency Management Commission, Tama County Joint E-911 Service Board, Tama County Solid Waste Disposal Commission, Region Six Planning Commission and Tama County Economic Development 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 them to be maintained permanently by the City.

**CITY OF TOLEDO**  
**Notes to Financial Statements (Continued)**  
**June 30, 2015**

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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

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

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

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 and enterprise funds are aggregated and reported as nonmajor governmental and nonmajor enterprise funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From 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 property taxes to be used to pay employee taxes and benefits.

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.

**CITY OF TOLEDO**  
**Notes to Financial Statements (Continued)**  
**June 30, 2015**

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The City reports the following major proprietary funds:

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

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

The Enterprise, Child Care Facility Fund accounts for the collection of fees from the daycare to fund repayment of the building loan.

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 the financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

**CITY OF TOLEDO**  
**Notes to Financial Statements (Continued)**  
**June 30, 2015**

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Governmental Cash Basis Fund Balances (Continued)

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the community and economic development function before the amendment was done.

Note 2 – Cash and Pooled Investments

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

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

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.

Note 3 – 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](http://www.ipers.org).

**CITY OF TOLEDO**  
**Notes to Financial Statements (Continued)**  
**June 30, 2015**

Note 3 – Pension Plan (Continued)

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

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

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

Protection occupation members may retire at normal retirement age which is generally age 55. Protection occupation members may retire anytime after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-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 percent for each month that the member received benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

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

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

**CITY OF TOLEDO**  
**Notes to Financial Statements (Continued)**  
**June 30, 2015**

Note 3 – Pension Plan (Continued)

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS’ Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial 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. Protection occupation members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.90 percent.

The City’s contributions to IPERS for the year ended June 30, 2015 were \$59,174.

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 \$146,942. 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 0.0037051 percent, which was a decrease of .00015160 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City’s pension expense, deferred outflows and deferred inflows totaled \$20,903, \$11,355 and \$142,719, 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 percent
Salary increases (effective June 30, 2014)	4.00 percent, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation

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

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

**CITY OF TOLEDO**  
**Notes to Financial Statements (Continued)**  
**June 30, 2015**

Note 3 – Pension Plan (Continued)

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

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

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

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 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.

**CITY OF TOLEDO**  
**Notes to Financial Statements (Continued)**  
**June 30, 2015**

Note 3 – Pension Plan (Continued)

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability (asset):	\$ 452,829	\$ 146,942	\$ (111,079)

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

Note 4 – 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. These accumulations are not recognized as disbursements by the City until used or paid. The City’s approximate liability for earned vacation payments payable to employees at June 30, 2015, was \$20,973, primarily relating to the General Fund. This liability has been computed based on the rates of pay in effect at June 30, 2015.

Note 5 – Risk Management

The City of Toledo is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 6 – Other Postemployment Benefits

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 14 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug 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.

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 \$489 for single coverage and \$1,498 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2015, the City contributed \$156,250 and plan members eligible for benefits did not contribute to the plan.

**CITY OF TOLEDO**  
**Notes to Financial Statements (Continued)**  
**June 30, 2015**

**Note 7 – Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds and notes, water and sewer revenue bonds, and a child care center note are as follows:

<b>Year Ending June 30</b>	<b>General Obligation Bonds</b>		<b>General Obligation Note</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2016	\$ 150,000	38,162	60,000	2,100
2017	155,000	35,162	60,000	1,050
2018	160,000	32,062	-	-
2019	160,000	28,862	-	-
2020	165,000	25,662	-	-
2021-2025	760,000	83,126	-	-
2026-2030	325,000	21,602	-	-
2031-2035	-	-	-	-
2036-2040	-	-	-	-
2041-2045	-	-	-	-
<b>Total</b>	<b>\$ 1,875,000</b>	<b>264,638</b>	<b>120,000</b>	<b>3,150</b>

