

**CITY OF POCAHONTAS, IOWA**

**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2015**

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

## City of Pocahontas, Iowa

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**City of Pocahontas, Iowa**

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## City of Pocahontas, Iowa

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dick Gruber	Mayor	Jan 2016
Brian Stover	Council Member	Jan 2016
Gus Holzmueler	Council Member	Jan 2016
Rod Stoulil	Council Member	Jan 2018
John Dewall	Council Member	Jan 2018
Brooke McCartan	Council Member	Jan 2018
Eric List	City Administrator	Appointed
Joan Dewall	Clerk	Jan 2016
Jeff Johnson	Treasurer	Appointed
James W. Hudson, Jr. Shors & Thomas	Attorney Attorney	Appointed Appointed
Dennis Marten	Airport Commissioner	July 2017
Ray Krips	Airport Commissioner	July 2017
Ken DeYoung	Airport Commissioner	July 2015
Dr. Dennis Dahl	Airport Commissioner	July 2017
Gary McCartan	Airport Commissioner	July 2017
Mary Ann Dewall	Library Trustee	July 2017
Mary Kelly	Library Trustee	July 2017
Jada Hallberg	Library Trustee	July 2017
John Smith	Library Trustee	July 2017
Nancy Berte	Library Trustee	July 2017
Don Beneke	Library Trustee	July 2017
Chris Radig	Library Trustee	July 2017

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

## Certified Public Accountants

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### Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Pocahontas, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's primary government basic financial statements listed in the table of contents.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### Basis for Adverse Opinion on Hospital Fund and Qualified Opinion on Business-Type-Activities

Management has not included the Pocahontas Community Hospital (Hospital) in the financial statements. Accounting principles generally accepted in the United States of America require the Hospital to be presented as a major enterprise fund and financial information about the Hospital to be part of the business-type activities, thus increasing that activity's receipts, disbursements and net assets by \$ 10,002,636, \$10,324,692 and \$5,127,230 respectively.

#### Adverse Opinion

In our opinion, because of the significance of the matter described in "Basis for Adverse Opinion on Hospital Fund and Qualified Opinion on Business-Type Activities", the financial statements referred to above do not present fairly, the financial position of the Hospital Fund as of June 30, 2015 and for the year then ended in accordance with U.S generally accepted accounting principles.

#### Qualified Opinion

In our opinion, except for the matter described in the "Basis for Adverse Opinion on Hospital Fund and Qualified Opinion on Business-Type Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the cash basis financial position of the Business-Type activities for the primary government of the City of Pocahontas, Iowa as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

#### Basis for Adverse Opinion on Aggregate Discretely Presented Components

The financial statements referred to above do not include financial data for the City's legally separate component units. U.S. generally accepted accounting principles require financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. Because of this departure from U.S. generally accepted accounting principles the ending net position would have been approximately \$120,000.

### Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, other than the Hospital Fund and the aggregate remaining fund information for the primary government of the City of Pocahontas, Iowa as of June 30, 2015, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

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

### Emphasis of a Matter

As disclosed in Note 5 to the financial statements, the City of Pocahontas adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pocahontas' primary government's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the primary government's financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unqualified opinions on those financial statements, except for our opinions on the business type activities which were adverse due to the omission of the City's component unit, which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the City's Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 6 through 12 and 36 through 43 has not been subjected to the auditing procedures applied in the audit of the primary government basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 19, 2016 on our consideration of the City of Pocahontas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Pocahontas' internal control over financial reporting and compliance.

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

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

February 19, 2016

## Management's Discussion and Analysis

The City of Pocahontas provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow. These financial statements only include the primary government. They do not include the Pocahontas Community Hospital or any of the other legally separate component units. The hospital's financial statements are available at their business office.

### 2015 Financial Highlights

- Total receipts increased 6%, or approximately \$320,000 from FY 2014 to FY 2015. Governmental Funds revenues increased \$580,000 while Proprietary Funds revenues decreased \$260,000 from the previous year.
- Total disbursements increased 3% or approximately \$162,000 from FY 2014 to FY 2015. Governmental Fund expenditures increased \$309,000 and Proprietary Funds expenditures decreased \$147,000 from the previous year.
- The City's total cash basis net assets increased 6.2% to \$2,692,574, or \$168,372 from June 30, 2014 to June 30, 2015. Of this amount, the assets of the governmental activities increased \$252,373 and the assets of the business type activities decreased \$84,001.

### Using this Annual Report

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the non-major governmental funds. In addition, the Schedule of Expenditures of Federal Awards (if applicable), provides details of various federal programs benefiting the City.

## **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **Reporting the City's Financial Activities**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system, and the electric system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Revolving Loan Funds, 5) and the

Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the water, sewer, electric, and telecommunications funds, considered to be major funds of the City.

