

CITY OF LAKE 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

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

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City of Lake City, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gary Fahan	Mayor	Dec 2015
Gary Bellinghausen	Mayor Pro Tem	Dec 2015
Branden Blair	Council Member	Resigned
Tony Snyder (Appointed)	Council Member	Dec 2017
Chris Blair	Council Member	Dec 2015
Doug Filmer	Council Member	Dec 2017
Tamela Green	Council Member	Dec 2017
Lee A. Vogt	Administrator/Clerk	Dec 2015
Lois Smith	Treasurer	Dec 2015
David Willis	Attorney	Dec 2015

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

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, each major fund and the aggregate remaining fund information of the City of Lake City, Iowa, as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements 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 opinions.

Basis for Adverse Opinion on Aggregate Discretely Presented Component Units

The financial statements referred to above do not include financial data for the City's legally separate component units. U.S. generally accepted accounting principles require financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. Because of this departure from U.S. generally accepted accounting principles, the revenues and expense of the aggregate discretely presented component units would have been presented and increased by an unknown amount.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of aggregate discretely presented component units of the City of Lake City for the year then ended in accordance with U.S. generally accepted accounting principles.

Unmodified 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 Lake City as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting 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 5 to the financial statements, the City of Lake 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 Lake 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 three years ended June 30, 2014, (which is not presented herein) and expressed unmodified opinions on those financial statements other than an adverse of opinion on the discretely presented component unit, which were prepared on the basis of cash receipts and disbursements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2011 (which is not presented herein) and expressed an adverse opinion on the governmental activities and the General Fund, an unmodified opinion on the business type activities, each major fund, except the General Fund, and the aggregate remaining fund and a disclaimer of opinion on the discretely presented component unit, which were prepared on the basis of cash receipts and disbursements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2010, (which is not presented herein) and expressed unmodified opinions on those financial statements other than a disclaimer of opinion on the discretely presented component unit, which were prepared on the basis of cash receipts and disbursements. Other auditors previously audited in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2008 (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 6 through 11 and 34 through 38 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 February 15, 2016 on our consideration of the City of Lake City's internal control over financial reporting and 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 Lake 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

February 15, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

- Total Revenue in the General Fund increased by \$32,267. Revenues from other city taxes, use of money and property and charges for fees and services saw slight declines.
- Disbursements in Public Safety, Culture and Recreation, and Community and Economic Development decreased \$45,691, \$8,049 and \$9,720 respectively; whereas, Public Works, and General Government increased \$231,702 and \$1,655 respectively.
- The City's total cash basis net positions decreased approximately 25% or approximately \$511,000 from June 30, 2014 to June 30, 2015. Of this amount, the assets of the business type activities decreased approximately \$4,001 and the assets of the Capital Projects funds decreased by \$681,810 due to the near completion of the new aquatic center.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

BASIS OF ACCOUNTING

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

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

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

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary and storm sewer systems, and solid waste. 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 Fund and 5) the Permanent 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 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, storm sewer, and solid waste funds. The water, sewer and solid waste funds are considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$1,442,951 to \$1,539,880. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for Services:	\$ 19,508	\$ 25,169
Operating grants, contributions, restricted interest:	224,738	202,332
Capital grants, contributions, restricted interest:	122,884	213,353
General receipts:		
Property Tax:	717,649	689,371
Local option sales tax:	121,544	128,255
Unrestricted interest on investments:	2,908	3,201
Bond Proceeds:	1,475,991	---
Other general receipts:	112,499	84,113
Total receipts	<u>\$ 2,797,721</u>	<u>\$ 1,345,794</u>
Disbursements:		
Public safety:	299,460	345,154
Public works:	126,786	134,721
Culture & recreation:	151,448	154,028
Community, Economic development:	1,000	10,720
General government:	52,369	50,715
Debt service:	766,545	283,445
Capital projects:	1,907,041	270,082
Total disbursements	<u>\$ 3,304,649</u>	<u>\$ 1,248,865</u>
Change in cash basis net positions:	\$ (506,928)	96,929
Cash basis net position beginning of year:	<u>\$ 1,539,880</u>	<u>1,442,951</u>
Cash basis net position end of year:	<u>\$ 1,032,952</u>	<u>\$ 1,539,880</u>

City's total receipts for governmental activities increased approximately \$1,450,000 primarily due to a issuance of bond proceeds to finance the pool improvements. The total cost of all programs and services increased approximately \$2,056,000 mostly due to the construction project noted above.

