

City of Columbus Junction

**Independent Auditor's Report
Financial Statements and Supplementary Information
Independent Auditor's Reports on Internal Control and Compliance
Schedule of Findings and Questioned Costs**

June 30, 2015

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City of Columbus Junction

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Daniel Wilson	Mayor	December 31, 2017
T. Mark Huston	Mayor Pro Tem	December 31, 2015
Harold Prior	Council Member	December 31, 2017
Patrick Rees	Council Member	December 31, 2015
Phil Kaalberg	Council Member	December 31, 2015
Julie Heindel	City Clerk	Not Elected
Donnie Orr	Chief of Police	Not Elected



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Independent Auditor's Report

Honorable Mayor and
Members of the City Council
City of Columbus Junction, Iowa

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

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

Adverse Opinion

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

Basis for Modified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2014.

Modified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2014, as discussed in the preceding paragraph, 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 as of June 30, 2015, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary and Other Information

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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2014, 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 budgetary comparison information on pages 15 through 16, 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.

The City has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States have determined is necessary to supplement, although not required to be part of, the basis financial statements.

The financial statements do not include the disclosures and schedules related to Pension Liabilities required by Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions*, which became effective for the year ended June 30, 2015. This departure does not affect the receipts, disbursements and cash balances of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

CPA Associates PC

January 13, 2016

BASIC FINANCIAL STATEMENTS

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

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions / Programs:							
Governmental activities:							
Public safety	\$ 370,511	\$ 30	\$ -	\$ -	\$ (370,481)	\$ -	\$ (370,481)
Public works	163,403	-	197,463	-	34,060	-	34,060
Culture and recreation	200,629	-	17,130	-	(183,499)	-	(183,499)
Community and economic development	98,759	-	116,922	-	18,163	-	18,163
General government	<u>199,543</u>	<u>17,153</u>	<u>-</u>	<u>70,130</u>	<u>(112,260)</u>	<u>-</u>	<u>(112,260)</u>
Total governmental activities	<u>1,032,845</u>	<u>17,183</u>	<u>331,515</u>	<u>70,130</u>	<u>(614,017)</u>	<u>-</u>	<u>(614,017)</u>
Business type activities:							
Water	1,651,581	314,559	-	961,639	-	(375,383)	(375,383)
Sewer	211,698	171,393	-	-	-	(40,305)	(40,305)
Solid waste	<u>146,092</u>	<u>145,668</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(424)</u>	<u>(424)</u>
Total business type activities	<u>2,009,371</u>	<u>631,620</u>	<u>-</u>	<u>961,639</u>	<u>-</u>	<u>(416,112)</u>	<u>(416,112)</u>
Total	<u>\$ 3,042,216</u>	<u>\$ 648,803</u>	<u>\$ 331,515</u>	<u>\$ 1,031,769</u>	<u>(614,017)</u>	<u>(416,112)</u>	<u>(1,030,129)</u>
General Receipts and Transfers:							
Property and other city tax levied for:							
General purposes					388,151	-	388,151
Debt service					303	-	303
Tax increment financing					89,267	-	89,267
Local option sales tax					107,682	-	107,682
Comm/ind property tax replacement					3,107	-	3,107
Unrestricted investment earnings					4,729	694	5,423
Bond proceeds					-	359,361	359,361
Miscellaneous					<u>64,373</u>	<u>165,063</u>	<u>229,436</u>
Total general receipts and transfers					<u>657,612</u>	<u>525,118</u>	<u>1,182,730</u>
Change in cash basis net position					43,595	109,006	152,601
Cash basis net position beginning of year					<u>259,979</u>	<u>60,163</u>	<u>320,142</u>
Cash basis net position end of year					<u>\$ 303,574</u>	<u>\$ 169,169</u>	<u>\$ 472,743</u>
Cash Basis Net Position							
Restricted:							
Expendable					\$ 499,399	\$ -	\$ 499,399
Unrestricted					<u>(195,825)</u>	<u>169,169</u>	<u>(26,656)</u>
Total cash basis net position					<u>\$ 303,574</u>	<u>\$ 169,169</u>	<u>\$ 472,743</u>

See notes to financial statements.