<b>Year Ending June 30</b>	<b>Revenue Bonds</b>		<b>Child Care Center Revenue Note</b>		<b>Total</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2016	\$ 181,000	66,197	6,277	14,603	397,277	121,062
2017	189,000	75,812	6,541	14,339	410,541	126,363
2018	191,000	71,966	6,816	14,064	357,816	118,092
2019	194,000	68,082	7,102	13,778	361,102	110,722
2020	196,000	64,148	7,401	13,479	368,401	103,289
2021-2025	1,055,000	258,812	41,941	62,458	1,856,941	404,396
2026-2030	1,091,074	147,702	51,532	52,868	1,467,606	222,172
2031-2035	-	-	63,313	41,087	63,313	41,087
2036-2040	-	-	77,788	26,612	77,788	26,612
2041-2045	-	-	88,153	8,865	88,153	8,865
<b>Total</b>	<b>\$ 3,097,074</b>	<b>752,719</b>	<b>356,864</b>	<b>262,153</b>	<b>5,448,938</b>	<b>1,282,660</b>

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

- a) The bonds and notes will only be redeemed from the future earnings of the enterprise activity and the bond and note holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly transfers shall be made to separate Sewer and Child Care Center revenue sinking accounts within the Enterprise Funds for the purpose of making the principal and interest payments when due.
- c) Additional monthly transfers of \$218 to a Child Care Center reserve account within the Enterprise Fund shall be made until \$26,100 has been accumulated. This account is restricted for the purpose of transferring and crediting to the sinking account whenever necessary to prevent or remedy a default in the payment of the principal or interest on the notes.

**CITY OF TOLEDO**  
**Notes to Financial Statements (Continued)**  
**June 30, 2015**

Note 7 – Bonds and Notes Payable (Continued)

- e) Additional monthly transfers of \$368 to a Child Care Center depreciation account within the Enterprise Fund shall be made. This account is restricted for the purpose of paying for any repairs, replacements and improvements to the Child Care Center.
- f) All funds remaining in the Child Care Center account after the payment of all maintenance and operating expenses and required transfers shall be placed in a surplus account within the Enterprise Funds. This account is restricted for the purpose of paying for any improvement, extension or repair to the building or for note and interest payments which the other accounts might be unable to make.

As of June 30, 2015, the City has established the depository accounts required by the bond resolution for the sewer revenue and daycare facility bonds.

Note 8 – 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: Local Option Sales Tax	\$ 54,000
Debt Service	Special Revenue: Local Option Sales Tax	102,444
Enterprise: Solid Waste	General	4,500
Enterprise: Sewer	General	<u>14,412</u>
Total		<u>\$ 175,356</u>

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

Note 9 – Commitments

The City has entered into a contract for an improvement project to the water treatment plant. The total cost of the contract is \$2,997,932 and at June 30, 2015, the City has a remaining commitment on the contract of \$730,160.

**CITY OF TOLEDO**  
**Notes to Financial Statements (Continued)**  
**June 30, 2015**

Note 10 – Related Party Transactions

The City had business transactions between the City and City officials totaling \$580 during the year ended June 30, 2015.

Note 11 – Subsequent Events

The City has evaluated all subsequent events through November 5, 2015, the date the financial statements were available to be issued.

## Other Information

**CITY OF TOLEDO**  
**Budgetary Comparison Schedule of Receipts, Disbursements,**  
**and Changes in Balances-Budget and Actual (Cash Basis)**  
**All Governmental Funds and Proprietary Funds**  
**Other Information**  
**June 30, 2015**

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 1,041,435	-
Other city taxes	297,606	-
Licenses and permits	1,280	-
Use of money and property	20,973	27,025
Intergovernmental	426,986	357,650
Charges for service	284,082	1,105,333
Miscellaneous	160,300	19,240
Total receipts	<u>2,232,662</u>	<u>1,509,248</u>
Disbursements:		
Public safety	601,899	-
Public works	315,799	-
Health and social services	2,858	-
Culture and recreation	304,021	-
Community and economic development	183,344	-
General government	134,622	-
Debt service	217,644	-
Capital projects	-	-
Business type activities	-	3,407,887
Total disbursements	<u>1,760,187</u>	<u>3,407,887</u>
Excess (deficiency) of receipts over (under) disbursements	472,475	(1,898,639)
Other financing sources (uses), net	<u>(18,302)</u>	<u>2,140,986</u>
Excess of receipts and other financing sources over disbursements and other financing uses	454,173	242,347
Balances beginning of year	<u>970,642</u>	<u>1,751,106</u>
Balances end of year	<u>\$ 1,424,815</u>	<u>1,993,453</u>