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

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

### Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$1.394 million to \$1.646 million. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

#### Changes in Cash Basis Net Assets of Governmental Activities

	Year ended June 30	
	2015	2014
<b>Receipts and Transfers</b>		
<b>Program Receipts:</b>		
Charges for service	\$ 292,472	\$ 290,314
Operating Grants, contributions, restricted interest	\$ 1,152,754	\$ 841,414
Capital grants, contributions and restricted interest	\$ 0	\$ 0
<b>General receipts:</b>		
Property tax	\$ 833,008	\$ 794,790
Local Option Sales Tax	\$ 136,429	\$ 149,726
Unrestricted interest on investments	\$ 3,405	\$ 1,997
Bond Proceeds	\$ 228,000	\$ 0
Other general receipts	\$ 32,251	\$ 20,199
<b>Transfers, net</b>	\$ 237,500	\$ 237,500
<b>Total receipts and transfers</b>	\$ 2,915,819	\$ 2,335,940

<b>Disbursements:</b>		
Public Safety	\$ 308,115	\$ 282,229
Public Works	\$ 484,517	\$ 643,263
Culture and Recreation	\$ 230,111	\$ 273,521
Community and Economic Development	\$ 271,536	\$ 479,784
General Government	\$ 258,842	\$ 264,667
Debt Service	\$ 111,148	\$ 156,433
Capital Projects	\$ 999,177	\$ 254,237
<b>Total Disbursements</b>	<b>\$ 2,663,446</b>	<b>\$ 2,354,134</b>
<b>Increase in cash basis net position</b>	<b>\$ 252,373</b>	<b>\$ (18,194)</b>
<b>Cash Basis net position beginning of year</b>	<b>\$ 1,394,050</b>	<b>\$ 1,412,244</b>
<b>Cash basis net position end of year</b>	<b>\$ 1,646,423</b>	<b>\$ 1,394,050</b>

The City's total receipts for governmental activities increased 24.8%, or \$579,800, mostly due to the issuance of bonds and grants and donations received for capital projects.

Property tax collections increased 4.7%, or approximately \$38,000. Tax collections are expected to decrease at a steady pace in the future in the area of 1% to 5% growth per year as the property tax rollbacks enacted by the state legislature go into effect.

The cost of all governmental activities this year was \$2.663 million compared to \$2.354 million last year. The largest change was in Capital Projects, which increased \$745,000 due to airport capital projects and the purchase of a fire truck.

**Changes in Cash Basis Net Assets of Business Type Activities**  
**Year ended June 30,**

	<u>2015</u>	<u>2014</u>
<b>Receipts and Transfers</b>		
<b>Program Receipts:</b>		
<b>Charges for service:</b>		
Electric	\$ 2,171,843	\$ 2,295,171
Water	\$ 435,568	\$ 462,201
Sewer	\$ 423,582	\$ 447,441
Telecommunications (Internet)	\$ 4,420	\$ 4,540
Capital grants, contributions and restricted interest	\$ 0	\$ 0
Miscellaneous	\$ 11,932	\$ 12,498
Bond proceeds	\$ 0	\$ 85,000
<b>Total receipts and transfers</b>	<b>\$ 3,047,345</b>	<b>\$ 3,306,851</b>

<b>Disbursements:</b>		
Electric	\$ 2,096,594	\$ 2,313,326
Water	\$ 395,154	\$ 397,843
Sewer	\$ 391,929	\$ 321,055
Telecommunications (Internet)	\$ 500	\$ 1,000
Miscellaneous	\$ 9,669	\$ 7,325
Transfers	\$ 237,500	\$ 237,500
<b>Total Disbursements</b>	<b>\$ 3,131,346</b>	<b>\$ 3,278,049</b>
<b>Increase in cash basis net position</b>	<b>\$ (84,001)</b>	<b>\$ 28,802</b>
<b>Cash Basis net position beginning of year</b>	<b>\$ 1,130,152</b>	<b>\$ 1,101,350</b>
<b>Cash Basis net position end of year</b>	<b>\$ 1,046,151</b>	<b>\$ 1,130,152</b>

Total business type activities receipts for the fiscal year were \$3.047 million compared to \$3.307 million last year. The decrease was due primarily to the decreased receipts from bond revenues received for the various construction projects in FY 2014 and decrease in charges for services due to milder weather. The cash balance decreased by approximately \$84,000 from the prior year. Total disbursements for the fiscal year decreased to \$3.131 million compared to \$3.278 million last year.

### **Individual Major Governmental Fund Analysis**

As the City of Pocahontas completed the year, its governmental funds reported a combined fund balance of \$1,646,000, an increase of \$252,000 above last year's total of \$1,394,000. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased to \$244,000 from the prior year of \$159,000. The City has implemented a 2 tier Solid Waste increase effective September 2014 and 2015. The City will continue to monitor expenditures to allow the cash balance of the General Fund to increase in the coming years.
- The two capital project funds decreased \$145,800 due to purchase of equipment and construction completed at the airport.

### **Individual Major Business Type Fund Analysis**

- The Water Fund cash balance decreased \$4,000 to \$148,000. The City will continue to monitor expenditures and will look to a rate increase in FY16-17 to allow the cash balance of the Water Fund to increase in the coming years.
- The Electric Fund cash balance decreased \$67,000 to \$585,000. City will review rates in FY16-17 and will also review rates after the new wholesale power contract.

- The Sewer Fund cash balance decreased \$12,000 to \$302,000. The City will continue to monitor expenditures to allow the cash balance of the Sewer Fund to increase in the coming years.

### **Budgetary Highlights**

Over the course of the year, the City amended its budget one time. The amendment increased revenues by \$23,600, expenditures by \$1,505,575 and other financing sources by \$1,235,700. The City had sufficient cash balances to absorb the additional costs estimated under the budget amendment, along with an increase of bond proceeds.