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

	Special Revenue						Total
	General	Road Use Tax	Tax Increment Financing	Employee Benefits	Debt Service	Other Nonmajor Governmental	
Receipts:							
Property tax	\$ 278,426	\$ -	\$ -	\$ 103,728	\$ 303	\$ 9,104	\$ 391,561
Tax increment financing	-	-	89,267	-	-	-	89,267
Other city taxes	-	-	-	-	-	107,682	107,682
Use of money and property	4,671	-	-	-	-	58	4,729
License and permits	10,831	-	-	-	-	-	10,831
Intergovernmental	87,260	197,463	-	-	-	116,922	401,645
Miscellaneous	70,725	-	-	-	-	-	70,725
Total receipts	451,913	197,463	89,267	103,728	303	233,766	1,076,440
Disbursements:							
Operating:							
Public safety	370,511	-	-	-	-	-	370,511
Public works	4,463	158,940	-	-	-	-	163,403
Culture and recreation	200,629	-	-	-	-	-	200,629
Community and economic development	9,594	-	-	-	-	89,165	98,759
General government	198,870	-	-	-	-	673	199,543
Total disbursements	784,067	158,940	-	-	-	89,838	1,032,845
Excess (deficiency) of receipts over (under) disbursements	(332,154)	38,523	89,267	103,728	303	143,928	43,595
Other financing sources (uses):							
Operating transfers in (out)	171,897	-	(64,215)	-	-	(107,682)	-
Total other financing sources (uses)	171,897	-	(64,215)	-	-	(107,682)	-
Change in cash balances	(160,257)	38,523	25,052	103,728	303	36,246	43,595
Cash balances beginning of year	(53,551)	45,229	65,234	101,091	1,506	100,470	259,979
Cash balances end of year	\$ (213,808)	\$ 83,752	\$ 90,286	\$ 204,819	\$ 1,809	\$ 136,716	\$ 303,574
Cash Basis Fund Balances							
Restricted							
Streets	\$ -	\$ 83,752	\$ -	\$ -	\$ -	\$ -	\$ 83,752
Tax increment financing purposes	-	-	90,286	-	-	-	90,286
Employee benefits	-	-	-	204,819	-	-	204,819
Debt service	-	-	-	-	1,809	-	1,809
Other purposes	-	-	-	-	-	118,733	118,733
Unassigned	(213,808)	-	-	-	-	17,983	(195,825)
Total cash basis fund balances	\$ (213,808)	\$ 83,752	\$ 90,286	\$ 204,819	\$ 1,809	\$ 136,716	\$ 303,574

See notes to financial statements.

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

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Nonmajor Proprietary</u>	<u>Total</u>
Operating Receipts:					
Charges for service	\$ <u>305,959</u>	\$ <u>171,393</u>	\$ <u>145,668</u>	\$ <u>8,600</u>	\$ <u>631,620</u>
Total operating receipts	<u>305,959</u>	<u>171,393</u>	<u>145,668</u>	<u>8,600</u>	<u>631,620</u>
Operating Disbursements:					
Business type activities	<u>409,572</u>	<u>171,388</u>	<u>146,092</u>	<u>26,521</u>	<u>753,573</u>
Total operating disbursements	<u>409,572</u>	<u>171,388</u>	<u>146,092</u>	<u>26,521</u>	<u>753,573</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(103,613)</u>	<u>5</u>	<u>(424)</u>	<u>(17,921)</u>	<u>(121,953)</u>
Non-operating receipts (disbursements):					
Intergovernmental	961,639	-	-	-	961,639
Interest on investments	39	154	19	482	694
Miscellaneous	164,082	150	831	-	165,063
Bond proceeds	359,361	-	-	-	359,361
Capital projects	(942,737)	-	-	-	(942,737)
Debt service	<u>(272,751)</u>	<u>(40,310)</u>	<u>-</u>	<u>-</u>	<u>(313,061)</u>
Net non-operating receipts (disbursements)	<u>269,633</u>	<u>(40,006)</u>	<u>850</u>	<u>482</u>	<u>230,959</u>
Excess (deficiency) of receipts over (under) disbursements	166,020	(40,001)	426	(17,439)	109,006
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in cash balances	166,020	(40,001)	426	(17,439)	109,006
Cash balances beginning of year	<u>(55,988)</u>	<u>64,739</u>	<u>(5,851)</u>	<u>57,263</u>	<u>60,163</u>
Cash balances end of year	<u>\$ 110,032</u>	<u>\$ 24,738</u>	<u>\$ (5,425)</u>	<u>\$ 39,824</u>	<u>\$ 169,169</u>
Cash Basis Fund Balances					
Unrestricted	<u>\$ 110,032</u>	<u>\$ 24,738</u>	<u>\$ (5,425)</u>	<u>\$ 39,824</u>	<u>\$ 169,169</u>
Total cash basis fund balances	<u>\$ 110,032</u>	<u>\$ 24,738</u>	<u>\$ (5,425)</u>	<u>\$ 39,824</u>	<u>\$ 169,169</u>

