

CITY OF ROCKWELL CITY, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY 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 Rockwell City, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Phil Heinlen	Mayor	Dec 2017
John Hepp	Mayor Pro Tem	Dec 2017
Mark Lange	Council Member	Dec 2015
Richard Walters	Council Member	Dec 2015
Jo Ann Hendricks	Council Member	Dec 2015
David Dawson	Council Member	Dec 2017
Kelly Smidt	City Clerk	Indefinite
Joni Hepp	Deputy Clerk/Treasurer	Indefinite
Steve Hendricks	Attorney	Indefinite

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 Rockwell City, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which along with the discretely presented component unit, collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design

audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Disclaimer of Opinion

The financial statement of the Rockwell City Public Library Foundation has not been audited, and we were not engaged to audit the Rockwell City Public Library Foundation's financial statement as part of our audit of the City's basic financial statements. The Rockwell City Public Library Foundations' financial activities are included in the City's basic financial statements as a discretely presented component unit and represents 100 percent of the receipts and disbursements of the City's aggregate discretely presented component units.

Disclaimer of Opinion

Because the Rockwell City Public Library Foundation's financial statement has not been audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statement of the aggregate discretely presented component of the City of Rockwell City, as of and for the year ended June 30, 2015.

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 Rockwell 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 opinion is not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 4 to the financial statements, the City of Rockwell 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 Rockwell 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 four years ended June 30, 2009 and the two 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. 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, 2012 (none of which are 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 4 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 10 and 32 through 39, has not been subjected to the auditing procedures applied in the audit of the basic financials statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2016 on our consideration of the City of Rockwell City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Rockwell City's internal control over financial reporting and compliance.

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

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

March 29, 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, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Operating receipts (other than transfers in) of the City's governmental activities increased 1%, or approximately \$11,523, from fiscal year 2013 to fiscal year 2014, due primarily to an increase in revenues from capital grants, contributions and restricted interest.
- Disbursements of the City's governmental activities decreased 25% or approximately \$416,479, in fiscal year 2014 from fiscal year 2013. Public works, culture and recreation, general government, and debt service decreased by \$216,902, \$14,198, \$9,471, and \$373,687 respectively; whereas, public safety, community and economic development, and capital projects increased \$47,753, \$10,045, and \$139,981.
- The City's total cash basis net positions decreased approximately 11% or approximately \$243,000 from June 30, 2013 to June 30, 2014. Of this amount, the assets of the governmental activities increased approximately \$97,000 and the assets of the business type activities decreased approximately \$340,000.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statement consists of a 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,	
	2014	2013
Receipts:		
Program receipts:		
Charges for Services:	\$ 25,169	\$ 37,034
Operating grants, contributions, restricted interest:	202,332	227,566
Capital grants, contributions, restricted interest:	213,353	145,152
General receipts:		
Property Tax:	689,371	707,256
Local option sales tax:	128,255	132,312
Unrestricted interest on investments:	3,201	2,592
Other general receipts:	84,113	433,129
Total receipts	<u>\$ 1,345,794</u>	<u>\$ 1,685,041</u>
Disbursements:		
Public safety:	345,154	297,041
Public works:	134,721	351,623
Culture & recreation:	154,028	168,226
Community, Economic development:	10,720	675
General government:	50,715	60,186
Debt service:	283,445	657,132
Capital projects:	270,082	130,101
Total disbursements	<u>\$ 1,248,865</u>	<u>\$ 1,665,344</u>
Change in cash basis net positions:	\$ 96,929	19,697
Cash basis net position beginning of year:	\$ 1,442,951	1,423,254
Cash basis net position end of year:	<u>\$ 1,539,880</u>	<u>\$ 1,442,951</u>

City's total receipts for governmental activities decreased approximately \$339,000 primarily due to a decrease in the transfer in from the water utility used to cover applicable debt service expenses. The total cost of all programs and services decreased approximately \$416,000 mostly due to a decrease in debt payments.

The cost of all governmental activities this year was approximately \$1,249,000 compared to approximately \$1,665,000 last year. However, as shown in the Statement of Cash Receipts and Disbursements, the amount taxpayers ultimately financed for these activities was only \$876,000 because some of the cost was paid by those directly benefited from the programs (approximately \$25,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (approximately \$416,000).