The cost of all governmental activities this year was approximately \$3,304,000 compared to approximately \$1,249,000 last year. However, as shown in the Statement of Activities and Net Position, the amount taxpayers ultimately financed for these activities was only \$2,937,000 because some of the cost was paid by those directly benefited from the programs (approximately \$20,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (approximately \$348,000).

Changes in Cash Basis Net Position of Business Type Activities

	Year Ended	
	2015	2014
Receipts:		
Program Receipts:		
Charges for Service:		
Water	\$ 239,780	\$ 253,969
Sewer	\$ 150,185	157,070
Solid waste	\$ 125,914	126,892
Storm sewer	\$ 9,907	9,926
General Receipts:		
Capital grants, contributions, restricted interest	\$ 9,474	346,684
Unrestricted interest on investments:	\$ 45	52
Other general receipts:	\$ 5,770	9,431
Total receipts	\$ 541,075	\$ 904,024
Disbursements:		
Transfers out, water	\$ 56,908	55,496
Water	\$ 216,974	900,344
Sewer	\$ 139,267	142,828
Solid waste	\$ 131,440	142,145
Storm sewer	\$ 488	3,164
Total disbursements	\$ 545,077	\$ 1,243,977
Change in cash basis net position	\$ (4,002)	(339,953)
Cash basis net positions beginning of year	\$ 481,446	821,399
Cash basis net positions end of year	\$ 477,444	\$ 481,446

Total business type activities receipts for the fiscal year were approximately \$541,000 compared to \$904,000 last year. The decrease was due primarily to grants received in 2014. The cash balance was relatively consistent from 2014 to 2015. Total disbursements for the fiscal year decreased approximately \$698,000 due to funds expended for a water project in the previous year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As Lake City completed the year, its governmental funds reported a combined fund balance of \$1,032,952, a decrease of more than \$506,929 from last year's total of \$1,539,880. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund stayed relatively stable.
- The Capital Project, Pool Project Fund, cash balance decreased \$742,706 to \$111,5801. This decrease is primarily due to construction of the new pool.
- Other Nonmajor Governmental Funds increased \$233,922 due to savings some current receipts for future expenditures.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$20,646 to \$196,445, due to a decrease in non-operating receipts.
- The Sewer Fund cash balance increased \$12,084 to \$147,339, due to a decrease in non-operating disbursements.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once, approved May 2015. This amendment resulted in an increase in estimated operating disbursements of approximately \$42,000 within Public Safety and Capital Projects.

The City's proceeds of refunded bonds was budgeted, along with the new pool project, but the repayment of refinanced bonds was not budget, resulting in an expenditures over budget.

DEBT ADMINISTRATION

As of June 30, 2015, the City had \$2,235,000 of general obligation bonds outstanding compared to \$1,470,000 last year.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,235,000 is within its constitutional debt limit of approximately \$2.8 million. Additional information about the City's long term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Lake City's elected and appointed officials and citizens considered many factors, including the US Consumer Price Index when setting the fiscal year 2016 budget, tax rates and fees charged for various City activities.

These indicators were taken into account when adopting the budget for fiscal year 2016. Amounts available for appropriation in the operating budget are approximately \$1,750,000, a decrease of approximately \$400,000 over the final fiscal year 2015 budget, which was directly related to the proceeds of loan in fiscal year 2015. The pool project includes and accounts for the majority of the decrease (approximately \$1,827,000 for the Capital Pool Project) in the operating budget for expenditures for fiscal year 2016 since the majority of the project was completed during the fiscal 2015 budget.

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 Lee Vogt, City Administrator, 105 N Center St, Lake City, Iowa 51449.

Basic Financial Statements

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

		Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 299,460	8,208	1,500	-
Public works	126,786	-	179,578	-
Culture and recreation	151,448	11,093	38,180	-
Community and economic development	1,000	-	-	-
General government	52,369	207	1,725	-
Debt service	766,545	-	-	-
Capital projects	1,907,041	-	3,755	122,884
Total governmental activities	3,304,649	19,508	224,738	122,884
Business type activities:				
Water	216,974	239,780	-	9,474
Sewer	139,267	150,185	-	-
Solid waste	131,440	125,914	-	-
Storm sewer	488	9,907	-	-
Total business type activities	488,168	525,785	-	9,474
Total primary government	\$ 3,792,817	545,293	224,738	132,358
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
Bond proceeds				
Sale of capital assets				
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:				
Ambulance				
Streets				
Pool construction				
Community development or capital improvements				
Library				
Parks				
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