The City's receipts were \$397,228 over budgeted expectations. This was primarily due to the City receiving additional revenue in various programs and services as well as conservative budgeting in revenue estimates. Actual use of money revenue greatly exceeded estimated amount.

The City's total expenditures were \$944,281 under budgeted expectations. Most individual programs were under budget with the exception of costs from culture and recreation and community and economic development.

### **Debt Administration**

At June 30, 2015 the City had \$3,159,208 in bonds and other long-term debt outstanding, compared to \$3,266,741 last year, as shown below.

	Outstanding Debt At Year-End	
	June 30	
	<u>2015</u>	<u>2015</u>
<b>General obligation bonds</b>	\$ 678,000	\$ 555,000
<b>Revenue Bonds</b>	\$ 1,573,000	\$ 1,696,000
<b>Promissory Notes</b>	\$ 908,208	\$ 1,015,741
<b>Total</b>	<b>\$ 3,159,208</b>	<b>\$ 3,266,741</b>

Annual payments on the general obligation bonds, revenue bonds, and promissory notes decreased the outstanding amounts; however increased loan money on the electrical promissory note increased its overall outstanding amount. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$678,000 less than half its constitutional debt limit of \$3.2 million.

## **Economic Factors and Next Year's Budget and Rates**

The elected and appointed officials and citizens of Pocahontas considered many factors when setting the fiscal year 2015 budget, tax rates, and fees charged for various City activities. One of those factors is the economy. The unemployment in the county now stands at 4.2%. This compares with the State's unemployment rate of 3.4% and the national rate of 5.0%. Inflation was at approximately 0.12% in 2015.

Economic conditions in Pocahontas and the surrounding area remain stable, compared to the national economy since the Great Recession. Local Option Sales Tax Revenues decreased considerably this past year which represents a decrease in overall spending in Pocahontas. Many local companies are hiring and are actually having a difficult time recruiting employees. While economic crisis has struck much of the country, Pocahontas has weathered the storm quite well. This City has seen an increase in additional commercial and residential construction within Pocahontas in FY 2015. The City will continue to work with local businesses and residents to expand housing and employment opportunities in Pocahontas. These indicators were taken into account when adopting the budget for Fiscal Year 2016-17. With the additional growth within the business park and Prairie Estates, the city will continue to evaluate the feasibility of extending utility services and the plating of additional building sites.

The City is also evaluating its long term wholesale power contracts and will be completing a proposal for a new contract in FY 2016-17, electric rates are recommended to increase and be reevaluated after the new wholesale power contract is implemented.

The City has added no major new programs or initiatives to the FY 2016-17 budget. The City's cash balance increased \$168,372 in Fiscal Year 2015.

## **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Eric List, City Administrator, or Joan DeWall, City Clerk, 23 West Elm Avenue, Pocahontas, IA 50574.

## **Basic Financial Statements**

City of Pocahontas, Iowa

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

	<u>Disbursements</u>	<u>Program Receipts</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 308,115	-	-	-
Public works	484,517	246,541	186,757	-
Culture and recreation	230,111	39,892	15,620	-
Community and economic development	271,536	-	386,888	-
General government	258,842	6,039	-	-
Debt service	111,148	-	-	-
Capital projects	<u>999,178</u>	<u>-</u>	<u>563,489</u>	<u>-</u>
Total governmental activities	<u>2,663,447</u>	<u>292,472</u>	<u>1,152,754</u>	<u>-</u>
Business type activities:				
Water	395,154	435,568	-	-
Electric	2,096,594	2,171,843	-	-
Sewer	391,929	423,582	-	-
Other non-major	<u>10,169</u>	<u>11,807</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>2,893,846</u>	<u>3,042,800</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,557,293</u>	<u>3,335,272</u>	<u>1,152,754</u>	<u>-</u>

<hr/> Net (Disbursements) Receipts and Changes in Cash Basis Net Assets <hr/>		
Governmental Activities	Business Type Activities	Total
(308,115)	-	(308,115)
(51,219)	-	(51,219)
(174,599)	-	(174,599)
115,352	-	115,352
(252,803)	-	(252,803)
(111,148)	-	(111,148)
<u>(435,689)</u>	<u>-</u>	<u>(435,689)</u>
<u>(1,218,221)</u>	<u>-</u>	<u>(1,218,221)</u>
-	40,414	40,414
-	75,249	75,249
-	31,653	31,653
-	<u>1,638</u>	<u>1,638</u>
-	<u>148,954</u>	<u>148,954</u>
<u>(1,218,221)</u>	<u>148,954</u>	<u>(1,069,266)</u>

(continued)