Changes in Cash Basis Net Position of Business Type Activities

	Year Ended	
	2014	2013
Receipts:		
Program Receipts:		
Charges for Service:		
Water	\$ 253,969	\$ 222,857
Sewer	\$ 157,070	163,590
Solid waste	\$ 126,892	126,405
Storm sewer	\$ 9,926	9,589
General Receipts:		
Capital grants, contributions, restricted interest	\$ 346,684	48,092
Unrestricted interest on investments:	\$ 52	202
Bond Proceeds:	\$ ---	1,105,900
Other general receipts:	\$ 9,431	3,823
Total receipts	<u>\$ 904,024</u>	<u>\$ 1,680,458</u>
Disbursements:		
Transfers out, water	\$ 55,496	406,266
Water	\$ 900,344	470,376
Sewer	\$ 142,828	178,806
Solid waste	\$ 142,145	137,408
Storm sewer	\$ 3,164	7,246
Total disbursements	<u>\$ 1,243,977</u>	<u>\$ 1,200,102</u>
Change in cash basis net position	\$ (339,953)	480,356
Cash basis net positions beginning of year	<u>\$ 821,399</u>	<u>341,043</u>
Cash basis net positions end of year	<u>\$ 481,446</u>	<u>\$ 821,399</u>

Total business type activities receipts for the fiscal year were approximately \$904,000 compared to \$1,680,000 last year. The decrease was due primarily to the bond proceeds received in 2013. The cash balance decreased approximately \$339,953 from the prior year as a result of receiving bond proceeds for the water project in the prior year. Total disbursements for the fiscal year increased approximately 4% to approximately \$1,244,000 due to a decrease in the amount transferred out for payment of refinanced bonds.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As Lake City completed the year, its governmental funds reported a combined fund balance of \$1,539,880, an increase of more than \$96,929 from last year's total of \$1,442,951. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$7,013 from the prior year to \$150,918 primarily due to revenues exceeding expenditures.
- The Special Revenue, Road Use Tax Fund, cash balance increased \$49,363 to \$149,805 during the fiscal year. The increase in reserves was attributable to a decrease in disbursements.
- The Special Revenue, Employee Benefits, cash balance increased \$22,792 to \$118,915 during the fiscal year. The increase was due primarily to a decrease in anticipated expenses.
- The deficit in the Debt Service Fund cash balance decreased \$202 to \$1,066 during the fiscal year. This decrease was due to property tax funding.
- The Capital Project, Pool Project Fund, cash balance decreased \$123,714 to \$854,286. This decrease is primarily due to an increase in expenditures.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$349,636 to \$216,909, due to a decrease in non-operating receipts.
- The Sewer Fund cash balance increased approximately \$16,042 to \$135,255, due to a decrease in non-operating disbursements.
- The Solid Waste Fund cash balance decreased \$14,121 to \$43,049, due to expenses exceeding revenues.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once, approved May 28, 2014. This amendment resulted in an increase in estimated operating disbursements of approximately \$497,000 within Public Safety, Culture & Recreation, Community and Economic Development and Capital Projects. These expenditures included a portion of the pool project donations, Roy Johnson Community Building improvements and additional police salaries and training due to the hiring of two new officers. In addition, anticipated Business expenses increased by nearly \$318,000 and transfers out increased by approximately \$17,000.

The City's anticipated receipts increased \$30,000. The City's receipts were more than budgeted primarily due to intergovernmental receipts exceeding budgeted amounts.

DEBT ADMINISTRATION

As of June 30, 2014, the City had \$1,495,000 general obligation bonds outstanding compared to \$1,735,000 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 \$1,495,000 is within its constitutional debt limit of approximately \$2.7 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 2015 budget, tax rates and fees charged for various City activities.

These indicators were taken into account when adopting the budget for fiscal year 2015. Amounts available for appropriation in the operating budget are approximately \$3.111 million, an increase of approximately \$1M over the final fiscal year 2014 budget. The pool project accounts for the majority of the increase in the operating 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 Rockwell City, Iowa
Statement of Activities and Net Position - Cash Basis
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	\$ 384,085	3,248	2,811	-
Public works	516,127	135,076	231,863	-
Health and social services	1,477	-	-	-
Culture and recreation	211,154	44,066	46,567	-
Community and economic development	6,627	-	-	-
General government	329,174	5,041	-	-
Debt service	54,656	-	-	-
Capital projects	14,050	-	-	-
Total governmental activities	1,517,350	187,431	281,241	-
Business type activities:				
Water	510,065	457,963	-	-
Sewer	450,087	471,308	-	2,647
Total business type activities	960,152	929,271	-	2,647
Total primary government	\$ 2,477,502	1,116,702	281,241	2,647
Component Unit:				
Library Foundation	\$ 5,498	-	7,160	-
General Receipts:				
Property tax and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Bond proceeds				
Miscellaneous				
Total general receipts				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable: Cemetery perpetual care				
Expendable:				
Streets				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Exhibit A