Primary Government		
Governmental Activities	Business Type Activities	Total
(289,752)	-	(289,752)
52,792	-	52,792
(102,175)	-	(102,175)
(1,000)	-	(1,000)
(50,437)	-	(50,437)
(766,545)	-	(766,545)
<u>(1,780,402)</u>	<u>-</u>	<u>(1,780,402)</u>
<u>(2,937,519)</u>	<u>-</u>	<u>(2,937,519)</u>
-	32,280	32,280
-	10,918	10,918
-	(5,526)	(5,526)
-	9,419	9,419
-	47,090	47,090
<u>(2,937,519)</u>	<u>47,090</u>	<u>(2,890,428)</u>
477,012	-	477,012
240,637	-	240,637
121,544	-	121,544
2,908	45	2,953
15,590	5,771	21,361
1,475,991		1,475,991
40,000		40,000
<u>56,908</u>	<u>(56,908)</u>	<u>-</u>
<u>2,430,590</u>	<u>(51,092)</u>	<u>2,379,498</u>
(506,929)	(4,002)	(510,931)
<u>1,539,880</u>	<u>481,446</u>	<u>2,264,350</u>
<u>\$ 1,032,952</u>	<u>477,444</u>	<u>1,510,396</u>
\$ 12,000	-	12,000
88,024	-	88,024
213,775	-	213,775
111,580	-	111,580
339,840	-	339,840
19,094	-	19,094
3,163	-	3,163
185,778	-	185,778
59,697	477,444	537,141
<u>\$ 1,032,952</u>	<u>477,444</u>	<u>1,510,396</u>

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

As of and for the year ended June 30, 2015

	<u>General</u>	<u>Pool Capital Project</u>
Receipts:		
Property tax	\$ 307,884	-
Other city tax	13,592	-
Licenses and permits	5,843	-
Use of money and property	4,471	3,701
Intergovernmental	35,488	-
Charges for service	13,145	-
Miscellaneous	<u>25,921</u>	<u>119,183</u>
Total receipts	<u>406,344</u>	<u>122,884</u>
Disbursements:		
Operating:		
Public safety:		
Police	196,372	-
Civil defense	316	-
Fire	<u>12,909</u>	<u>-</u>
	<u>209,597</u>	<u>-</u>
Public works:		
Roadway maintenance	<u>-</u>	<u>-</u>
Culture and recreation:		
Library	76,889	-
Park	29,776	-
Swimming pool	7,267	-
Cemetery	15,860	-
Community building	<u>12,986</u>	<u>-</u>
	<u>142,778</u>	<u>-</u>

Exhibit B

<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
226,903	141,228	676,015
10,214	127,902	151,708
-	-	5,843
107	-	8,279
3,520	181,769	220,777
-	-	13,145
-	3,950	149,054
<u>240,744</u>	<u>454,849</u>	<u>1,224,821</u>
-	87,996	284,368
-	-	316
-	1,867	14,776
<u>-</u>	<u>89,863</u>	<u>299,460</u>
<u>-</u>	<u>126,786</u>	<u>126,786</u>
-	7,496	84,385
-	-	29,776
-	982	8,249
-	-	15,860
-	192	13,178
<u>-</u>	<u>8,670</u>	<u>151,448</u>

(continued)

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

As of and for the year ended June 30, 2015

	<u>General</u>	<u>Pool Capital Project</u>
Community and economic development Beautification	<u>1,000</u>	<u>-</u>
General government	<u>52,114</u>	<u>-</u>
Debt service	<u>-</u>	<u>-</u>
Capital projects	<u>-</u>	<u>1,871,688</u>
Total disbursements	<u>405,489</u>	<u>1,871,688</u>
Excess (deficiency) of receipts over (under) disbursements	<u>855</u>	<u>(1,748,804)</u>
Other financing sources (uses)		
Bond proceeds	-	1,006,098
Sale of capital assets	40,000	-
Operating transfers in	-	-
Operating transfers out	<u>(40,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>1,006,098</u>
Change in cash balances	855	(742,706)
Cash balances beginning of year	150,918	854,286
Cash balances end of year	<u>\$ 151,773</u>	<u>111,580</u>
Cash Basis Fund Balances		
Nonspendable:		
Cemetery perpetual care	\$ -	-
Restricted for:		
Streets	-	-
Pool construction	-	111,580
Community development or capital improvements	-	-
Library	-	-
Parks	-	-
Ambulance	-	-
Other purposes	-	-
Unassigned	<u>151,773</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 151,773</u>	<u>111,580</u>

See notes to financial statements.