## Statement of Activities and Net Position - Cash Basis

As of and for the year ended June 30, 2015

	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Governmental	Business Type	Total
	<u>Activities</u>	<u>Activities</u>	
<b>General Receipts:</b>			
Property and other city taxes levied for:			
General purposes	\$ 719,425	-	719,425
Debt service	113,583	-	113,583
Tax increment financing	-	-	-
Local options sales tax	136,429	-	136,429
Unrestricted interest on investments	3,405	4,545	7,950
Miscellaneous	32,251	-	32,251
Bond Proceeds	228,000	-	228,000
Transfers	<u>237,500</u>	<u>(237,500)</u>	<u>-</u>
Total general receipts and transfers	<u>1,470,593</u>	<u>(232,955)</u>	<u>1,237,638</u>
Change in cash basis net position	252,372	(84,001)	168,372
Cash basis net position beginning of year	<u>1,394,050</u>	<u>1,130,152</u>	<u>2,524,202</u>
Cash basis net position end of year	<u>1,646,422</u>	<u>1,046,151</u>	<u>2,692,574</u>
<b>Cash Basis Net Position</b>			
Restricted:			
Nonexpendable:			
Culture and recreation	150,000	-	150,000
Expendable:			
Tourism	16,347	-	16,347
Streets	239,795	-	239,795
Debt service	6,238	-	6,238
Economic development	498,348	-	498,348
Other purposes	405,573	-	405,573
Unrestricted	<u>330,121</u>	<u>1,046,151</u>	<u>1,376,273</u>
<b>Total cash basis net position</b>	<u>\$ 1,646,422</u>	<u>1,046,151</u>	<u>2,692,574</u>

See notes to financial statements.

City of Pocahontas, Iowa  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds  
As of and for the year ended June 30, 2015

	<u>General</u>	<u>Capital</u> <u>Airport</u>
Receipts:		
Property tax	\$ 437,008	-
Tax increment financing	-	-
Other city tax	36,522	-
Licenses and permits	1,184	-
Use of money and property	27,663	29,104
Intergovernmental	27,142	460,648
Charges for service	257,899	-
Miscellaneous	36,528	1,369
Total receipts	<u>823,947</u>	<u>491,121</u>
Disbursements:		
Operating:		
Public safety	235,957	-
Public works	244,803	-
Culture and recreation	190,101	-
Community and economic development	51,582	-
General government	201,890	-
Debt service	-	-
Capital projects	-	518,666
Total disbursements	<u>924,333</u>	<u>518,666</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(100,386)</u>	<u>(27,545)</u>
Other financing sources (uses):		
Bond proceeds	-	-
Operating transfers in	210,000	-
Operating transfers out	(24,577)	-
Total other financing sources (uses)	<u>185,423</u>	<u>-</u>
Net change in cash balances	85,037	(27,545)
Cash balances beginning of year	159,579	(6,454)
Cash balances end of year	<u>\$ 244,616</u>	<u>(33,999)</u>
<b>Cash Basis Fund Balances</b>		
Nonspendable - Permanent funds	\$ -	-
Restricted:		
Debt service	-	-
Tourism	16,347	-
Streets	-	-
Economic development	-	-
Other purposes	-	-
Assigned for capital outlay	-	-
Unassigned	228,269	(33,999)
Total cash basis fund balances	<u>\$ 244,616</u>	<u>(33,999)</u>

See notes to financial statements.

Exhibit B

Projects	Other Nonmajor Governmental Funds	Total
Equipment		
-	342,677	779,685
-	-	-
-	139,611	176,133
-	-	1,184
5,200	389,623	451,590
4,748	192,748	685,286
-	-	257,899
44,785	15,860	98,542
<u>54,733</u>	<u>1,080,518</u>	<u>2,450,319</u>
-	72,158	308,115
-	239,714	484,517
-	40,010	230,111
-	219,953	271,536
-	56,953	258,842
-	111,148	111,148
454,481	26,031	999,178
<u>454,481</u>	<u>765,967</u>	<u>2,663,447</u>
<u>(399,748)</u>	<u>314,551</u>	<u>(213,128)</u>
228,000	-	228,000
53,577	28,500	292,077
-	(30,000)	(54,577)
<u>281,577</u>	<u>(1,500)</u>	<u>465,500</u>
(118,171)	313,051	252,372
315,800	925,125	1,394,050
<u>197,629</u>	<u>1,238,176</u>	<u>1,646,422</u>
-	150,000	150,000
-	6,238	6,238
-	-	16,347
-	239,795	239,795
-	498,348	498,348
-	405,573	405,573
197,629	85,719	283,348
-	(147,497)	46,773
<u>197,629</u>	<u>1,238,176</u>	<u>1,646,422</u>

City of Pocahontas, Iowa

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

As of and for the year ended June 30, 2015

	Enterprise Funds		
	Water	Electric	Sewer
Operating receipts:			
Use of money and property	\$ 4,860	-	-
Charges for service	428,146	2,139,872	421,745
Miscellaneous	2,562	31,971	1,837
Total operating receipts	<u>435,568</u>	<u>2,171,843</u>	<u>423,582</u>
Operating disbursements:			
Business type activities	281,716	1,951,643	252,411
Total operating disbursements	<u>281,716</u>	<u>1,951,643</u>	<u>252,411</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>153,852</u>	<u>220,200</u>	<u>171,171</u>
Non-operating receipts (disbursements):			
Interest on investments	2,420	-	2,125
Bond Proceeds	-	-	-
Debt service	(99,500)	(125,827)	(64,708)
Capital projects	(13,938)	(19,124)	(74,810)
Total non-operating receipts (disbursements)	<u>(111,018)</u>	<u>(144,951)</u>	<u>(137,393)</u>
Excess (deficiency) of receipts over (under) disbursements	42,834	75,249	33,778
Operating transfers out	<u>(47,000)</u>	<u>(142,000)</u>	<u>(45,500)</u>
Net change in cash balances	(4,166)	(66,751)	(11,722)
Cash balances beginning of year	<u>152,945</u>	<u>652,350</u>	<u>313,682</u>
Cash balances end of year	<u>\$ 148,779</u>	<u>585,599</u>	<u>301,960</u>
<b>Cash Basis Fund Balances</b>			
Unrestricted	<u>148,779</u>	<u>585,599</u>	<u>301,960</u>
Total cash basis fund balances	<u>\$ 148,779</u>	<u>585,599</u>	<u>301,960</u>

See notes to financial statements.