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

Primary Government			Component
Governmental	Business Type	Total	Unit
Activities	Activities		Library Foundation
(378,026)	-	(378,026)	-
(149,188)	-	(149,188)	-
(1,477)	-	(1,477)	-
(120,521)	-	(120,521)	-
(6,627)	-	(6,627)	-
(324,133)	-	(324,133)	-
(54,656)	-	(54,656)	-
(14,050)	-	(14,050)	-
<u>(1,048,678)</u>	<u>-</u>	<u>(1,048,678)</u>	<u>-</u>
-	(52,102)	(52,102)	-
-	23,868	23,868	-
-	(28,234)	(28,234)	-
<u>(1,048,678)</u>	<u>(28,234)</u>	<u>(1,076,912)</u>	<u>-</u>
-	-	-	1,662
656,822	-	656,822	-
52,266	-	52,266	-
2,833	-	2,833	-
121,578	-	121,578	-
3,510	3,558	7,068	-
-	175,373	175,373	-
317,279	-	317,279	-
<u>1,154,288</u>	<u>178,931</u>	<u>1,333,219</u>	<u>-</u>
105,610	150,697	256,307	1,662
1,735,080	1,418,166	3,153,246	130,089
<u>\$ 1,840,690</u>	<u>1,568,863</u>	<u>3,409,553</u>	<u>131,751</u>
\$ 57,100	-	57,100	-
260,226	-	260,226	-
46,588	-	46,588	-
692,247	68,153	760,400	-
784,529	1,500,710	2,285,239	131,751
<u>\$ 1,840,690</u>	<u>1,568,863</u>	<u>3,409,553</u>	<u>131,751</u>

City of Rockwell City, Iowa

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

As of and for the year ended June 30, 2015

	General	Special Revenue	
		Road Use Tax	Employee Benefits
Receipts:			
Property tax	\$ 351,737	-	265,241
Tax increment financing	-	-	-
Other city tax	17,134	-	13,106
Licenses and permits	5,041	-	-
Use of money and property	38,135	-	-
Intergovernmental	8,252	230,425	4,162
Charges for service	179,142	-	-
Miscellaneous	320,418	-	-
Total receipts	<u>919,859</u>	<u>230,425</u>	<u>282,509</u>
Disbursements:			
Operating:			
Public safety:			
Police	197,590	-	166,308
Civil defense	3,716	-	-
Fire	9,216	-	6,847
Ambulance	408	-	-
	<u>210,930</u>	<u>-</u>	<u>173,155</u>
Public works:			
Street lighting	-	30,519	-
Airport	4,032	-	-
Solid waste	115,598	-	2,995
Roadway maintenance	81,961	204,675	76,347
	<u>201,591</u>	<u>235,194</u>	<u>79,342</u>
Health and social services:			
Mosquito control	880	-	-
Other	597	-	-
	<u>1,477</u>	<u>-</u>	<u>-</u>
Culture and recreation:			
Library	62,488	-	15,287
Park	36,613	-	3,337
Swimming pool	40,795	-	6,468
Cemetery	17,548	-	796
Community Center	20,897	-	934
	<u>178,341</u>	<u>-</u>	<u>26,822</u>

Exhibit B

Other Nonmajor Governmental	
<u>Funds</u>	<u>Total</u>
49,093	666,071
2,833	2,833
123,986	154,226
-	5,041
20	38,155
11,848	254,687
-	179,142
<u>2,387</u>	<u>322,805</u>
<u>190,167</u>	<u>1,622,960</u>

-	363,898
-	3,716
-	16,063
-	408
<u>-</u>	<u>384,085</u>

-	30,519
-	4,032
-	118,593
-	362,983
<u>-</u>	<u>516,127</u>

-	880
-	597
<u>-</u>	<u>1,477</u>

5,991	83,766
-	39,950
-	47,263
-	18,344
-	21,831
<u>5,991</u>	<u>211,154</u>

(continued)

City of Rockwell City, Iowa

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

As of and for the year ended June 30, 2015

	General	Special Revenue	
		Road Use Tax	Employee Benefits
Community and economic development:			
Economic development	2,710	-	-
Community beautification	1,083	-	-
	<u>3,793</u>	<u>-</u>	<u>-</u>
General government:			
Policy administration	252,909	-	8,967
Tort liability	67,298	-	-
	<u>320,207</u>	<u>-</u>	<u>8,967</u>
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>916,339</u>	<u>235,194</u>	<u>288,286</u>
Change in cash balances	3,520	(4,769)	(5,777)
Cash balances beginning of year	643,152	264,995	85,941
Cash balances end of year	<u>\$ 646,672</u>	<u>260,226</u>	<u>80,164</u>
Cash Basis Fund Balances			
Nonspendable-Cemetery perpetual care	\$ -	-	-
Restricted for:			
Streets	-	260,226	-
Debt Service	-	-	-
Other purposes	-	-	80,164
Assigned for capital projects	-	-	-
Unassigned	646,672	-	-
Total cash basis fund balances	<u>\$ 646,672</u>	<u>260,226</u>	<u>80,164</u>

See notes to financial statements.