Exhibit B

<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
-	-	1,000
-	255	52,369
766,545	-	766,545
-	35,353	1,907,041
766,545	260,927	3,304,649
(525,801)	193,922	(2,079,828)
469,893	-	1,475,991
-	-	40,000
56,908	61,046	117,954
-	(21,046)	(61,046)
526,801	40,000	1,572,899
1,000	233,922	(506,929)
(1,066)	535,742	1,539,880
(66)	769,664	1,032,952
-	12,000	12,000
-	213,775	213,775
-	-	111,580
-	339,840	339,840
-	19,094	19,094
-	3,163	3,163
-	88,024	88,024
-	185,778	185,778
(66)	(92,010)	59,697
(66)	769,664	1,032,952

City of Lake 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		
	Water	Sewer	Nonmajor
Operating receipts:			
Charges for service	\$ 239,780	150,185	135,820
Miscellaneous	4,120	1,166	485
Total operating receipts	<u>243,900</u>	<u>151,351</u>	<u>136,305</u>
Operating disbursements:			
Business type activities:			
Personal services	111,250	105,251	7,780
Contractual services	13,341	7,045	122,045
Utilities	19,550	7,509	934
Repairs and maintenance	1,664	1,358	434
Other supplies and expenses	43,239	13,104	734
Total operating disbursements	<u>189,042</u>	<u>134,267</u>	<u>131,927</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>54,857</u>	<u>17,084</u>	<u>4,378</u>
Non-operating receipts (disbursements):			
Intergovernmental	9,474	-	-
Interest on investments	45	-	-
Capital projects	(27,932)	(5,000)	-
Net non-operating receipts (disbursements)	<u>(18,413)</u>	<u>(5,000)</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>36,444</u>	<u>12,084</u>	<u>4,378</u>
Transfers out	<u>(56,908)</u>	<u>-</u>	<u>-</u>
Change in cash balances	(20,464)	12,084	4,378
Cash balances beginning of year	216,909	135,255	129,282
Cash balances end of year	<u>\$ 196,445</u>	<u>147,339</u>	<u>133,660</u>
Cash Basis Fund Balances			
Unrestricted	<u>196,445</u>	<u>147,339</u>	<u>133,660</u>
Total cash basis fund balances	<u>\$ 196,445</u>	<u>147,339</u>	<u>133,660</u>

See notes to financial statements.

Exhibit C

Total
525,785
5,771
531,556

224,281
142,431
27,992
3,456
57,077
455,236

76,319

9,474
45
(32,932)
(23,413)

52,906

(56,908)

(4,002)
481,446
477,444

477,444
477,444

City of Lake City, Iowa

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

The City of Lake City is a political subdivision of the State of Iowa located in Calhoun County.

It was first incorporated in 1856 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and solid waste utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Lake City has only included the primary government of the City of Lake City, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. 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 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 the organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the city. The financial statements do not include financial data for the City's legally separate component units, which U.S. generally accepted accounting principles require to be reported with the financial data of the City's primary government.

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: Calhoun County Emergency Management Commission, Calhoun County E911 Service Board, Lake City Ambulance Commission and Mid-Iowa Regional Housing Authority.

City of Lake City, Iowa

Notes to Financial Statements

June 30, 2015

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 imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net pension.

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.

City of Lake City, Iowa

Notes to Financial Statements

June 30, 2015

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.

Capital Projects:

The Pool Capital Projects Fund is used to account for all the resources to be used in the acquisition and construction of a pool.

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, 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.

C. Measurement Focus and Basis of Accounting

The City of Lake 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 Lake 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.

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

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 function.

City of Lake City, Iowa
Notes to Financial Statements
June 30, 2015

(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.

During the year ended June 30, 2015 the City 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 bonds are as follows:

Year Ending	General Obligation		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u> 2016	290,000	68,035	358,035
2017	215,000	47,228	262,228
2018	215,000	43,265	258,265
2019	220,000	39,303	259,303
2020	225,000	35,240	260,240
2021-2025	790,000	95,890	885,890
2026-2028	<u>280,000</u>	<u>13,575</u>	<u>293,575</u>
	<u>\$ 2,235,000</u>	<u>342,536</u>	<u>2,577,536</u>

City of Lake City, Iowa

Notes to Financial Statements

June 30, 2015

(4) Leases

In April 2011, the City entered into a long-term operating lease agreement for a copier. Total lease expense for the year ended June 30, 2015, was \$1,434.