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,041,435	1,014,081	1,014,081	27,354
297,606	241,211	241,211	56,395
1,280	7,150	7,150	(5,870)
47,998	24,675	24,675	23,323
784,636	576,647	716,647	67,989
1,389,415	1,352,238	1,352,238	37,177
179,540	34,200	34,200	145,340
3,741,910	3,250,202	3,390,202	351,708
601,899	641,233	652,233	50,334
315,799	387,589	387,589	71,790
2,858	13,100	13,100	10,242
304,021	333,074	334,074	30,053
183,344	3,512	252,512	69,168
134,622	162,114	162,114	27,492
217,644	220,157	220,157	2,513
-	11,000	11,000	11,000
3,407,887	3,991,644	4,001,644	593,757
5,168,074	5,763,423	6,034,423	866,349
(1,426,164)	(2,513,221)	(2,644,221)	1,218,057
2,122,684	2,600,000	2,600,000	(477,316)
696,520	86,779	(44,221)	740,741
2,721,748	2,454,212	2,721,748	-
3,418,268	2,540,991	2,677,527	740,741

**CITY OF TOLEDO**  
**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 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, one budget amendment reclassified budgeted funds and increased total budgeted disbursements by \$271,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the community and economic development function before the amendment was made.

## CITY OF TOLEDO

### Schedule of the City's Proportionate Share of the Net Pension Liability Iowa Public Employees' Retirement System Last Fiscal Year\* Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.0037051 %
City's proportionate share of the net pension liability	\$ 146,942
City's covered-employee payroll	\$ 584,771
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	25.13 %
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.

**CITY OF TOLEDO**  
**Schedule of City Contributions**  
**Iowa Public Employees' Retirement System**  
**Last 10 Fiscal Years**  
**Other Information**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 59,174	55,166	51,151	49,425
Contributions in relation to the statutorily required contribution	<u>(59,174)</u>	<u>(55,166)</u>	<u>(51,151)</u>	<u>(49,425)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 625,825	584,771	547,289	568,637
Contributions as a percentage of covered-employee payroll	9.46%	9.43%	9.35%	8.69%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
46,048	41,799	37,247	34,939	35,596	35,146
<u>(46,048)</u>	<u>(41,799)</u>	<u>(37,247)</u>	<u>(34,939)</u>	<u>(35,596)</u>	<u>(35,146)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
571,335	554,607	527,397	507,899	514,853	468,455
8.06%	7.54%	7.06%	6.88%	6.91%	7.50%

**CITY OF TOLEDO**  
**Notes to Other Information – Pension Liability**  
**Year ended June 30, 2015**

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the

calculation of the UAL amortization payments for one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

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

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

## Supplementary Information

**CITY OF TOLEDO**  
**Schedule of Cash Receipts, Disbursements and**  
**Changes in Cash Balances**  
**Nonmajor Governmental Funds**  
**As of and for the year ended June 30, 2015**

	Special Revenue			
	Local Option Sales Tax	Library Gift Trust	Emergency	Police Federal Forfeiture
<b>Receipts:</b>				
Property tax	-	-	17,884	-
Other city tax	\$ 158,136	-	684	-
Use of money and property	158	20	-	-
Intergovernmental	-	2,999	-	-
Charges for services	-	345	-	-
Total receipts	<u>158,294</u>	<u>3,364</u>	<u>18,568</u>	<u>-</u>
<b>Disbursements:</b>				
Operating:				
Public safety	-	-	-	6,134
Culture and recreation	-	4,038	-	-
Total disbursements	<u>-</u>	<u>4,038</u>	<u>-</u>	<u>6,134</u>
Excess (deficiency) of receipts over (under) disbursements	<u>158,294</u>	<u>(674)</u>	<u>18,568</u>	<u>(6,134)</u>
<b>Other financing uses:</b>				
Transfers out	(156,444)	-	-	-
Total other financing uses	<u>(156,444)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in cash balances	1,850	(674)	18,568	(6,134)
Cash balances at beginning of year	<u>63,998</u>	<u>18,355</u>	<u>14,343</u>	<u>12,911</u>
Cash balances at end of year	<u>\$ 65,848</u>	<u>17,681</u>	<u>32,911</u>	<u>6,777</u>
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Property tax relief	\$ 65,848	-	-	-
Other purposes	-	-	32,911	6,777
Assigned for other purposes	-	17,681	-	-
Total cash basis fund balances	<u>\$ 65,848</u>	<u>17,681</u>	<u>32,911</u>	<u>6,777</u>