See notes to financial statements.

City of Columbus Junction
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The City of Columbus Junction (City) is a political subdivision of the State of Iowa located in Louisa County. It was first incorporated in 1874 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.

Reporting Entity

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

Excluded Component Unit

Friends of the Columbus Junction Library (Friends) are a component unit of the City of Columbus Junction. Friends, a separate legal entity, exists for the purpose of attracting funds to benefit the public library, which serves the Columbus Junction area, and to disburse those funds in a manner that will benefit the library. Friends meets the definition of a component unit since the entity raises funds on behalf of the Library. The financial statements of Friends of the Columbus Junction Library have not been audited and, accordingly, this component unit has not been presented in the accompanying primary government audited financial statements.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Southeast Iowa Regional Planning Commission, Louisa County Solid Waste Commission, and Louisa County Drug Task Force. See Note 9.

City of Columbus Junction
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

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.

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

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

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

The City reports the following major governmental funds:

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

City of Columbus Junction
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

The Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

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

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

The City reports the following major proprietary funds:

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

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

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

Measurement Focus and Basis of Accounting

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

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

Governmental Cash Basis Fund Balances

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

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

Unassigned - All amounts not included in the preceding classifications.

**City of Columbus Junction
Notes to Financial Statements**

Note 1. Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting

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

Subsequent Events

The City performed an evaluation of subsequent events through January 13, 2016, which is the date the financial statements were issued. There are no subsequent events that require disclosure or recognition in the financial statements as of June 30, 2015.

Note 2. Cash and 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 meeting the disclosure requirements.

Note 3. Bonds and Notes Payable

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

Year Ending June 30.	Other Debt and Capital Loans		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 16,535	\$ 2,204	\$ 87,000	\$ 28,232	\$ 103,535	\$ 30,436
2017	216,843	25,460	89,000	26,006	305,843	51,466
2018	12,411	1,156	92,000	23,722	104,411	24,878
2019	12,912	654	94,000	21,343	106,912	21,997
2020	6,641	141	96,000	18,906	102,641	19,047
2021-2025	-	-	345,000	64,524	345,000	64,524
2026-2029	-	-	165,322	24,973	165,322	24,973
	<u>\$ 265,342</u>	<u>\$ 29,615</u>	<u>\$ 968,322</u>	<u>\$ 207,706</u>	<u>\$ 1,233,664</u>	<u>\$ 237,321</u>

City of Columbus Junction
Notes to Financial Statements

Note 3. Bonds and Notes Payable (continued)

Other Debt and Capital Loans

In June 2010, the City entered into an loan with a local bank for a mower in the amount of \$45,900. The loan bears interest at 4.00% per annum, requires annual principal and interest payments of \$5,172 and matures on April 15, 2016.

The City entered into a revolving loan agreement with a local bank in January 2013 in order to make timely payments on the water works improvement project until grant monies are received. The loan bears interest at 4.00% per annum and matures on October 22, 2015. Subsequent to year end, the maturity date has been extended to October 22, 2016.

In December 2014, the City entered into a \$61,250 loan with a local bank for the purchase of an endloader. The loan bears interest at 4.00% per annum, and matures in annual principal and interest payments of \$13,566 with the final maturity due October 15, 2019.

Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay two revenue bond issues. The bonds were issued February 2001 through August 2002. Proceeds from the notes provided financing for the construction of several sewer system projects. The notes are payable solely from sewer customer net receipts and are payable through 2022. The total principal and interest remaining to be paid on the notes is \$269,808. For the current year, principal and interest paid and total customer net receipts were \$37,725 and \$5, respectively.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay a revenue bond issue. The bond was issued February 2014. Proceeds from the note provided financing for the construction of a water system project. The note is payable solely from water customer net receipts and is payable through 2028. The total principal and interest remaining to be paid on the note is \$906,220. For the current year, principal and interest paid and total customer net receipts were \$63,251 and \$(103,613), respectively.

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

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Monthly transfers equal to a sum of one-twelfth of the principal of all the revenue bonds maturing on the next maturity date plus one-sixth of the interest coming due on the next interest payment date shall be made to the appropriate revenue bond sinking fund for the purpose of making bond interest and principal payments when due.
- (c) Sewer user charges must be established at a level which produces and maintains net revenues equal to at least 110% of principal and interest requirements due in the same year. The City has not met this requirement in the current year.
- (d) Water user charges must be established at a level which produces and maintains net revenues equal to at least 110% of principal and interest requirements due in the same year. The City has not met this requirement in the current year.

City of Columbus Junction
Notes to Financial Statements

Note 4. Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary, except for police employees, in which case the percentages are 6.76% and 10.14%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2015 was \$44,780, equal to the required contribution for the year.

Note 5. Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 9 active and no retired members in the plan. 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, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$522 for single coverage and \$1,311 for family coverage. For the year ended June 30, 2015, the City contributed \$111,587 and plan members eligible for benefits do not contribute to the plan.

Note 6. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2015, primarily relating to the General Fund, is \$12,000.

City employees accumulate sick leave up to a maximum of 120 days. If not used, this sick leave is otherwise lost except upon retirement if an employee has over 10 years of service with the City. Eligible retirees will be paid \$50 per unused sick day at retirement. If an eligible retiree has over 15 years of service with the City, he/she will be paid \$100 per unused sick leave day. The City has no liability at June 30, 2015.

Employees accumulate comp time in lieu of overtime pay. The limit is 80 hours. The maximum liability to the City at June 30, 2015 is \$6,000.

The above liabilities have been computed based on rates of pay as of July 1, 2015.

City of Columbus Junction
Notes to Financial Statements

Note 7. Related Party Transactions

The City had business transactions between the City and City officials totaling \$1,942 during the year ended June 30, 2015.

A City Council member is a board member for a local bank. As of June 30, 2015, the City has \$343,394 in cash held at the bank and \$209,983 due in principal payments on loans and paid \$226,779 in loan payments and lockbox fees during the year ended June 30, 2015.

Note 8. 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.

Note 9. Jointly Governed Organization

The City is a participant in the Louisa County Regional Solid Waste Commission, a political subdivision pursuant to the Code of Iowa Chapter 28E. The purpose of the agreement is to provide area governments with solid waste disposal sources. The City currently provides one member of the eleven-member board. The City paid and \$9,495 in waste management fees in fiscal year 2015.

The City is a participant in the Southeast Iowa Regional Planning Commission (Commission), a political subdivision pursuant to the Code of Iowa Chapter 28E. The purpose of the Commission is to protect, preserve, and enhance the economic and general welfare of citizens in Southeast Iowa. The City currently provides one member of the nineteen-member board. The City paid \$2,500 in grant administration fees and \$1,579 in annual dues in fiscal year 2015. Southeast Iowa Regional Planning Commission's audited financial statements are available at City Hall.