Exhibit B

Other Nonmajor Governmental	
<u>Funds</u>	<u>Total</u>
2,834	5,544
-	1,083
<u>2,834</u>	<u>6,627</u>
-	261,876
-	67,298
-	329,174
<u>54,656</u>	<u>54,656</u>
<u>14,050</u>	<u>14,050</u>
<u>77,531</u>	<u>1,517,350</u>
112,636	105,610
<u>740,992</u>	<u>1,735,080</u>
<u>853,628</u>	<u>1,840,690</u>
57,100	57,100
-	260,226
46,588	46,588
612,083	692,247
137,857	137,857
-	646,672
<u>853,628</u>	<u>1,840,690</u>

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	Total
Operating receipts:			
Charges for service	\$ 457,422	467,099	924,521
Miscellaneous	540	4,209	4,749
Total operating receipts	<u>457,962</u>	<u>471,308</u>	<u>929,270</u>
Operating disbursements:			
Business type activities:			
Personal services	103,979	89,348	193,327
Contractual services	19,547	5,850	25,397
Utilities	21,874	29,456	51,330
Repairs and maintenance	17,582	8,719	26,301
Other supplies and expenses	90,262	23,548	113,810
Total operating disbursements	<u>253,244</u>	<u>156,921</u>	<u>410,165</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>204,718</u>	<u>314,387</u>	<u>519,105</u>
Non-operating receipts (disbursements):			
Bond proceeds	-	175,373	175,373
Intergovernmental	-	2,647	2,647
Interest on investments	2,835	724	3,559
Capital projects	(187,340)	(174,493)	(361,833)
Debt service:			
Principal redemption	(53,443)	(108,000)	(161,443)
Interest payments	(16,038)	(10,673)	(26,711)
Total non-operating receipts (disbursements)	<u>(253,986)</u>	<u>(114,422)</u>	<u>(368,408)</u>
Change in cash balances	(49,268)	199,965	150,697
Cash balances beginning of year	921,156	497,010	1,418,166
Cash balances end of year	<u>\$ 871,888</u>	<u>696,975</u>	<u>1,568,863</u>
Cash Basis Fund Balances			
Restricted for debt service	68,153	-	68,153
Unrestricted	803,735	696,975	1,500,710
Total cash basis fund balances	<u>\$ 871,888</u>	<u>696,975</u>	<u>1,568,863</u>

See notes to financial statements.

City of Rockwell City, Iowa

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

The City of Rockwell City is a political subdivision of the State of Iowa located in Calhoun County. It was first incorporated in 1876 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 Rockwell City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

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

Discretely Presented Component Unit

The Rockwell City Public Library Foundation is a separate nonprofit organization whose purpose is to help raise funds for a new library building. The records are maintained on the basis of cash receipts and disbursements, with June 30 as its fiscal year end. The Rockwell City Public Library Foundation meets the definition of a component which should be discretely presented. The Foundation's financial statement has not been audited and we do not express any opinion on the financial statement.

City of Rockwell City, Iowa

Notes to Financial Statements

June 30, 2015

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 E911 Service Board, Calhoun County Ambulance Authority, Calhoun County Economic Development, and Midas Committee.

B. Basis of Presentation

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

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

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

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

City of Rockwell City, Iowa

Notes to Financial Statements

June 30, 2015

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Employee Benefits Fund is used to account for the transactions for benefits on behalf of city employees.

City of Rockwell City, Iowa

Notes to Financial Statements

June 30, 2015

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

The City of Rockwell 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.

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.

City of Rockwell City, Iowa

Notes to Financial Statements

June 30, 2015

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.

Assigned – Amounts the 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 did not exceed the amounts budgeted.

(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.

The City had no investments at June 30, 2015. During the year ended June 30, 2015 the City invested its excess funds in savings accounts and certificates of deposit.