Exhibit C

<u>Other Nonmajor</u>	<u>Total</u>
-	4,860
11,807	3,001,570
-	36,370
<u>11,807</u>	<u>3,042,800</u>
<u>10,169</u>	<u>2,495,939</u>
<u>10,169</u>	<u>2,495,939</u>
<u>1,638</u>	<u>546,861</u>
-	4,545
-	-
-	(290,035)
-	(107,872)
<u>-</u>	<u>(393,362)</u>
1,638	153,499
<u>(3,000)</u>	<u>(237,500)</u>
(1,362)	(84,001)
<u>11,175</u>	<u>1,130,152</u>
<u>9,813</u>	<u>1,046,151</u>
<u>9,813</u>	<u>1,046,151</u>
<u>9,813</u>	<u>1,046,151</u>

City of Pocahontas, Iowa

Notes to Financial Statements

June 30, 2015

**(1) Summary of Significant Accounting Policies**

The City of Pocahontas is a political subdivision of the State of Iowa located in Pocahontas County. It was first incorporated in 1870 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 electric utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Pocahontas has included only the primary government of the City of Pocahontas, which consists of all funds, organizations, agencies, boards, commissions and authorities that comprise the City's primary government, except for the Pocahontas Community Hospital (Hospital). The Hospital is organized as a municipal hospital under Chapter 392 of the Code of Iowa. The audited financial statements of the Hospital can be obtained at their business office.

The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

The City has excluded the Pocahontas Community Healthcare Foundation, which is a legally separate component unit of the Hospital. This foundation is a not-for-profit corporation established to provide financial support to the Hospital. The audited financial statements of this foundation are included with the Hospital's audit at their business office.

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

The City has also excluded the Pocahontas Firefighters Association, Inc., which is a legally separate component unit of the City. This association is a not-for-profit corporation established to provide financial support for the fire department of the City.

Jointly Governed Organizations

The City also 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: Pocahontas County Emergency Management Commission, Pocahontas County Joint E911 Service Board, and Pocahontas County Solid Waste Commission.

B. Basis of Presentation

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

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

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

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

City of Pocahontas, Iowa

Notes to Financial Statements

June 30, 2015

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to 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 not paid from other funds.

Capital Projects:

The Airport Capital Projects Fund is used to account for all the resources to be used for improvements of the airport.

The Equipment Capital Projects Fund is used to account for all the resources to be used in the acquisition of machinery and equipment.

City of Pocahontas, Iowa

Notes to Financial Statements

June 30, 2015

The City reports the following major proprietary funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

City of Pocahontas, Iowa

Notes to Financial Statements

June 30, 2015

D. Governmental Cash Basis Fund Balances

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the business type activities function.

**(2) Cash and Pooled Investments**

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

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

City of Pocahontas, Iowa  
Notes to Financial Statements

June 30, 2015

The City had investments in certificates of deposits as of June 30, 2015.

**(3) Bonds Payable**

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

Year Ending <u>June 30,</u>	General Obligation Bonds		Revenue Bonds		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	137,000	11,288	126,000	32,303	263,000	43,591
2017	141,000	9,445	130,000	29,935	271,000	39,380
2018	147,000	7,492	134,000	27,497	281,000	34,989
2019	148,000	5,290	138,000	24,978	286,000	30,268
2020	34,000	2,888	143,000	22,387	177,000	25,275
2021-2025	71,000	2,942	670,000	70,135	741,000	73,077
2026-2030	-	-	95,000	29,280	95,000	29,280
2031-2035	-	-	112,000	14,040	112,000	14,040
2036	-	-	25,000	750	25,000	750
<b>Total</b>	<u>678,000</u>	<u>39,345</u>	<u>1,573,000</u>	<u>251,305</u>	<u>2,251,000</u>	<u>290,650</u>

The resolutions providing for the issuance of the revenue bonds include the following provisions.

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) The Water and Sewer Revenue Funds must produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue bond due in any one year.

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

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,418,582 in water revenue notes issued in April 2004. Proceeds from the notes provided financing for water improvements. The notes are payable through 2024. Annual principal and interest payments on the notes are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$920,703. For the current year, principal and interest paid and total customer net receipts were \$97,188 and \$153,852, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,630,000 in sewer revenue notes issued in July 2004 and August 2011. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant and other sewer improvements. The notes are payable solely from sewer customer net receipts and are payable through 2036. Annual principal and interest payments on the notes are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$903,603. For the current year, principal and interest paid and total customer net receipts were \$62,780 and \$171,171, respectively.