OTHER INFORMATION

City of Columbus Junction
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 Fund Type <u>Actual</u>	Less Funds not Required to be Budgeted	<u>Total</u>	<u>Budgeted Amounts</u>		Final to Total Variance
					<u>Original</u>	<u>Final</u>	
Receipts:							
Property tax	\$ 391,561	\$ -	\$ -	\$ 391,561	\$ 375,213	\$ 375,213	\$ 16,348
Tax increment financing	89,267	-	-	89,267	91,182	91,182	(1,915)
Other city taxes	107,682	-	-	107,682	107,560	113,560	(5,878)
Use of money and property	4,729	694	58	5,365	5,600	5,600	(235)
Licenses and permits	10,831	-	-	10,831	6,300	9,770	1,061
Intergovernmental	401,645	961,639	116,922	1,246,362	211,014	256,014	990,348
Charges for service	-	631,620	-	631,620	1,690,064	1,696,064	(1,064,444)
Miscellaneous	70,725	165,063	-	235,788	64,000	74,000	161,788
Total receipts	<u>1,076,440</u>	<u>1,759,016</u>	<u>116,980</u>	<u>2,718,476</u>	<u>2,550,933</u>	<u>2,621,403</u>	<u>97,073</u>
Disbursements:							
Public safety	370,511	-	-	370,511	363,002	363,002	(7,509)
Public works	163,403	-	-	163,403	185,152	185,152	21,749
Culture and recreation	200,629	-	-	200,629	97,508	197,508	(3,121)
Community and economic development	98,759	-	89,165	9,594	5,000	7,000	(2,594)
General government	199,543	-	673	198,870	194,269	200,569	1,699
Business type activities	-	2,009,371	-	2,009,371	1,636,372	1,963,425	(45,946)
Total disbursements	<u>1,032,845</u>	<u>2,009,371</u>	<u>89,838</u>	<u>2,952,378</u>	<u>2,481,303</u>	<u>2,916,656</u>	<u>(35,722)</u>
Excess (deficiency) of receipts over (under) disbursements	43,595	(250,355)	27,142	(233,902)	69,630	(295,253)	(61,351)
Other financing sources (uses), net	-	359,361	-	359,361	-	565,014	(205,653)
Change in cash balances	43,595	109,006	27,142	125,459	69,630	269,761	(144,302)
Cash balances beginning of year	<u>259,979</u>	<u>60,163</u>	<u>91,591</u>	<u>228,551</u>	<u>622,044</u>	<u>622,044</u>	<u>(393,493)</u>
Cash balances end of year	<u>\$ 303,574</u>	<u>\$ 169,169</u>	<u>\$ 118,733</u>	<u>\$ 354,010</u>	<u>\$ 691,674</u>	<u>\$ 891,805</u>	<u>\$ (537,795)</u>

See accompanying independent auditor's report.

City of Columbus Junction
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 blended component units, Internal Service, non-expendable trust, and agency funds (when they exist). The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, budget amendments increased budgeted disbursements by \$435,353. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development and business type functions.

SUPPLEMENTARY INFORMATION

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

	<u>Special Revenue</u>			<u>Total</u>
	<u>Emergency Fund</u>	<u>Local Option Sales Tax</u>	<u>Trust and Agency</u>	
Receipts:				
Property taxes	\$ 9,104	\$ -	\$ -	\$ 9,104
Other city taxes	-	107,682	-	107,682
Use of money and property	-	-	58	58
Intergovernmental	-	-	116,922	116,922
Total receipts	<u>9,104</u>	<u>107,682</u>	<u>116,980</u>	<u>233,766</u>
Disbursements:				
Community and economic development	-	-	89,165	89,165
General government	-	-	673	673
Total disbursements	<u>-</u>	<u>-</u>	<u>89,838</u>	<u>89,838</u>
Excess (deficiency) of receipts over (under) disbursements	<u>9,104</u>	<u>107,682</u>	<u>27,142</u>	<u>143,928</u>
Other financing sources (uses):				
Operating transfers in (out)	<u>-</u>	<u>(107,682)</u>	<u>-</u>	<u>(107,682)</u>
Change in cash balances	9,104	-	27,142	36,246
Cash balances beginning of year	<u>8,879</u>	<u>-</u>	<u>91,591</u>	<u>100,470</u>
Cash balances end of year	<u>\$ 17,983</u>	<u>\$ -</u>	<u>\$ 118,733</u>	<u>\$ 136,716</u>
Cash Basis Fund Balances				
Restricted for:				
Other purposes	\$ -	\$ -	\$ 118,733	\$ 118,733
Unassigned	<u>17,983</u>	<u>-</u>	<u>-</u>	<u>17,983</u>
Total cash basis fund balances	<u>\$ 17,983</u>	<u>\$ -</u>	<u>\$ 118,733</u>	<u>\$ 136,716</u>

See accompanying independent auditor's report.