City of Rockwell City, Iowa

Notes to Financial Statements

June 30, 2015

(3) Bonds and Notes Payable

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

Year Ending June 30,	<u>Revenue Bonds</u>		<u>General Obligation Bond</u>		<u>Total</u>	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	167,517	22,370	30,000	6,000	197,517	28,370
2017	173,631	18,852	30,000	4,800	203,631	23,652
2018	180,783	15,208	30,000	3,600	210,783	18,808
2019	187,976	11,418	30,000	2,400	217,976	13,818
2020	62,211	7,480	30,000	1,200	92,211	8,680
2021	64,489	5,747	-	-	64,489	5,747
2022	66,813	3,951	-	-	66,813	3,951
2023	69,183	2,090	-	-	69,183	2,090
2024	30,000	525	-	-	30,000	525
Total	\$1,002,603	87,641	150,000	18,000	1,152,603	105,641

Revenue Notes/Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$466,000 in Water Revenue Notes/Bonds issued in 2004 and \$350,000 in Water Revenue Notes/Bonds issued in 2013. Proceeds from these notes/bonds provided financing for water improvements. The notes/bonds are payable solely from water customer net receipts and are payable through 2024. Annual principal and interest payments on the notes/bonds are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the notes/bonds is \$590,645. For the current year, principal and interest paid and total customer net receipts were \$68,826 and \$204,718 respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,766,000 in sewer revenue notes issued in April 1999. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2019. Annual principal and interest payments on the notes are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$499,600.

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

For the current year, principal and interest paid and total customer net receipts were \$118,380 and \$314,387 respectively.

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

- a. The bonds will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to separate water and sewer revenue sinking accounts for the purpose of making the bond principal and interest payments when due.
- c. Additional monthly transfers equal to 25% of the monthly transfers to the water sinking account shall be made to a water reserve account. This account is restricted for the purpose of paying principal and interest should a deficiency exist in the water sinking account.
- d. A water improvement fund shall be maintained requiring a monthly payment of \$2,000; provided, however, that when the amount of said deposits in said fund shall equal or exceed \$75,000, no further monthly deposits need to be made except to maintain it at such level.
- e. The water and sewer systems shall each maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue bond.

Other Than Bonded Debt

Interim Financing

The City entered into a Sewer Revenue Loan and Disbursement Agreement Anticipation Project Note (IFA Interim Loan and Disbursement Agreement) not to exceed \$182,500. This interim loan bears interest at 0% and has a maturity date of March 21, 2017. The proceeds of this note shall be used for the purposes of planning, designing and constructing improvements and extensions to the Sanitary Sewer System. This interim financing will be repaid upon issuance of revenue bonds. As of June 30, 2015, the balance on this loan is \$175,373.

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

(4) Pension Plan

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

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

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

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

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012 the reduction is .025 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012 the reduction is 0.50 percent for each month that the member receives benefits before age 65.

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

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 \$40,792.

City of Rockwell 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 \$106,664. 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 0.0026895 percent, which was a decrease of 0.0012880 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 \$15,326, \$8,293 and \$47,434 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.

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

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

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

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

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net position liability calculated using discount rate of 7.5 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City’s proportionate share of the net pension liability	\$ 331,416	\$ 106,664	\$ (82,917)

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

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

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 10 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-basis. The most recent active member monthly premiums for the City and plan members are \$690 for single coverage and \$2,119 for family coverage. For the year ended June 30, 2015, the City contributed \$221,297, and plan members eligible for benefits contributed \$0 to the plan.

(6) Compensated Absences

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

<u>Type of Benefit</u>	<u>Amount</u>
Vacation, holiday and comp time	\$ <u>26,000</u>

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

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

(7) Risk Management

The City 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.

(8) Capital Leases

The City entered into a capital lease for the purchase of a fire truck. This lease is from December 12, 2005 through December 12, 2015. During the year ended June 30, 2015, the City disbursed \$17,456 for this lease.

Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2016	<u>16,619</u>	<u>837</u>	<u>17,456</u>

(9) Subsequent Events

The City has committed to a sanitary sewer project for approximately \$1.6M that will be financed by a CDBG grant and issuance of revenue bonds. As of June 30, 2015 approximately \$178,000 has been expended on this project. The City has also committed to a city square project for approximately \$1.8M that will be financed by the issuance of both GO and revenue bonds.

