

CITY OF WHITING, IOWA
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND OTHER INFORMATION
AND SCHEDULE OF FINDINGS
JUNE 30, 2015

CITY OF WHITING, IOWA

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CITY OF WHITING

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tom Marr	Mayor	January, 2018
Dennis Eggerling	Council Member	January, 2018
Robert Haack	Council Member	January, 2018
Rory Barnett	Council Member	January, 2016
Douglas Handeland	Council Member	January, 2016
David Storm	Council Member	January, 2016
Karen Handeland	Clerk/Treasurer	Annual
Jeffrey Sar	Attorney	Annual



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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Whiting, Iowa
Whiting, Iowa

We have audited the accompanying cash basis financial statements of the governmental activities, the business type activities, and each major fund of the City of Whiting, Iowa as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's 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 that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances.

Management is also responsible for 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 error or fraud.

Auditors' 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, and each major fund of the City of Whiting, Iowa, as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in conformity with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 4 to the financial statements, the City of Whiting 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

Other Information

Management has omitted management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the cash basis financial statements that collectively comprise the City of Whiting’s basic financial statements. The other information which includes the budgetary comparison information on pages 15 through 17, and the net pension liability information on pages 18 through 22, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other information on pages 15 through 22 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2015 on our consideration of the City of Whiting’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 the audit performed in accordance with *Government Auditing Standards* in considering the City of Whiting’s internal control over financial reporting and compliance.

Williams & Company P.C.
Certified Public Accountants

October 29, 2015
Onawa, Iowa

BASIC FINANCIAL STATEMENTS

CITY OF WHITING, IOWA
 STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Disbursements	Program Receipts	
		Charges for Services	Operating Grants Contributions and Other Program Revenues
Primary Government:			
Governmental Activities:			
Public Safety	\$ 65,791	\$ -	\$ -
Public Works	150,722	83,310	79,235
Culture and Recreation	94,746	650	-
Community and Economic Development	2,500	-	-
General Government	36,043	1,458	30,254
Total Governmental Activities	<u>349,802</u>	<u>85,418</u>	<u>109,489</u>
Business-Type Activities:			
Water System	71,182	84,325	-
Sewer System	133,107	114,752	-
Total Business-Type Activities:	<u>204,289</u>	<u>199,077</u>	<u>-</u>
Total	<u>\$ 554,091</u>	<u>\$ 284,495</u>	<u>\$ 109,489</u>

General Receipts:
 Property Taxes
 Local Option Sales Tax
 Unrestricted Investment Earnings
 Contributions Not Restricted to Specific Purpose
 Miscellaneous
 Interfund Transfers
 Total General Revenues
 Change in Cash Basis Net Position
 Cash Basis Net Position - Beginning
 Cash Basis Net Position - Ending

Cash Basis Net Position
 Restricted:
 Expendable:
 Streets
 Other Purposes
 Unrestricted
Total Cash Basis Net Position

Exhibit A

**Net (Disbursements) Receipts
and Changes in Net Position**

Governmental Activities	Business-Type Activities	Total
\$ (65,791)		\$ (65,791)
11,823		11,823
(94,096)		(94,096)
(2,500)		(2,500)
(4,331)		(4,331)
<u>(154,895)</u>		<u>(154,895)</u>
	\$ 13,143	13,143
	(18,355)	(18,355)
	<u>(5,212)</u>	<u>(5,212)</u>
<u>(154,895)</u>	<u>(5,212)</u>	<u>(160,107)</u>
177,288	-	177,288
64,934	-	64,934
496	459	955
41,292	-	41,292
5,785	8,752	14,537
(30,000)	30,000	-
<u>259,795</u>	<u>39,211</u>	<u>299,006</u>
104,900	33,999	138,899
352,927	138,829	491,756
<u>\$ 457,827</u>	<u>\$ 172,828</u>	<u>\$ 630,655</u>
\$ 104,688	\$ -	\$ 104,688
106,631	-	106,631
246,508	172,828	419,336
<u>\$ 457,827</u>	<u>\$ 172,828</u>	<u>\$ 630,655</u>