**City of Columbus Junction
Statement of Indebtedness
Year Ended June 30, 2015**

<u>Obligation</u>	<u>Date of Issuance</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<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>
Revenue bonds/notes:									
Water	2/07/14	2.00%	\$ 1,206,000	\$ 422,961	\$ 359,361	\$ 51,000	\$ 731,322	\$ 12,251	\$ -
Sewer	2/09/01	3.92%	505,000	222,000	-	28,000	194,000	3,885	-
Sewer	8/15/02	3.00%	101,000	48,000	-	5,000	43,000	840	-
				<u>692,961</u>	<u>359,361</u>	<u>84,000</u>	<u>968,322</u>	<u>16,976</u>	<u>-</u>
Other debt and capital loans:									
Mower	6/29/10	4.00%	45,900	14,902	-	9,833	5,069	506	-
Water plant	1/25/13	4.00%	500,000	305,000	100,000	200,086	204,914	9,414	-
Endloader	12/3/14	4.00%	61,250	-	61,250	5,891	55,359	893	-
				<u>319,902</u>	<u>161,250</u>	<u>215,810</u>	<u>265,342</u>	<u>10,813</u>	<u>-</u>
Total				<u>\$ 1,012,863</u>	<u>\$ 520,611</u>	<u>\$ 299,810</u>	<u>\$ 1,233,664</u>	<u>\$ 27,789</u>	<u>\$ -</u>

See accompanying independent auditor's report.

**City of Columbus Junction
Bond and Note Maturities
June 30, 2015**

Year Ending June 30,	Other Debt and Capital Loans						Total
	Mower		Water Plant		Endloader		
	Issued June 29, 2010		Issued January 25, 2013		Issued December 3, 2014		
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	
2016	4.00%	\$ 5,069		\$ -	4.00%	\$ 11,466	\$ 16,535
2017		-	4.00%	204,914	4.00%	11,929	216,843
2018		-		-	4.00%	12,411	12,411
2019		-		-	4.00%	12,912	12,912
2020		-		-	4.00%	6,641	6,641
		<u>\$ 5,069</u>		<u>\$ 204,914</u>		<u>\$ 55,359</u>	<u>\$ 265,342</u>

Year Ending June 30,	Other Debt and Capital Loans						Total
	Water		Sewer		Sewer		
	Issued February 2, 2014		Issued February 9, 2001		Issued August 15, 2002		
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	
2016	2.00%	\$ 52,000	3.92%	\$ 29,000	3.00%	\$ 6,000	\$ 87,000
2017	2.00%	53,000	3.92%	30,000	3.00%	6,000	89,000
2018	2.00%	54,000	3.92%	32,000	3.00%	6,000	92,000
2019	2.00%	55,000	3.92%	33,000	3.00%	6,000	94,000
2020	2.00%	56,000	3.92%	34,000	3.00%	6,000	96,000
2021	2.00%	57,000	3.92%	36,000	3.00%	6,000	99,000
2022	2.00%	58,000		-	3.00%	7,000	65,000
2023	2.00%	59,000		-	3.00%	-	59,000
2024	2.00%	60,000		-	3.00%	-	60,000
2025	2.00%	62,000		-	3.00%	-	62,000
2026	2.00%	63,000		-	3.00%	-	63,000
2027	2.00%	64,000		-	3.00%	-	64,000
2028	2.00%	<u>38,322</u>		<u>-</u>	3.00%	<u>-</u>	<u>38,322</u>
		<u>\$ 731,322</u>		<u>\$ 194,000</u>		<u>\$ 43,000</u>	<u>\$ 968,322</u>

See accompanying independent auditor's report.

City of Columbus Junction
Schedule of Expenditures of Federal Awards
June 30, 2015

<u>Federal Agency/Pass Through Agency Program - Grant Title</u>	<u>CFDA Number</u>	<u>Grantor Program Number</u>	<u>Program Expenditures</u>
U.S. Department of Commerce Economic Adjustment Assistance/Disaster Recovery - Relocation of Water Treatment Facility	11.300	#05-79-04848	\$ 529,803
U.S. Department of Housing and Urban Development Pass-through Iowa Department of Economic Development Community Development Block Grants Levee Project	14.228	#08-DRIEF-220	66,620
U.S. Department of Transportation Pass-through Iowa Department of Public Safety/Governor's Traffic Safety Bureau Occupant Protection Incentive Grants	20.609	PAP 14-402-M0OP, Task 23-50-00	<u>2,534</u>
			<u>\$ 598,957</u>

Note - Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Columbus Junction and is presented on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



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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***

Honorable Mayor and
Members of the City Council
City of Columbus Junction, Iowa

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Columbus Junction, Iowa (City), as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 13, 2016. Our report expressed modified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States, since we were unable to satisfy ourselves as to the distribution by fund of the total fund balances at July 1, 2013. We expressed an adverse opinion on the aggregate discretely presented component unit.