Other Information

City of Rockwell 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	\$ 666,071	-
Tax increment financing	2,833	-
Other city tax	154,226	-
Licenses and permits	5,041	-
Use of money and property	38,155	3,559
Intergovernmental	254,687	2,647
Charges for service	179,142	924,521
Miscellaneous	322,805	4,749
Total receipts	<u>1,622,960</u>	<u>935,476</u>
Disbursements:		
Public safety	384,085	-
Public works	516,127	-
Health and social services	1,477	-
Culture and recreation	211,154	-
Community and economic development	6,627	-
General government	329,174	-
Debt service	54,656	-
Capital Projects	14,050	-
Business type activities	-	960,152
Total disbursements	<u>1,517,350</u>	<u>960,152</u>
Excess (deficiency) of receipts over (under) disbursements	105,610	(24,676)
Other financing sources	<u>-</u>	<u>175,373</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements	105,610	150,697
Balances beginning of year	<u>1,735,080</u>	<u>1,418,166</u>
Balances end of year	<u>\$ 1,840,690</u>	<u>1,568,863</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
666,071	669,039	669,039	(2,968)
2,833	-	-	2,833
154,226	136,962	136,962	17,264
5,041	4,641	4,641	400
41,714	20,825	20,825	20,889
257,334	242,357	242,357	14,977
1,103,663	970,900	970,900	132,763
327,554	29,800	29,800	297,754
<u>2,558,436</u>	<u>2,074,524</u>	<u>2,074,524</u>	<u>483,912</u>
384,085	426,718	443,218	59,133
516,127	414,088	561,050	44,923
1,477	9,597	9,597	8,120
211,154	187,787	253,842	42,688
6,627	5,100	10,885	4,258
329,174	140,771	635,771	306,597
54,656	54,666	54,666	10
14,050	-	14,430	380
960,152	791,418	1,794,918	834,766
<u>2,477,502</u>	<u>2,030,145</u>	<u>3,778,377</u>	<u>1,300,875</u>
80,934	44,379	(1,703,853)	1,784,787
<u>175,373</u>	<u>3,100</u>	<u>3,100</u>	<u>172,273</u>
256,307	47,479	(1,700,753)	1,957,060
<u>3,153,246</u>	<u>2,889,330</u>	<u>2,889,330</u>	<u>263,916</u>
<u>3,409,553</u>	<u>2,936,809</u>	<u>1,188,577</u>	<u>2,220,976</u>

City of Rockwell 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	0.002690%
City's proportionate share of the net pension liability	\$ 107
City's covered-employee payroll	\$ 464
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.06%
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 Rockwell 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 \$1,748,232. The budget amendment is reflected in the final budgeted amount.

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

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

Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)

Other Information

	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 41	41
Contributions in relation to the statutorily required contribution	<u>(41)</u>	<u>(41)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
City's covered-employee payroll	\$ 461	464
Contributions as a percentage of covered-employee payroll	8.89%	8.84%

See accompanying independent auditor's report.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
38	37	33	30	27	28	30	27
<u>(38)</u>	<u>(37)</u>	<u>(33)</u>	<u>(30)</u>	<u>(27)</u>	<u>(28)</u>	<u>(30)</u>	<u>(27)</u>
<u>-</u>							
444	455	429	423	416	407	383	341
8.56%	8.13%	7.69%	7.09%	6.49%	6.88%	7.83%	7.92%

City of Rockwell 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 Rockwell 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 Rockwell 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 Revenue			
	Library Building Trust	DARE	Local Option Tax	TIF
Receipts:				
Property tax	\$ -	-	-	-
Tax increment financing	-	-	-	2,833
Other city tax	-	-	121,578	-
Use of money and property	20	-	-	-
Intergovernmental	11,083	-	-	-
Miscellaneous	2,187	-	-	-
Total receipts	<u>13,290</u>	<u>-</u>	<u>121,578</u>	<u>2,833</u>
Disbursements:				
Operating:				
Public safety:				
Police	-	-	-	-
Culture and recreation:				
Library	5,991	-	-	-
	<u>5,991</u>	<u>-</u>	<u>-</u>	<u>-</u>
Community and economic development:				
Economic development	-	-	-	2,834
Capital projects	-	-	-	-
Debt service	-	-	-	-
Total disbursements	<u>5,991</u>	<u>-</u>	<u>-</u>	<u>2,834</u>
Change in cash balances	7,299	-	121,578	(1)
Cash balances beginning of year	<u>5,341</u>	<u>186</u>	<u>477,679</u>	<u>1</u>
Cash balances end of year	<u>12,640</u>	<u>186</u>	<u>599,257</u>	<u>-</u>
Cash Basis Fund Balances				
Nonspendable-Cemetery perpetual care	-	-	-	-
Restricted for:				
Streets	-	-	-	-
Debt service	-	-	-	-
Other purposes	12,640	186	599,257	-
Assigned for capital projects	-	-	-	-
Total cash basis fund balances	<u>\$ 12,640</u>	<u>186</u>	<u>599,257</u>	<u>-</u>

See accompanying independent auditor's report.