Minimum future lease payments for the operating lease are as follows:

Year Ending	Total
<u>June 30,</u>	
2016	<u>\$ 1,434</u>

(5) Pension and Retirement Benefits

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

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

City of Lake City, Iowa

Notes to Financial Statements

June 30, 2015

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012 the reduction is .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.

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 \$36,103.

City of Lake City, Iowa

Notes to Financial Statements

June 30, 2015

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 \$ 98,079. 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 0.0024731 percent, which was a decrease of 0.0013534 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 \$13,729, \$7,505 and \$93,307 respectively.

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:

City of Lake City, Iowa

Notes to Financial Statements

June 30, 2015

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

Discount Rate - The discount rate used to measure the total pension liability was 7.5 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.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability	\$ 298,300	\$ 98,079	\$ (70,814)

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

City of Lake City, Iowa

Notes to Financial Statements

June 30, 2015

(6) Other Post Employment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are eleven 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 \$382 for single coverage and \$1,172 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2015, the City contributed \$108,276 and plan members eligible for benefits contributed \$0 to the plan.

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation or compensatory time 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 and compensatory time 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	\$ 32,100
Compensatory time	10,800
Total	<u>\$ 42,900</u>

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

City of Lake City, Iowa

Notes to Financial Statements

June 30, 2015

(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>
Debt Service	Enterprise: Water	56,908
Capital Projects: Ambulance	General	40,000
	Special Revenue: Local Option Sales Tax	<u>10,000</u> 50,000
Capital Projects: Streets	Special Revenue: Road Use Tax	<u>11,046</u>
Total		<u>\$ 117,954</u>

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

(9) Risk Management

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

City of Lake City, Iowa

Notes to Financial Statements

June 30, 2015

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

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions 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 \$40,365.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims 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.

City of Lake City, Iowa

Notes to Financial Statements

June 30, 2015

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 workers compensation in the amount of \$1,000,000. 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.

(10) Deficit Balances

The Debt Service Fund had a deficit fund balance of \$66 at June 30, 2015. The deficit balance is a result of omitting bond payments from the budget of prior years. The deficit should be eliminated by increasing the debt service levy.

The Fire Station Capital Projects Fund had a deficit balance of \$92,010 at June 30, 2015. The deficit balance is a result of payments for the construction of a fire station. Funds should be transferred to eliminate this deficit.

(11) Construction Commitments

The City has committed to a new pool project for approximately \$2 to \$2.4 million. As of June 31, 2015, \$2.1 million has been expended on this project. This project will be funded by contributions, and local option sales tax, and issuance of bonds.

(12) Subsequent Events

Subsequent events have been evaluated through February 15, 2016, which is the date the financial statements were available to be issued.

On August 3, 2015, City Council approved the purchase of a new ambulance for approximately \$74,500.

City of Lake 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	\$ 676,015	-
Other city tax	151,708	-
Licenses and permits	5,843	-
Use of money and property	8,279	45
Intergovernmental	220,777	9,474
Charges for service	13,145	525,785
Miscellaneous	149,054	5,771
Total receipts	<u>1,224,821</u>	<u>541,075</u>
Disbursements:		
Public safety	299,460	-
Public works	126,786	-
Culture and recreation	151,448	-
Community and economic development	1,000	-
General government	52,369	-
Debt service	766,545	-
Capital Projects	1,907,041	-
Business type activities	-	488,168
Total disbursements	<u>3,304,649</u>	<u>488,168</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(2,079,828)</u>	<u>52,906</u>
Other financing sources, net	<u>1,572,899</u>	<u>(56,908)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements	(506,929)	(4,002)
Balances beginning of year	<u>1,539,880</u>	<u>481,446</u>
Balances end of year	<u>\$ 1,032,952</u>	<u>477,444</u>

See accompanying independent auditor's report.

<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
	<u>Original</u>	<u>Final</u>	
676,015	673,474	673,474	2,541
151,708	130,500	130,500	21,208
5,843	5,600	5,600	243
8,324	11,082	11,082	(2,758)
230,251	213,539	213,539	16,712
538,930	595,230	595,230	(56,300)
154,825	228,188	228,188	(73,363)
<u>1,765,896</u>	<u>1,857,613</u>	<u>1,857,613</u>	<u>(91,717)</u>
299,460	301,681	311,591	12,131
126,786	190,123	190,123	63,337
151,448	204,588	216,588	65,140
1,000	2,000	2,000	1,000
52,369	52,995	62,995	10,626
766,545	296,858	296,858	(469,687)
1,907,041	2,305,000	2,305,000	397,959
488,168	516,577	526,577	38,409
<u>3,792,817</u>	<u>3,869,822</u>	<u>3,911,732</u>	<u>118,915</u>
<u>(2,026,922)</u>	<u>(2,012,209)</u>	<u>(2,054,119)</u>	<u>27,197</u>
<u>1,515,991</u>	<u>1,000,134</u>	<u>1,000,134</u>	<u>515,857</u>
(510,931)	(1,012,075)	(1,053,985)	543,054
<u>2,021,326</u>	<u>2,195,318</u>	<u>2,195,318</u>	<u>(173,992)</u>
<u>1,510,396</u>	<u>1,183,243</u>	<u>1,141,333</u>	<u>369,063</u>