CITY OF WHITING, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Special Revenue</u>			<u>Total Governmental Funds</u>
	<u>General</u>	<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>	
Receipts:				
Property Tax	\$ 177,288	\$ -	\$ -	\$ 177,288
Licenses and Permits	1,458	-	-	1,458
Intergovernmental Revenue	30,254	79,235	64,934	174,423
Charges for Services	83,310	-	-	83,310
Rental of City Property	650	-	-	650
Interest	472	24	-	496
Contributions and Donations	41,292	-	-	41,292
Miscellaneous	5,785	-	-	5,785
Total Receipts	<u>340,509</u>	<u>79,259</u>	<u>64,934</u>	<u>484,702</u>
Disbursements:				
Operating:				
Public Safety	65,791	-	-	65,791
Public Works	85,419	65,303	-	150,722
Culture and Recreation	94,746	-	-	94,746
Community and Economic Development	2,500	-	-	2,500
General Government	36,043	-	-	36,043
Total Disbursements	<u>284,499</u>	<u>65,303</u>	<u>-</u>	<u>349,802</u>
Excess of Receipts Over Disbursements	<u>56,010</u>	<u>13,956</u>	<u>64,934</u>	<u>134,900</u>
Other Financing Sources (Uses):				
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>(30,000)</u>	<u>(30,000)</u>
Net Change in Cash Balances	56,010	13,956	34,934	104,900
Cash Balances Beginning of Year	190,498	90,732	71,697	352,927
Cash Balances End of Year	<u>\$ 246,508</u>	<u>\$ 104,688</u>	<u>\$ 106,631</u>	<u>\$ 457,827</u>
Cash Basis Fund Balances				
Restricted For:				
Streets	\$ -	\$ 104,688	\$ -	\$ 104,688
Other Purposes	-	-	106,631	106,631
Unassigned	246,508	-	-	246,508
Total Cash Basis Fund Balances	<u>\$ 246,508</u>	<u>\$ 104,688</u>	<u>\$ 106,631</u>	<u>\$ 457,827</u>

See Accompanying Notes to Financial Statements

CITY OF WHITING, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	Business Type Activities		
	Water System	Sewer System	Total
Operating Receipts:			
Charges for Services	\$ 84,325	\$ 114,752	\$ 199,077
Operating Disbursements:			
Business Type Activities	71,182	110,143	181,325
Excess of Operating Receipts Over Operating Disbursements	13,143	4,609	17,752
Non-Operating Receipts (Disbursements):			
Interest on Investments	384	75	459
Miscellaneous	6,771	1,981	8,752
Debt Service		(22,964)	(22,964)
	7,155	(20,908)	(13,753)
Excess (Deficiency) of Receipts Over (Under) Operating Disbursements	20,298	(16,299)	3,999
Other Financing Sources			
Operating Transfers In	15,000	15,000	30,000
Net Change in Cash Balances	35,298	(1,299)	33,999
Cash Balances - Beginning of Year	29,092	109,737	138,829
Cash Balances - End of Year	\$ 64,390	\$ 108,438	\$ 172,828
Cash Basis Fund Balances			
Unrestricted	\$ 64,390	\$ 108,438	\$ 172,828

See Accompanying Notes to Financial Statements

CITY OF WHITING, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Whiting is a political subdivision of the State of Iowa located in Monona County. It was first incorporated in 1873 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 Whiting has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Whiting has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods and 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: Monona County Assessor's Conference Board, Monona County Emergency Management Commission, Monona County Landfill Commission, and Monona County Joint E911 Service Board.

B. Basis of Presentation

Government-Wide Financial Statements

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 services.

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:

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.

Unrestricted net position consists of cash balances not meeting the definition on the preceding category. 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.

CITY OF WHITING, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

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.

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and used for community betterment programs and projects. It can also be used infrastructure including streets, water and sewer.

The City reports the following major enterprise funds:

The Water Fund accounts for the operation and maintenance of the City's water system and the accumulation of funds for expenditures for the City in case of a water emergency.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system and the accumulation of funds for expenditures for the City in case of a wastewater emergency.

C. Measurement Focus and Basis of Accounting

The City of Whiting maintains its financial records on the basis of cash receipts and disbursements which is an other comprehensive basis of accounting 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 as well as fixed assets. 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.

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 WHITING, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

D. 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 classification.

E. Budgets and Budgetary Accounting:

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the Culture and Recreation Program.

Note 2 – CASH AND POOLED INVESTMENTS

Deposits

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's bank deposits, per banks, at June 30, 2015, were \$644,903.

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.

Investments

Investments are shown at fair value, except those that have a remaining maturity at the time of purchase of one year or less are shown at amortized costs. Presented below are the ratings, where applicable, by investment type as of June 30, 2015.