Schedule 1

Debt Service	Capital Projects	Permanent Cemetery Perpetual Care	Total
49,093	-	-	49,093
-	-	-	2,833
2,408	-	-	123,986
-	-	-	20
765	-	-	11,848
-	-	200	2,387
<u>52,266</u>	<u>-</u>	<u>200</u>	<u>190,167</u>
-	-	-	-
-	-	-	-
-	-	-	5,991
-	-	-	5,991
-	-	-	2,834
-	14,050	-	14,050
54,656	-	-	54,656
54,656	14,050	-	77,531
(2,390)	(14,050)	200	112,636
<u>48,978</u>	<u>151,907</u>	<u>56,900</u>	<u>740,992</u>
<u>46,588</u>	<u>137,857</u>	<u>57,100</u>	<u>853,628</u>
-	-	57,100	57,100
-	-	-	-
46,588	-	-	46,588
-	-	-	612,083
-	137,857	-	137,857
<u>46,588</u>	<u>137,857</u>	<u>57,100</u>	<u>853,628</u>

City of Rockwell 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:			
South St. Water Main	Apr 17, 2010	4.00 %	\$ 300,000
Total			
Revenue bonds:			
Sewer revenue	Apr 19, 1999	3.00 %	\$ 1,766,000
Water revenue, series 2004	Apr 30, 2004	3.00 %	466,000
Water revenue, series 2013	Oct 17, 2013	3.50 %	350,000
Total			
Capital leases:			
Fire Truck	Dec 12, 2005	4.00 %	\$ 202,289
Total			

See accompanying independent auditor's report.

Schedule 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
<u>180,000</u>	<u>-</u>	<u>30,000</u>	<u>150,000</u>	<u>7,200</u>	<u>-</u>
<u>\$ 180,000</u>	<u>-</u>	<u>30,000</u>	<u>150,000</u>	<u>7,200</u>	<u>-</u>
586,000	-	108,000	478,000	10,380	-
262,000	-	23,000	239,000	4,585	-
<u>316,047</u>	<u>-</u>	<u>30,444</u>	<u>285,603</u>	<u>10,798</u>	<u>-</u>
<u>\$ 1,164,047</u>	<u>-</u>	<u>161,444</u>	<u>1,002,603</u>	<u>25,763</u>	<u>-</u>
<u>32,441</u>	<u>-</u>	<u>15,822</u>	<u>16,619</u>	<u>1,634</u>	<u>-</u>
<u>\$ 32,441</u>	<u>-</u>	<u>15,822</u>	<u>16,619</u>	<u>1,634</u>	<u>-</u>

City of Rockwell City, Iowa

Bond and Note Maturities

June 30, 2015

Year Ending <u>June 30,</u>	Revenue Bonds			
	Sewer Revenue 1		Sewer Revenue 2	
	Series 1999		Series 1999	
	Interest Rates	Amount	Interest Rates	Amount
2016	4.23	110,000	4.23	2,000
2017	4.23	115,000	4.23	2,000
2018	4.23	120,000	4.23	2,000
2019	4.23	125,000	4.23	2,000
2020		-		-
2021		-		-
2022		-		-
2023		-		-
2024		-		-
Total		<u>\$ 470,000</u>		<u>\$ 8,000</u>

See accompanying independent auditor's report.

Water Revenue Series 2004		Water Revenue Series 2013			General Obligation Bond Water Main Issued August, 2010	
Interest Rates	Amount	Interest Rates	Amount	Total	Interest Rates	Amount
3.00	24,000	3.50	31,517	167,517	4.00	30,000
3.00	24,000	3.50	32,631	173,631	4.00	30,000
3.00	25,000	3.50	33,783	180,783	4.00	30,000
3.00	26,000	3.50	34,976	187,976	4.00	30,000
3.00	26,000	3.50	36,211	62,211	4.00	30,000
3.00	27,000	3.50	37,489	64,489		-
3.00	28,000	3.50	38,813	66,813		-
3.00	29,000	3.50	40,183	69,183		-
3.00	30,000		-	30,000		-
	<u>\$ 239,000</u>		<u>\$ 285,603</u>	<u>\$ 1,002,603</u>		<u>\$ 150,000</u>