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. 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 disbursements by \$41,910, other financing sources by \$40,000 and transfers out by \$40,000. The budget amendment is reflected in the final budgeted amount.

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

City of Lake 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	0.002473%
City's proportionate share of the net pension liability	\$ 98
City's covered-employee payroll	\$ 389
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	25.19%
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 Lake City, Iowa
Schedule of City's Contributions

Iowa Public Employees' Retirement System
Last 4 Fiscal Years
(In Thousands)

Other Information

	2015	2014
Statutorily required contribution	\$ 38	36
Contributions in relation to the statutorily required contribution	(38)	(36)
Contribution deficiency (excess)	\$ -	-
City's covered-employee payroll	\$ 401	389
Contributions as a percentage of covered-employee payroll	9.48%	9.25%

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>
35	33
<u>(35)</u>	<u>(33)</u>
<u><u>-</u></u>	<u><u>-</u></u>
378	419
9.26%	7.88%

City of Lake 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 Lake 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 Lake City, Iowa

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

As of and for the year ended June 30, 2015

	Special			
	Local Option Sales Tax	Library Memorial	Community Building	Other Econ. Development
Receipts:				
Property tax	\$ -	-	-	-
Other city tax	121,544	-	-	-
Intergovernmental	-	-	-	-
Miscellaneous	-	-	3,755	-
Total receipts	<u>121,544</u>	<u>-</u>	<u>3,755</u>	<u>-</u>
Disbursements:				
Operating:				
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Public works:				
Roadway maintenance	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Culture and recreation:				
Library	-	-	-	-
Swimming pool	-	-	-	-
Community building	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
General government	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital projects	-	-	35,202	-
	<u>-</u>	<u>-</u>	<u>35,202</u>	<u>-</u>
Total disbursements	<u>-</u>	<u>-</u>	<u>35,202</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>121,544</u>	<u>-</u>	<u>(31,447)</u>	<u>-</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	(10,000)	-	-	-
Total other financing sources (uses)	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	111,544	-	(31,447)	-
Cash balances beginning of year	<u>228,296</u>	<u>19,094</u>	<u>59,326</u>	<u>2,357</u>
Cash balances end of year	<u>\$ 339,840</u>	<u>19,094</u>	<u>27,879</u>	<u>2,357</u>
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ -	-	-	-
Restricted for:				
Community development or capital improvements	339,840	-	-	-
Library	-	19,094	-	-
Parks	-	-	-	-
Streets	-	-	-	-
Ambulance	-	-	-	-
Other purposes	-	-	27,879	2,357
Unassigned	-	-	-	-
Total cash basis fund balances	<u>\$ 339,840</u>	<u>19,094</u>	<u>27,879</u>	<u>2,357</u>

See accompanying independent auditor's report.

Schedule 1

Revenue			Capital Projects			Permanent	
Park Restoration	Road Use Tax	Employee Benefits	Ambulance	Streets	Fire Station	Cemetery Perpetual Care	Total
-	-	141,228					141,228
-	-	6,358	-	-	-	-	127,902
-	179,578	2,191	-	-	-	195	181,769
-	179,578	149,777	-	-	-	195	454,849
-	-	87,996	-	-	-	-	87,996
-	-	1,867	-	-	-	-	1,867
-	-	89,863	-	-	-	-	89,863
-	104,562	22,224	-	-	-	-	126,786
-	-	7,496	-	-	-	-	7,496
-	-	982	-	-	-	-	982
-	-	192	-	-	-	-	192
-	-	8,670	-	-	-	-	8,670
-	-	255	-	-	-	-	255
-	-	-	151	-	-	-	35,353
-	104,562	121,012	151	-	-	-	260,927
-	75,016	28,765	(151)	-	-	195	193,922
-	-	-	40,000	11,046	10,000	-	61,046
-	(11,046)	-	-	-	-	-	(21,046)
-	(11,046)	-	40,000	11,046	10,000	-	40,000
-	63,970	28,765	39,849	11,046	10,000	195	233,922
3,163	149,805	118,915	48,175	(11,046)	(102,010)	19,667	535,742
3,163	213,775	147,680	88,024	-	(92,010)	19,862	769,664
-	-	-	-	-	-	12,000	12,000
-	-	-	-	-	-	-	339,840
-	-	-	-	-	-	-	19,094
3,163	-	-	-	-	-	-	3,163
-	213,775	-	-	-	-	-	213,775
-	-	-	88,024	-	-	-	88,024
-	-	147,680	-	-	-	7,862	185,778
-	-	-	-	-	(92,010)	-	(92,010)
3,163	213,775	147,680	88,024	-	(92,010)	19,862	769,664