**(4) Promissory Notes**

The City entered into a loan agreement dated February 8, 2006 for \$1,000,000 secured by electric utility revenue and receivables. This agreement was renewed June 1, 2013 for \$920,424.13. This agreement has an interest rate of 3.75% and matures July 5, 2019. A payment of \$52,517 is due July 2013 and semi-annual payments of \$62,914 are due until July 5, 2019 at which time any remaining principle is due. The city received an \$85,000 drawdown in April 2014.

Future payments are due as follows:

Year ending	<u>Principal</u>	<u>Interest</u>
June 30,		
2016	106,185	19,643
2017	110,204	15,624
2018	114,375	11,453
2019	118,704	7,123
2020	<u>100,757</u>	<u>1,887</u>
Total	<u>\$ 550,225</u>	<u>55,730</u>

City of Pocahontas, Iowa  
Notes to Financial Statements

June 30, 2015

The City also entered into a loan agreement for \$402,939 with the United States Department of Agriculture secured by the portfolio of investments derived from the proceeds of this loan award. This agreement carries an interest rate of 1%, with interest only paid for the first three years. This loan has a due date of 2-1-2038.

Future payments are due as follows:

Year Ending	<u>Principal</u>	<u>Interest</u>
<u>June 30,</u>		
2016	13,604	3,499
2017	13,740	3,363
2018	13,878	3,225
2019	14,017	3,086
2020	14,157	2,946
2021-2025	72,936	12,579
2026-2030	76,657	8,858
2031-2035	80,567	4,948
2036-2038	<u>50,427</u>	<u>1,009</u>
Total	\$ 349,983	43,513

**(5) Pension Plan**

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

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

City of Pocahontas, Iowa

Notes to Financial Statements

June 30, 2015

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

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

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

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

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

City of Pocahontas, Iowa

Notes to Financial Statements

June 30, 2015

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$74,740.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share collective net pension liability totaled \$363,626. The collective net pension liability was measured as of June 30, 2014, and total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net position liability was based on the City's share of contributions to the pension plan relative to the contribution of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.0091688 percent, which was a decrease of 0.0012966 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$33,788, \$22,172 and \$196,196 respectively.

City of Pocahontas, Iowa

Notes to Financial Statements

June 30, 2015

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

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.5 percent, compounded annually, net investment expense, including inflation

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

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

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

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

City of Pocahontas, Iowa

Notes to Financial Statements

June 30, 2015

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

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

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
City's proportionate share of the net pension liability	\$ 803,314	\$ 363,626	\$ (7,398)

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

**(6) Other Postemployment Benefits (OPEB)**

Plan Description - The City of Pocahontas operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 16 active and 0 retired members in the plan. The city will pay 100% of premiums for single coverage and up to the amount of the single premium rate for family coverage. 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.

City of Pocahontas, Iowa

Notes to Financial Statements

June 30, 2015

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$511 for single coverage and \$1,279 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2015, the City contributed \$120,105 and plan members eligible for benefits contributed \$15,125 to the plan.

**(7) Compensated Absences**

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

<u>Type of Benefit</u>	<u>Amount</u>
Vacation and comp time	\$ <u>55,900</u>

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

**(8) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$18,570 during the year ended June 30, 2015.

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

**(9) Interfund Transfers**

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Enterprise:	
	Water	\$ 45,000
	Sewer	45,000
	Electric	117,000
	Internet	<u>3,000</u>
		<u>210,000</u>
Capital Projects:		
Capital Improvements	General	<u>5,000</u>
Capital Equipment	General	19,577
	Enterprise:	
	Water	1,000
	Sewer	500
	Electric	2,500
	Special Revenue:	
	Road Use	<u>30,000</u>
		<u>53,577</u>
Special Revenue:		
Industrial Development	Enterprise:	
	Water	1,000
	Electric	<u>22,500</u>
		<u>23,500</u>
Total		\$ <u>292,077</u>

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

City of Pocahontas, Iowa

Notes to Financial Statements

June 30, 2015

**(10) Risk Management**

The City of Pocahontas 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.

**(11) Deficit Balances**

The Airport Capital Projects Fund had a deficit of \$33,999 at June 30, 2015. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of state grants.

The Special Revenue, Industrial Development Revenue Fund had a deficit balance of \$147,497 at June 30, 2015. This deficit will be eliminated upon repayment of loans, interfund transfers, and sale of property.

The Enterprise, Internet Fund had a deficit balance of \$4,416 at June 30, 2015. This deficit will be eliminated upon collection of user charges.

**(12) Economic Development Loans Receivable**

The City has various long-term loans receivable totaling \$1,348,704 as of June 30, 2015 due from various businesses or governmental agencies in Pocahontas. The loans were financed with the proceeds from various grant agreements, matching contribution from the City and repayments from the businesses. Interest rates on these loans vary from 0% - 4.5% with monthly payments varying from \$221 to \$4,286.

City of Pocahontas, Iowa

Notes to Financial Statements

June 30, 2015

**(13) Subsequent Events**

The City has evaluated subsequent events through February 19, 2016, the date the Financial statements were available to be issued. Subsequent to year end, the City approved a revolving loan in the amount of \$200,000 and has accepted a \$300,000 USDA Rural Economic Development Grant with a \$60,000 electric utility match. The City has also approved an Airport improvement project for approximately \$950,000. This project will be reimbursed largely from grant proceeds. The City has also approved sale of three lots for approximately \$55,000, which will help decrease the deficit balance in the Industrial Development Loan Fund as noted in Note 11.