Internal Control Over Financial Reporting

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

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

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

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.

Compliance and Other Matters

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

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

City's Responses to the Findings

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

Purpose of this Report

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

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

CPA Associates PC

January 13, 2016



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**Independent Auditor's Report on Compliance
for Each Major Program, on Internal Control Over Compliance
and on the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133**

To the Honorable Mayor and Members of the City Council
City of Columbus Junction, Iowa

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

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

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency 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 in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, Part III item A-15 (2015-001) to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is reported in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the City as of and for the year ended June 30, 2015, and have issued our report dated January 13, 2016. Our report expressed modified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States. We expressed an adverse opinion on the aggregate discretely presented component unit. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

CPA Associates PC

January 13, 2016

City of Columbus Junction
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Part I: Summary of the Independent Auditor's Results

- (a) Adverse and modified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2014.
- (b) Material weaknesses in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was as follows:
 - CFDA Number 11.300 - U.S. Department of Commerce - Economic Adjustment Assistance/Disaster Recovery
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Columbus Junction did not qualify as a low-risk auditee.

City of Columbus Junction
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Part II: Findings Related to the Financial Statements

MATERIAL WEAKNESSES

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

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

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

Conclusion - Response accepted.

II-B-15 Financial Reporting - During the audit, we identified entries that were not made to close the Community Hispanic Culture Fund. We also identified employees being paid out of funds that did not agree with their position. The city clerk was paid out of the Sewer Fund and the utility clerk was paid out of the General Fund.

Recommendation - The City should implement procedures to ensure all entries are properly recorded and in the appropriate fund.

Response - We will double check this in the future to avoid posting errors.

Conclusion - Response accepted.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

**City of Columbus Junction
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015**

Part III: Findings for Federal Awards

INTERNAL CONTROL DEFICIENCY:

**CFDA Number 11.300: Economic Adjustment Assistance/Disaster Recovery
Pass-through Agency Number: 05-79-04848
Federal Award Year: 2010
U.S. Department of Commerce**

- III-A-15 (2015-001) Segregation of Duties - The City did not properly segregate duties among employees to prevent one individual from handling a transaction from its inception to its completion, including transactions related to federal programs. See item II-A-15. Because of additional grant administration oversight, the matter is considered to be a significant deficiency.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting

- IV-A-15 Certified Budget - Disbursements during the year ended June 30, 2015, exceed the amounts budgeted in the public safety, culture and recreation, community and economic development and business type functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation".

The budget amendment was not adopted by May 31 as required by Chapter 24.9 of the Code of Iowa.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. The budget should have been amended by May 31 in accordance with Chapter 24.9 of the Code of Iowa.

Response - The budget will be amended in the future and amended timely, if applicable.

Conclusion - Response accepted.

- IV-B-15 City Council Minutes - The City did not approve annual wage rates by individual in an ordinance at least annually in accordance with an Attorney General's opinion dated April 12, 1978.

Recommendation - The City should publish gross salaries/compensation in accordance with an Attorney General's opinion dated April 12, 1978.

Response - We will publish minutes as required.

Conclusion - Response accepted.

**City of Columbus Junction
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015**

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

IV-C-15 Financial Condition - The following funds had deficit balances at June 30, 2015:

General	\$ 213,808
Solid waste	5,425

Recommendation -The City should monitor the progress of the collections and expenses in these funds and review the control procedures throughout the period so the collections cover the expenses in these funds.

Response - We will monitor and review.

Conclusion - Response accepted.

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

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

IV-F-15 Questionable Disbursements - Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. This disbursement is detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Petty cash	Pizza	\$ 42
Econ-o-mart	Soda and potato chips	29

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line drawn between a proper and an improper purpose is very thin.