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

As of and for the year ended June 30, 2015

	Enterprise Funds		
	Solid Waste	Storm Sewer	Total
Operating receipts:			
Charges for service	125,914	9,907	135,820
Miscellaneous	485	-	485
Total operating receipts	<u>126,399</u>	<u>9,907</u>	<u>136,305</u>
Operating disbursements:			
Business type activities:			
Personal services	7,780	-	7,780
Contractual services	122,045	-	122,045
Utilities	934	-	934
Repairs and maintenance	-	434	434
Other supplies and expenses	680	54	734
Total operating disbursements	<u>131,440</u>	<u>488</u>	<u>131,927</u>
Change in cash balances	(5,041)	9,419	4,378
Cash balances beginning of year	43,049	86,233	129,282
Cash balances end of year	<u>38,008</u>	<u>95,652</u>	<u>133,660</u>
Cash Basis Fund Balances			
Unrestricted	<u>38,008</u>	<u>95,652</u>	<u>133,660</u>
Total cash basis fund balances	<u>38,008</u>	<u>95,652</u>	<u>133,660</u>

See notes to financial statements.

City of Lake 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:			
Street improvement	Apr 1, 2009	2.00-4.45 %	\$ 845,000
Water improvement and refunding bond	Mar 6, 2013	0.50-2.50	1,130,000
Pool and refunding bonds	Dec 17, 2014	2.00-3.00	1,470,000

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>
540,000	-	540,000	-	21,858	-
955,000	-	190,000	765,000	13,938	-
<u>-</u>	<u>1,470,000</u>	<u>-</u>	<u>1,470,000</u>	<u>-</u>	<u>-</u>
<u>1,495,000</u>	<u>1,470,000</u>	<u>730,000</u>	<u>2,235,000</u>	<u>35,796</u>	<u>-</u>

Bond and Note Maturities

June 30, 2015

Year Ending <u>June 30,</u>	Street Improvement and Refunding Series 2013		Pool Improvement and Refunding Series 2014		
	Interest		Interest		Total
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	
2016	0.80	190,000	2.00	100,000	290,000
2017	0.80	45,000	2.00	170,000	215,000
2018	0.80	45,000	2.00	170,000	215,000
2019	1.25	45,000	2.00	175,000	220,000
2020	1.25	45,000	3.00	180,000	225,000
2021	1.25	45,000	3.00	180,000	225,000
2022	1.25	45,000	3.00	100,000	145,000
2023	1.90	50,000	3.00	105,000	155,000
2024	1.90	50,000	3.00	105,000	155,000
2025	2.20	50,000	3.00	60,000	110,000
2026	2.20	50,000	3.00	60,000	110,000
2027	2.20	50,000	3.00	65,000	115,000
2028	2.50	<u>55,000</u>		<u>-</u>	<u>55,000</u>
Total		<u>\$ 765,000</u>		<u>\$ 1,470,000</u>	<u>2,235,000</u>