## **Other Information**

City of Pocahontas, Iowa

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds  
Other Information

Year ended June 30, 2015

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 779,685	-
Tax increment financing collections	-	-
Other city tax	176,133	-
Licenses and permits	1,184	-
Use of money and property	451,590	9,405
Intergovernmental	685,286	-
Charges for service	257,899	3,001,570
Miscellaneous	98,542	36,370
Total receipts	<u>2,450,319</u>	<u>3,047,345</u>
Disbursements:		
Public safety	308,115	-
Public works	484,517	-
Culture and recreation	230,111	-
Community and economic development	271,536	-
General government	258,842	-
Debt service	111,148	-
Capital projects	999,178	-
Business type activities	-	2,893,846
Total disbursements	<u>2,663,447</u>	<u>2,893,846</u>
Excess (deficiency) of receipts over (under) disbursements	(213,128)	153,499
Other financing sources (uses), net	<u>465,500</u>	<u>(237,500)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	252,372	(84,001)
Balances beginning of year	<u>1,394,050</u>	<u>1,130,152</u>
Balances end of year	<u>\$ 1,646,422</u>	<u>1,046,151</u>
See accompanying independent auditor's report.		

<u>Total</u>	<u>Budgeted Amounts</u>		<u>Final to Total Variance</u>
	<u>Original</u>	<u>Final</u>	
779,685	776,228	776,228	3,457
-	-	-	-
176,133	189,274	189,274	(13,141)
1,184	4,550	4,550	(3,366)
460,995	97,365	97,365	363,630
685,286	511,519	511,519	173,767
3,259,470	3,449,000	3,465,100	(205,630)
134,912	48,900	56,400	78,512
<u>5,497,664</u>	<u>5,076,836</u>	<u>5,100,436</u>	<u>397,228</u>
308,115	311,100	319,200	11,085
484,517	672,450	672,450	187,933
230,111	229,718	230,293	182
271,536	327,750	329,350	57,814
258,842	277,450	277,450	18,608
111,148	111,148	111,148	-
999,178	188,000	1,674,000	674,822
<u>2,893,846</u>	<u>2,878,182</u>	<u>2,887,682</u>	<u>(6,164)</u>
<u>5,557,293</u>	<u>4,995,798</u>	<u>6,501,573</u>	<u>944,280</u>
(59,628)	81,038	(1,401,137)	1,341,509
<u>228,000</u>	<u>-</u>	<u>1,235,700</u>	<u>(1,007,700)</u>
168,372	81,038	(165,437)	333,809
<u>2,524,202</u>	<u>2,533,955</u>	<u>2,533,955</u>	<u>(9,753)</u>
<u>2,692,574</u>	<u>2,614,993</u>	<u>2,368,518</u>	<u>324,056</u>

City of Pocahontas, Iowa

Notes to Other Information – Budgetary Reporting

June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendments increased budgeted disbursements by \$1,505,775, increased budgeted revenues by \$23,600 and increased budgeted other financing sources by \$1,235,700. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the business type activities function.

City of Pocahontas, Iowa

Schedule of City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System

Last Fiscal Year\*

(In Thousands)

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.009169%
City's proportionate share of the net pension liability	\$364
City's covered-employee payroll	\$ 882
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	41.27%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

See accompanying independent auditor's report

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

City of Pocahontas, Iowa  
Schedule of City's Contributions

Iowa Public Employees' Retirement System  
Last 9 Fiscal Years  
(In Thousands)

Other Information

	2015	2014
Statutorily required contribution	\$ 75	76
Contributions in relation to the statutorily required contribution	75	76
Contribution deficiency (excess)	\$ 0	0
City's covered-employee payroll	\$ 871	882
Contributions as a percentage of covered-employee payroll	8.61%	8.62%

See accompanying independent auditor's report.

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

<u>2013</u>	<u>2012</u>
75	69
<u>75</u>	<u>69</u>
<u>0</u>	<u>0</u>
883	862
8.49%	8.00%

City of Pocahontas, Iowa

Notes to Other Information – Pension Liability

June 30, 2015

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

City of Pocahontas, Iowa

Notes to Other Information – Pension Liability

June 30, 2015

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

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

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

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

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

## **Supplementary Information**

City of Pocahontas, Iowa

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

As of and for the year ended June 30, 2015

	Special Revenue				
	Road <u>Use</u>	Employee <u>Benefits</u>	Local Option Sales <u>Tax</u>	Tax Increment <u>Fund (TIF)</u>	Revolving <u>Loan Fund</u>
Receipts:					
Property tax	\$ -	232,055	-	-	-
Tax increment financing	-	-	-	-	-
Other city tax	-	2,155	136,429	-	-
Use of money and property	-	-	-	-	30,514
Intergovernmental	186,757	4,057	-	-	-
Miscellaneous	-	-	-	-	-
Total receipts	<u>186,757</u>	<u>238,267</u>	<u>136,429</u>	<u>-</u>	<u>30,514</u>
Disbursements:					
Operating:					
Public safety	-	66,596	5,562	-	-
Public works	115,794	43,047	80,873	-	-
Culture and recreation	-	32,500	-	-	-
Community and economic development	-	7,174	-	50,652	1,440
General government	-	56,953	-	-	-
Debt Service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	<u>115,794</u>	<u>206,270</u>	<u>86,435</u>	<u>50,652</u>	<u>1,440</u>
Excess (deficiency) of receipts over (under) disbursements	<u>70,963</u>	<u>31,997</u>	<u>49,994</u>	<u>(50,652)</u>	<u>29,074</u>