Recommendation - The Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

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

**City of Columbus Junction
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015**

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

IV-H-15 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transactions</u>	<u>Amount</u>
Patrick Rees, Council Member, owner of Columbus Junction Auto	Supplies and postage	\$ 1,942

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the supplies and postage transactions appear to represent a conflict of interest since total transactions were over \$1,500 during the fiscal year.

Recommendation - The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

Response - The City will comply with this recommendation.

Conclusion - Response accepted.

IV-I-15 Revenue Bonds - The provisions of the sewer revenue bonds require sewer user rates be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

The provisions of the water revenue bond require water user rates be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

During the year ended June 30, 2015, the City was not in compliance with the net revenue requirement for the sewer or water revenue bonds as required by the bond resolution. The City also did not make the required monthly transfers for the bond payments into a revenue bond sinking fund.

Recommendation - The City should ensure sewer and water user rates are established at a level which produces net revenues of 110% of the annual principal and interest payments on the bonds. The City should ensure that they are making the monthly payments into a revenue bond sinking fund to pay the principal and interest coming due.

Response - The water user rates were increased to cover this requirement. We will consider raising sewer rates. We will consider creating a sinking fund to make the transfers for the monthly payments for principal and interest.

Conclusion - Response accepted.

City of Columbus Junction
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

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

IV-J-15 Unsupported Expense Reimbursements - For the year ended June 30, 2015, the City reimbursed petty cash for expenses in the amount of \$119 without obtaining independent supporting documentation (e.g. store receipt or invoice).

Recommendation - The City should only reimburse petty cash when the proper documentation is submitted to validated the expenditure.

Response - The City will establish written policies of procedures for all reimbursement to petty cash.

Conclusion - Response accepted.

IV-K-15 Annual Urban Renewal Report - The annual urban renewal report was approved and certified to the Iowa Department of Management on or before December 1.

The City's beginning and ending cash balances of the Special Revenue, Tax Increment Financing fund reported on the Levy Authority Summary do not agree with the City's general ledger.

Recommendation - The City should ensure the cash balances reported on the Levy Authority Summary agree with the City's records.

Response - These items will be correct on next year's report.

Conclusion - Response accepted.

IV-L-15 Payroll Processing - Timecards are not approved. During testing, noted one employee that requested inspection pay. The same employee also authorized this pay.

Recommendation - All employees' hours should be approved by a supervisor or a City Council member.

Response - The City will consider having all employees use timecards and have them approved.

Conclusion - Response accepted.

IV-M-15 Annual Financial Report - The report's fund balances do not agree with the prior year audit report.

Recommendation - The City should make sure the annual financial report agrees to the prior year audit report.

Response - The City will do this going forward.

Conclusion - Response accepted.

City of Columbus Junction
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

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

IV-N-15 Water Usage - The gallons of water billed to customers is significantly less than the number of gallons used as reported by the water department.

Recommendation - The City should determine the cause of the variance in gallons used to gallons billed.

Response - The City will determine the cause of the variance.

Conclusion - Response accepted.

**City of Columbus Junction
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015**

Part V: Prior Audit Findings for Federal Awards

U.S. DEPARTMENT OF COMMERCE, CFDA 11.300

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, CFDA 14.228

FINDING

V-A-14 Condition - The City did not properly segregate duties among employees to prevent one individual from handling a transaction from its inception to its completion, including transactions related to federal programs.

Recommendation - It was recommended that the City review its control procedures to obtain the maximum internal control possible under the circumstances, segregate duties to the extent possible with existing personnel, and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Current Status - Due to the limited number of office employees, segregation of duties over federal receipts continues to be a significant deficiency. See item III-A-15 (2015-001) in the current year findings.

FINDING

V-B-14 Condition - The City did not have an audit of their financial statements as of and for the year ended June 30, 2013 conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133 within the time period as required by Office of Management and Budget Circular A-133, Section .200.

Recommendation - It was recommended that the City have an audit of their financial statements as of and for the year ended June 30, 2013 and submit the audit and data collection form to the Federal Audit Clearinghouse as soon as it is feasible.

Current Status - The audit of the financial statements as of and for the year ended June 30, 2013 has been completed and submitted, along with the data collection form, to the Federal Audit Clearinghouse.