<u>Capital Projects</u>	
<u>Recreation</u>	
<u>Trail</u>	<u>Total</u>
-	17,884
-	158,820
-	178
-	2,999
-	345
-	180,226
-	6,134
-	4,038
-	10,172
-	170,054
-	(156,444)
-	(156,444)
-	13,610
8,371	117,978
8,371	131,588
-	65,848
8,371	48,059
-	17,681
8,371	131,588

**CITY OF TOLEDO**  
**Schedule of Cash Receipts, Disbursements**  
**and Changes in Cash Balances**  
**Nonmajor Enterprise Funds**  
**As of and for the year ended June 30, 2015**

	Solid Waste	Reinig Center	Total
Operating receipts:			
Charges for services	\$ 32,899	24,369	57,268
Miscellaneous	-	9,615	9,615
Total operating receipts	<u>32,899</u>	<u>33,984</u>	<u>66,883</u>
Operating disbursements:			
Business type activities	<u>56,184</u>	<u>54,081</u>	<u>110,265</u>
Deficiency of operating receipts under operating disbursements	(23,285)	(20,097)	(43,382)
Non-operating receipts:			
Rent	-	26,057	26,057
Total non-operating receipts	<u>-</u>	<u>26,057</u>	<u>26,057</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(23,285)</u>	<u>5,960</u>	<u>(17,325)</u>
Other financing sources:			
Transfers in	<u>4,500</u>	-	<u>4,500</u>
Total other financing sources	<u>4,500</u>	<u>-</u>	<u>4,500</u>
Change in cash balances	(18,785)	5,960	(12,825)
Cash balances beginning of year	<u>19,072</u>	<u>19,835</u>	<u>38,907</u>
Cash balances end of year	<u>\$ 287</u>	<u>25,795</u>	<u>26,082</u>
<b>Cash Basis Fund Balances</b>			
Unrestricted	<u>\$ 287</u>	<u>25,795</u>	<u>26,082</u>
Total cash basis fund balances	<u>\$ 287</u>	<u>25,795</u>	<u>26,082</u>

**CITY OF TOLEDO**  
**Schedule of Indebtedness**  
**Year ended June 30, 2015**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
<b>General obligation bonds:</b>			
Aquatic center	Jun 1, 2013	1.50-2.625 %	\$ 983,000
State revolving fund sewer	Jun 1, 2013	1.50-2.625	<u>1,202,000</u>
Total			<u><u>\$ 2,185,000</u></u>
<b>General obligation notes:</b>			
Fire truck	Nov 20, 2012	1.75 %	\$ 300,000
Library	Jan 26, 2005	2.05-4.10	<u>400,000</u>
Total			<u><u>\$ 700,000</u></u>
<b>Revenue bonds:</b>			
State revolving fund sewer	Jun 1, 2013	2.65 %	\$ 1,085,000
State revolving fund water	Oct 31, 2014	1.75	<u>2,122,074</u>
			<u><u>3,207,074</u></u>
<b>Revenue note:</b>			
Child care facility	Apr 30, 2007	4.125 %	<u>\$ 400,000</u>
Total			