<u>Investment</u>	<u>Carrying Amount</u>	<u>Moody's Rating</u> <u>6/30/15</u>
U.S. Government Series E Bonds	\$1,050	N/A

Interest Rate Risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

Note 3 - NOTES PAYABLE

The following is a summary of note transactions of the City for the year ended June 30, 2015:

	Business-Type Activities
	Notes Paid by Enterprise Funds
Notes Payable July 1, 2014	\$ 209,000
Less: Payments	(18,000)
Notes Payable June 30, 2015	191,000
Due Within One Year	\$ 19,000

**CITY OF WHITING, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 3 - NOTES PAYABLE (Cont.)

Annual debt service requirements to maturity for the outstanding debt capital notes are as follows:

Year Ending June 30,	<u>Sewer Revenue Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 19,000	\$ 3,343
2017	19,000	3,010
2018	20,000	2,678
2019	21,000	2,328
2020	21,000	1,960
2021-2024	91,000	4,043
Total	<u>\$191,000</u>	<u>\$17,362</u>

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$398,000 of sewer revenue notes issued June 2, 2004. Proceeds from the notes provided financing for the cost of the sewer project. The notes are payable solely from sewer customer net receipts and are payable through 2024. The sewer revenue notes bear an interest rate of 1.75%. The total principal and interest remaining to be paid on the notes is \$208,362. For the current year, principal and interest paid were \$18,000 and \$4,964, respectively.

Note 4 - PENSION PLAN – IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEMS (IPERS)

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 the plan documents for more information.

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

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

If a member retires before normal retirement age, the member’s monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member 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 WHITING, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 4 - PENSION PLAN – IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEMS (IPERS) (Cont.)

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

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

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. Protective occupation members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.80 percent.

The City's contributions to IPERS for the year ended June 30, 2015 was \$11,360.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflow of Resources Related to Pensions – At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$59,975. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.0015123 percent, which was a decrease of 0.0000022 percent from its proportion measured at June 30, 2013.

For the year ended June 30, 2015, the City collective pension expense, collective deferred outflows and collective deferred inflows totals \$5,013, \$85 and \$27,170, respectively.

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

Rate of Inflation (effective June 30, 2014)	3.00 percent 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)	7.50 percent, compounded annually, net of investment expense, including inflation

CITY OF WHITING, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 4 - PENSION PLAN – IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEMS (IPERS) (Cont.)

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above. Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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

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

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that the employee contributions will be made at the contractually required rate and that contributions from the Commission 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 Commission's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1 % Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability:	\$ 122,594	\$ 59,975	\$ 7,128

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

**CITY OF WHITING, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 5 – RISK MANAGEMENT

The City of Whiting 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 for these risks have not exceeded commercial insurance coverage in any of the past three years.

Note 6 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Water Fund	Special Revenue:	\$ 15,000
	Local Option Sales Tax	
Sewer Fund	Special Revenue:	<u>15,000</u>
	Local Option Sales Tax	
Total	Special Revenue:	<u>\$ 30,000</u>

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

OTHER INFORMATION

**CITY OF WHITING, IOWA
 BUDGETARY COMPARISON SCHEDULE
 OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015**

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property Tax	\$ 177,288	\$ -	\$ 177,288
Licenses and Permits	1,458	-	1,458
Intergovernmental Revenue	174,423	-	174,423
Charges for Services	83,310	199,077	282,387
Rental of City Property	650	-	650
Interest	496	459	955
Contributions and Donations	41,292	-	41,292
Miscellaneous	5,785	8,752	14,537
Total Revenue	<u>484,702</u>	<u>208,288</u>	<u>692,990</u>
Disbursements:			
Operating:			
Public Safety	65,791	-	65,791
Public Works	150,722	-	150,722
Culture and Recreation	94,746	-	94,746
Community and Economic Development	2,500	-	2,500
General Government	36,043	-	36,043
Business Type Activities	-	204,289	204,289
Total Disbursements	<u>349,802</u>	<u>204,289</u>	<u>554,091</u>
Excess of Receipts Over Disbursements	<u>134,900</u>	<u>3,999</u>	<u>138,899</u>
Other Financing Sources (Uses):			
Interfund Transfers In	-	30,000	30,000
Interfund Transfers Out	(30,000)	-	(30,000)
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>30,000</u>	<u>-</u>
Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing (Uses)	104,900	33,999	138,899
Cash Balances - Beginning of Year	<u>352,927</u>	<u>138,829</u>	<u>491,756</u>
Cash Balances - End of Year	<u>\$ 457,827</u>	<u>\$ 172,828</u>	<u>\$ 630,655</u>