City of Rockwell 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	\$ 666,071	\$ 600,311	557,136	570,480
Tax increment financing	2,833	2,795	2,751	2,372
Other city tax	154,226	162,305	164,340	109,967
Licenses and permits	5,041	4,104	4,303	3,341
Use of money and property	38,155	36,156	84,504	20,439
Intergovernmental	254,687	375,499	501,111	692,338
Charges for service	179,142	197,423	183,311	183,464
Miscellaneous	<u>322,805</u>	<u>124,082</u>	<u>73,430</u>	<u>79,411</u>
Total	<u>\$ 1,622,960</u>	<u>\$ 1,502,675</u>	<u>1,570,886</u>	<u>1,661,812</u>
Disbursements:				
Operating				
Public safety	\$ 384,085	\$ 377,340	331,021	513,930
Public works	516,127	328,652	488,250	554,454
Health and social services	1,477	16,597	9,477	9,119
Culture and recreation	211,154	303,179	193,187	219,746
Community and economic development	6,627	47,153	72,457	48,603
General government	329,174	205,851	126,898	121,708
Debt service	54,656	65,190	66,391	106,189
Capital projects	<u>14,050</u>	<u>300,238</u>	<u>144,488</u>	<u>544,732</u>
Total	<u>\$ 1,517,350</u>	<u>\$ 1,644,200</u>	<u>1,432,169</u>	<u>2,118,481</u>

See accompanying independent auditor's report.

Schedule 4

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
557,498	490,096	544,176	532,617	536,756	516,996
2,476	2,801	-	-	-	-
138,964	132,327	180,301	32,418	33,948	33,638
3,580	3,678	3,245	3,835	3,851	4,446
23,197	28,211	29,066	105,168	115,328	51,982
666,442	315,982	370,310	713,777	545,849	229,282
180,861	183,976	188,889	191,316	247,366	253,458
<u>45,715</u>	<u>88,609</u>	<u>108,776</u>	<u>189,503</u>	<u>2,135,374</u>	<u>90,786</u>
<u>1,618,733</u>	<u>1,245,680</u>	<u>1,424,763</u>	<u>1,768,634</u>	<u>3,618,472</u>	<u>1,180,588</u>
320,875	291,764	276,899	278,323	375,246	335,787
381,750	376,549	385,380	361,426	336,653	409,035
8,789	8,050	8,000	-	-	-
201,085	171,149	229,753	142,224	174,448	141,138
6,573	8,400	26,302	7,186	5,197	2,495
123,237	150,449	124,487	106,277	101,103	139,614
85,884	58,389	135,911	132,589	144,183	116,759
<u>439,756</u>	<u>21,956</u>	<u>710,221</u>	<u>2,140,544</u>	<u>489,676</u>	<u>37,734</u>
<u>1,567,949</u>	<u>1,086,706</u>	<u>1,896,953</u>	<u>3,168,569</u>	<u>1,626,506</u>	<u>1,182,562</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 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 Rockwell City, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 29, 2016. Our report expressed unmodified opinions on the financial statements, except for the disclaimer on the Rockwell City Public Library Foundation, 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 Rockwell City's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Rockwell City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Rockwell City's internal control.

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

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

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

Compliance and Other Matters

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

The City of Rockwell City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Rockwell 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 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 Rockwell City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

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

March 29, 2016

City of Rockwell 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 – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent loss from employee error or dishonesty and therefore maximizes the accuracy of the City’s financial statements. We noted that two employees handle all of the financial duties, which does not allow for complete segregation of duties.

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, Including Disclosures to 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 Rockwell 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 Rockwell City, Iowa

Schedule of Findings

Year ended June 30, 2015

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

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

Conclusion – Response accepted.

Part II: Other Findings Related to Statutory Reporting:

- II-A-15 Certified Budget – Disbursements during the year ended June 30, 2015, did not exceed the amounts budgeted.
- 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 - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-15 Deposits and Investments - No instances of non-compliance with the deposit and investments provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

City of Rockwell City, Iowa

Schedule of Findings

Year ended June 30, 2015

II-H-15 Revenue Notes/Bonds – No instances of non-compliance with the revenue bond and note resolutions were noted.

II-I-15 Urban Renewal Annual Report – The urban renewal annual report was approved and certified to the Iowa Department of Management on or before December 1, with no exceptions noted.

II-J-15 Debt Service Fund Balance – It was noted during the course of our audit, that the Debt Service Fund has a cash balance of \$44,588, which is higher than in previous years.

Recommendation – The City should review the transactions posted to this fund over the past few years, to review for any miscoding.

Response – We believe that the City received some outside funding for payment of the debt on the fire truck. We will review the transactions to determine if lowering the City's debt service tax levy is appropriated.

Conclusion- Response accepted.