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
900,000	-	85,000	815,000	17,194	-
1,125,000	-	65,000	1,060,000	23,969	-
2,025,000	-	150,000	1,875,000	41,163	-
180,000	-	60,000	120,000	3,150	-
50,000	-	50,000	-	2,050	-
230,000	-	110,000	120,000	5,200	-
1,030,000	-	55,000	975,000	27,295	-
-	2,122,074	-	2,122,074	15,750	-
1,030,000	2,122,074	55,000	3,097,074	43,045	-
362,887	-	6,023	356,864	14,857	-

**CITY OF TOLEDO**  
**Bond and Note Maturities**  
**June 30, 2015**

Schedule 4

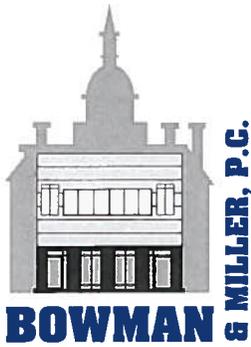
Year Ending June 30,	General Obligation Bonds				General Obligation Note		
	Aquatic Center		State Revolving Fund Sewer		Fire Truck		
	Issued June 1, 2013		Issued June 1, 2013		Issued Nov. 20, 2012		
	Interest		Interest		Interest		Total
Rate	Amount	Rate	Amount	Rate	Amount		
2016	2.00 %	\$ 85,000	2.00 %	\$ 65,000	1.75 %	\$ 60,000	210,000
2017	2.00	85,000	2.00	70,000	1.75	60,000	215,000
2018	2.00	85,000	2.00	75,000	-	-	160,000
2019	2.00	85,000	2.00	75,000	-	-	160,000
2020	2.00	90,000	2.00	75,000	-	-	165,000
2021	1.50	90,000	1.50	75,000	-	-	165,000
2022	1.63	95,000	1.63	75,000	-	-	170,000
2023	2.00	100,000	2.00	75,000	-	-	175,000
2024	2.00	100,000	2.00	75,000	-	-	175,000
2025		-	2.40	75,000	-	-	75,000
2026		-	2.40	75,000	-	-	75,000
2027		-	2.63	80,000	-	-	80,000
2028		-	2.63	85,000	-	-	85,000
2029		-	2.63	85,000	-	-	85,000
<b>Total</b>		<b>\$ 815,000</b>		<b>\$ 1,060,000</b>		<b>\$ 120,000</b>	<b>1,995,000</b>

Year Ending June 30,	Revenue Bonds				Revenue Note		
	State Revolving Fund Sewer		State Revolving Fund Water		Child Care Center		
	Issued June 1, 2013		Issued Oct. 31, 2014		Issued June 1, 2013		
	Interest		Interest		Interest		Total
Rate	Amount	Rate	Amount	Rate	Amount		
2016	2.65 %	\$ 55,000	1.75 %	\$ 126,000	4.13 %	\$ 6,277	187,277
2017	2.65	60,000	1.75	129,000	4.13	6,541	195,541
2018	2.65	60,000	1.75	131,000	4.13	6,816	197,816
2019	2.65	60,000	1.75	134,000	4.13	7,102	201,102
2020	2.65	60,000	1.75	136,000	4.13	7,401	203,401
2021 - 2045	2.65	680,000	1.75	1,466,074	4.13	322,727	2,468,801
<b>Total</b>		<b>\$ 975,000</b>		<b>\$ 2,122,074</b>		<b>\$ 356,864</b>	<b>3,453,938</b>

**CITY OF TOLEDO**  
**Schedule of Receipts By Source and Disbursements by Function-**  
**All Governmental Funds**  
**For the Last Ten Years**