See Accompanying Independent Auditors' Report

Budgeted Amounts		Final To Net Variance
Original	Final	
\$ 169,182	\$ 169,182	\$ 8,106
1,000	1,000	458
167,803	167,803	6,620
294,000	294,000	(11,613)
-	-	650
1,500	1,500	(545)
-	-	41,292
21,000	21,000	(6,463)
<u>654,485</u>	<u>654,485</u>	<u>38,505</u>
73,500	73,500	7,709
186,000	186,000	35,278
90,775	90,775	(3,971)
2,500	2,500	-
67,200	67,200	31,157
220,000	220,000	15,711
<u>639,975</u>	<u>639,975</u>	<u>85,884</u>
<u>14,510</u>	<u>14,510</u>	<u>124,389</u>
60,000	60,000	(30,000)
<u>(60,000)</u>	<u>(60,000)</u>	<u>30,000</u>
-	-	-
14,510	14,510	124,389
<u>353,938</u>	<u>353,938</u>	<u>137,818</u>
<u>\$ 368,448</u>	<u>\$ 368,448</u>	<u>\$ 262,207</u>

CITY OF WHITING, IOWA
NOTES TO OTHER INFORMATION – BUDGETARY REPORTING
YEAR ENDED 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. 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, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2015, the disbursements exceeded the amount budgeted in the Culture and Recreation Fund.

**CITY OF WHITING, IOWA
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM LAST FISCAL YEAR*
 OTHER INFORMATION
 YEAR ENDED JUNE 30, 2015**

	2015
City's proportion of the net pension liability (asset)	0.0015123%
City's proportionate share of the net pension liability	\$ 59,975
City's covered-employee payroll	\$ 127,212
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	47.15%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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

**CITY OF WHITING, IOWA
SCHEDULE OF THE CITY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN YEARS
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 11,360	\$ 10,609	\$ 9,433	\$ 10,407
Contributions in relation to the statutorily required contribution	<u>(11,360)</u>	<u>(10,609)</u>	<u>(9,433)</u>	<u>(10,407)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 127,212	\$ 118,802	\$ 108,800	\$ 128,959
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

See Accompanying Independent Auditors' Report

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 9,677	\$ 9,118	\$ 10,564	\$ 7,860	\$ 8,854	\$ 8,945
<u>(9,677)</u>	<u>(9,118)</u>	<u>(10,564)</u>	<u>(7,860)</u>	<u>(8,854)</u>	<u>(8,945)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 139,237	\$ 137,113	\$ 166,362	\$ 129,917	\$ 153,983	\$ 155,565
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

**CITY OF WHITING, IOWA
NOTES TO OTHER INFORMATION –
PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015**

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

**CITY OF WHITING, IOWA
NOTES TO OTHER INFORMATION –
PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015**

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.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the City Council
City of Whiting, Iowa

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities and each major fund of the City of Whiting, Iowa as of and for the year ended June 30, 2015, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated October 29, 2015. The financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Whiting's internal control over financial reporting (internal control) to determine the audit procedures that are 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 Whiting's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Whiting'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 and therefore, material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Whiting's financial statements are free from 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 noncompliance or other matters that are described in Part III of the accompanying Schedule of Findings.

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

City of Whiting's Response to Findings

The City of Whiting's response to the findings identified in our audit is described in the accompanying Schedule of Findings. The City's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely 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 effectiveness of the entity's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity'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 Whiting 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.

William J. Company P.C.
Certified Public Accountants

Onawa, Iowa
October 29, 2015

**CITY OF WHITING, IOWA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

Part I: Summary of the Independent Auditors' Results

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

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

MATERIAL WEAKNESSES:

II-A-15 Financial Accounting - Segregation of Duties

Observation – The City clerk is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements.

Recommendations – With a limited number of personnel, segregation of duties is difficult. The City should implement management review procedures which we feel would aid in improving the internal control of the City.

Response – The City feels that additional personnel would not be cost effective. However, management will monitor transactions on a regular basis.

Conclusion – Response accepted.

II-B-15 Financial Reporting

Observation – During the audit, we identified transactions that needed to be reclassified in the general ledger.

Recommendations – With limited personnel, the City should implement procedures to ensure that all postings are properly recorded in the appropriate account(s).

Response – The City will double check posting of transactions in the future to ensure that they are properly recorded in the appropriate account(s).

Conclusion – Response accepted.

Part III: Other Findings Related to Required Statutory Reporting

III-A-15 Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2015.

**CITY OF WHITING, IOWA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

Part III: Other Findings Related to Required Statutory Reporting (Cont.)

III-B-15 **Certified Budget** – Disbursements during the fiscal year ended June 30, 2015 exceeded the amount budgeted in the Culture and Recreation Fund.

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

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

Conclusion – Response accepted.

III-C-15 **Questionable Disbursement** – We noted no disbursements that did not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.

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

III-E-15 **Business Transactions** – There were no business transactions between the City and City officials or employees.

III-F-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.

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

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