City of Lake 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	\$ 676,015	659,812	669,823	683,588
Other city tax	151,708	157,813	169,746	136,814
Licenses and permits	5,843	5,831	5,266	5,540
Use of money and property	8,279	11,353	14,815	15,357
Intergovernmental	220,777	195,810	194,724	194,790
Charges for service	13,145	22,588	49,271	15,820
Miscellaneous	<u>149,054</u>	<u>237,091</u>	<u>175,130</u>	<u>266,025</u>
Total	<u>\$ 1,224,821</u>	<u>1,290,298</u>	<u>1,278,775</u>	<u>1,317,934</u>
Disbursements:				
Operating				
Public safety	\$ 299,460	345,154	297,401	199,770
Public works	126,786	134,721	351,623	172,554
Culture and recreation	151,448	154,028	168,226	155,611
Community and economic develop:	1,000	10,720	675	891
General government	52,369	50,715	60,186	185,298
Debt service	766,545	283,445	657,132	243,113
Capital projects	<u>1,907,041</u>	<u>270,082</u>	<u>130,101</u>	<u>15,403</u>
Total	<u>\$ 3,304,649</u>	<u>1,248,865</u>	<u>1,665,344</u>	<u>972,640</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>
664,387	585,869	526,082	579,815	601,956	564,551
145,339	140,637	150,836	-	-	-
4,833	3,703	4,225	4,920	4,605	4,865
17,300	22,114	9,314	17,306	28,804	17,194
245,373	201,862	179,648	180,648	175,246	175,784
13,889	19,849	11,599	32,137	35,336	25,978
<u>184,243</u>	<u>185,899</u>	<u>43,295</u>	<u>53,694</u>	<u>16,188</u>	<u>56,761</u>
<u>1,275,364</u>	<u>1,159,933</u>	<u>924,999</u>	<u>868,520</u>	<u>862,135</u>	<u>845,133</u>
375,506	228,232	241,143	209,052	213,706	190,301
105,244	120,089	119,244	148,559	188,241	98,927
165,226	163,742	156,482	184,364	125,997	113,928
1,884	-	-	-	-	-
203,303	181,392	150,987	140,195	125,845	110,734
238,677	202,564	207,680	216,285	219,069	209,422
<u>26,282</u>	<u>608,854</u>	<u>140,493</u>	<u>52,409</u>	<u>421,532</u>	<u>26,260</u>
<u>1,116,122</u>	<u>1,504,873</u>	<u>1,016,029</u>	<u>950,864</u>	<u>1,294,390</u>	<u>749,572</u>

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

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Governmental 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 Lake City, Iowa, as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the City's primary government financial statements, and have issued our report thereon dated February 16, 2016. Our report expressed unmodified opinions on the primary government 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. Our report also noted that the discretely presented component units were not included, so there was an adverse opinion on the discretely presented component units.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lake 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 our opinion on the effectiveness of the City of Lake City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lake 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 described in the accompanying Schedule of Findings, we identified certain 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 Lake City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency 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 deficiencies described in Part I of the accompanying Schedule of Findings as item I-B-15 and I-C-15 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lake 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 that 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 Lake City's Responses to Findings

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

February 15, 2016

City of Lake 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.

SIGNIFICANT 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 noted that certain functions are not entirely segregated, such as preparing receipts and posting utility billing.

Recommendation – We realize that with a limited number of 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 with the limited personnel we have.

Conclusion – Response acknowledged.

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 Lake City does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying 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 Lake 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.

I-C-15 Payroll – One employee received one day too much pay.

Recommendation – The City should review its procedures for payroll to ensure all employees are paid the correct amount.

Response – Procedures will be reviewed to ensure all employees are paid the correct amount and City Council will talk to this employee to work something out.

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 amount budgeted in the Debt Service function. Chapter 384.20 of the Code of Iowa states in part that “public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Also, the amended budget did not trace to the original budget.

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

City of Lake City, Iowa

Schedule of Findings

Year ended June 30, 2015

Response – The budget will be amended in the future in sufficient amounts, if applicable and the amended budget will trace to the original budget.

Conclusion – Response accepted.

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

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

II-D-15 Business Transactions – No business transactions between the City and City officials or employees 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 – Out of 16 disbursements tested, it was noted that four of them were not published in the paper as required by the Code of Iowa.

Recommendation – The City should review its procedures to insure that all claims are published in the paper.

Response – This was an oversight this year. A few bill runs were not published with the minutes. We will review our procedures so this does not happen again.

Conclusion – Response accepted.

II-G-15 Deposits and Investments – It was noted that the cash in one of the City’s depositories exceeded the amount on the Depository Resolution.

Recommendation – The City should increase their authorized amounts to keep in compliance with Chapter 12 of the Code of Iowa.

Response – This is a one time occurrence due to bond issuance and should not happen again.

City of Lake City, Iowa

Schedule of Findings

Year ended June 30, 2015

Conclusion – Response accepted.

II-H-15 Financial Condition – The Debt Service Fund and Fire Station Capital Project Fund had deficit balances of \$66 and \$92,010 respectively at June 30, 2015.

Recommendation – The City should investigate alternatives to return these funds to a sound financial position.

Response – See footnote #10 in notes to the financial statements for an explanation how the City intends to eliminate these deficits.

Conclusion – Response accepted.