	2015	2014	2013	2012
<b>Receipts:</b>				
Property tax	\$ 1,041,435	1,071,248	1,083,336	994,743
Tax increment financing revenues	-	-	-	-
Other city tax	297,606	261,982	301,725	212,222
Licenses and permits	1,280	2,162	2,658	1,832
Use of money and property	20,973	25,983	23,173	7,679
Intergovernmental	426,986	285,391	278,397	576,210
Charges for services	284,082	281,051	250,174	261,235
Special assessments	-	-	-	433
Miscellaneous	160,300	27,036	45,483	86,749
<b>Total</b>	<b>\$ 2,232,662</b>	<b>1,954,853</b>	<b>1,984,946</b>	<b>2,141,103</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 601,899	537,899	570,451	775,382
Public works	315,799	296,993	310,209	275,551
Health and social services	2,858	3,434	1,050	-
Culture and recreation	304,021	318,288	297,632	322,408
Community and economic development	183,344	3,512	3,512	10,394
General government	134,622	145,856	145,139	241,831
Debt service	217,644	381,626	2,589,405	468,667
Capital projects	-	-	300,000	358,033
<b>Total</b>	<b>\$ 1,760,187</b>	<b>1,687,608</b>	<b>4,217,398</b>	<b>2,452,266</b>

2011	2010	2009	2008	2007	2006
830,125	795,846	1,019,718	846,398	929,723	655,072
-	4	58,110	113,070	241,150	181,716
262,585	260,161	281,512	277,758	240,350	187,403
1,779	8,720	6,780	3,125	8,608	3,896
10,877	11,372	18,529	24,971	31,516	25,450
1,046,767	322,416	323,665	336,680	1,073,176	675,868
268,413	259,659	275,803	283,499	259,096	211,365
1,781	4,333	5,431	2,169	16,350	9,255
30,395	57,532	25,888	41,230	98,423	170,651
<u>2,452,722</u>	<u>1,720,043</u>	<u>2,015,436</u>	<u>1,928,900</u>	<u>2,898,392</u>	<u>2,120,676</u>
591,036	535,157	555,569	582,666	608,738	500,940
1,118,827	415,945	243,301	673,534	227,432	253,431
-	-	-	-	-	-
316,721	282,916	276,533	261,814	241,929	257,869
9,880	17,116	18,607	18,607	23,349	39,770
269,665	273,114	256,755	250,725	269,839	341,222
370,785	301,009	422,854	363,650	1,090,034	461,614
45,409	14,081	85,193	99,371	1,003,493	1,048,057
<u>2,722,323</u>	<u>1,839,338</u>	<u>1,858,812</u>	<u>2,250,367</u>	<u>3,464,814</u>	<u>2,902,903</u>



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

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

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Toledo, 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 November 5, 2015. 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 Toledo'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 Toledo's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Toledo's internal control.

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

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

### Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the City of Toledo'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 III of the accompanying Schedule of Findings.

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

### City of Toledo's Responses to Findings

The City of Toledo's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Toledo'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 result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

*Bowman and Miller, P.C.*

Marshalltown, Iowa  
November 5, 2015

**CITY OF TOLEDO**  
**Schedule of Findings**  
**Year Ended June 30, 2015**

**Part I: Summary of the Independent Auditors' Results:**

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**CITY OF TOLEDO**  
**Schedule of Findings**  
**Year Ended June 30, 2015**

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

II-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 noted one person has control over each of the following areas:

- (1) Cash receipts - collecting, depositing, journalizing, and posting
- (2) Disbursements - check writing, signing, and reconciling.
- (3) Payroll preparation and distribution.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. In instances where it is not possible to segregate duties, the City should utilize administrative personnel to provide additional internal control through review of financial transactions and report.

Response – We will continue to monitor other ways to improve segregation of duties.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

# CITY OF TOLEDO

## Schedule of Findings

### Year Ended June 30, 2015

**Part III: Other Findings Related to Required Statutory Reporting:**

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

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

Response – This will be monitored more closely in the future and amendments will be done as necessary.

Conclusion – Response accepted.

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

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

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

Name, Title and Business Connection	Transaction Description	Amount
Cleon Kriegel, father-in-law of City Clerk, Owner of Kriegel Masonry Construction	Repairs and maintenance	\$ 580

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, these transactions do not appear to represent a conflict of interest since the total was less than \$1,500 during the fiscal year.

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

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

III-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.

III-H-15 Revenue Bonds and Notes – No instances on non-compliance with the revenue bonds and note resolutions were noted.

**CITY OF TOLEDO**  
Audit Staff

This audit was performed by:  
Bowman and Miller, P.C.  
Certified Public Accountants  
Marshalltown, IA 50158

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