<u>REGD Revolving Loan Fund</u>	<u>Intermediary Relending Loan Fund</u>	<u>Industrial Development Revenue Fund</u>	<u>"Irma Elbert Bequest"</u>	<u>"Charlotte Lenore Zech Bequest"</u>	<u>Debt Service</u>	<u>Capital Improvement</u>
-	-	-	-	-	110,622	-
-	-	-	-	-	-	-
-	-	-	-	-	1,027	-
168,638	65,462	122,274	960	-	-	1,775
-	-	-	-	-	1,934	-
-	-	-	-	-	-	15,860
<u>168,638</u>	<u>65,462</u>	<u>122,274</u>	<u>960</u>	<u>-</u>	<u>113,583</u>	<u>17,635</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	7,509	-	-	-
83,340	21,426	55,922	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	111,148	-
-	-	-	-	-	-	26,031
<u>83,340</u>	<u>21,426</u>	<u>55,922</u>	<u>7,509</u>	<u>-</u>	<u>111,148</u>	<u>26,031</u>
<u>85,298</u>	<u>44,036</u>	<u>66,352</u>	<u>(6,549)</u>	<u>-</u>	<u>2,435</u>	<u>(8,396)</u>

City of Pocahontas, Iowa

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

As of and for the year ended June 30, 2015

	Special Revenue				
	Road <u>Use</u>	Employee <u>Benefits</u>	Local Option Sales <u>Tax</u>	Tax Increment <u>Fund (TIF)</u>	Revolving <u>Loan Fund</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	40,963	31,997	49,994	(50,652)	29,074
Cash balances beginning of year	<u>198,832</u>	<u>136,509</u>	<u>130,242</u>	<u>100,020</u>	<u>64,087</u>
Cash balances end of year	<u>\$ 239,795</u>	<u>168,506</u>	<u>180,236</u>	<u>49,368</u>	<u>93,161</u>
<b>Cash Basis Fund Balances</b>					
Nonspendable - Permanent funds	-	-	-	-	-
Restricted:					
Debt service	-	-	-	-	-
Streets	239,795	-	-	-	-
Economic development	-	-	-	-	93,161
Other purposes	-	168,506	180,236	49,368	-
Assigned for capital outlay	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 239,795</u>	<u>168,506</u>	<u>180,236</u>	<u>49,368</u>	<u>93,161</u>

See accompanying independent auditor's report.

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<u>REGD Revolving Loan Fund</u>	<u>Intermediary Relending Loan Fund</u>	<u>Industrial Development Revenue Fund</u>	<u>"Irma Elbert Bequest</u>	<u>"Charlotte Lenore Zech Bequest</u>	<u>Debt Service</u>	<u>Capital Improvement</u>
-	-	23,500	-	-	-	5,000
-	-	-	-	-	-	-
-	-	23,500	-	-	-	5,000
85,298	44,036	89,852	(6,549)	-	2,435	(3,396)
<u>198,219</u>	<u>77,634</u>	<u>(237,349)</u>	<u>9,759</u>	<u>4,254</u>	<u>3,803</u>	<u>89,115</u>
<u>283,517</u>	<u>121,670</u>	<u>(147,497)</u>	<u>3,210</u>	<u>4,254</u>	<u>6,238</u>	<u>85,719</u>
-	-	-	-	-	-	-
-	-	-	-	-	6,238	-
-	-	-	-	-	-	-
283,517	121,670	-	-	-	-	-
-	-	-	3,210	4,254	-	-
-	-	-	-	-	-	85,719
-	-	(147,497)	-	-	-	-
<u>283,517</u>	<u>121,670</u>	<u>(147,497)</u>	<u>3,210</u>	<u>4,254</u>	<u>6,238</u>	<u>85,719</u>

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

As of and for the year ended June 30, 2014

	Permanent			
	"Jean Wallace Perry Memorial"	"Charlotte Lenore Zech Bequest"	"Irma Elbert Bequest"	Total
Receipts:				
Property tax	\$ -	-	-	342,677
Tax increment financing collections	-	-	-	-
Other city tax	-	-	-	139,611
Use of money and property	-	-	-	389,623
Intergovernmental	-	-	-	192,748
Miscellaneous	-	-	-	15,860
Total receipts	-	-	-	1,080,518
Disbursements:				
Operating:				
Public safety	-	-	-	72,158
Public works	-	-	-	239,714
Culture and recreation	-	-	-	40,010
Community and economic development	-	-	-	219,953
General government	-	-	-	56,953
Debt Service	-	-	-	111,148
Capital projects	-	-	-	26,031
Total disbursements	-	-	-	765,967
Excess (deficiency) of receipts over (under) disbursements	-	-	-	314,551

(continued)

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

As of and for the year ended June 30, 2014

	Permanent			Total
	"Jean Wallace Perry Memorial"	"Charlotte Lenore Zech Bequest"	"Irma Elbert Bequest"	
Other financing sources (uses):				
Operating transfers in	-	-	-	28,500
Operating transfers out	-	-	-	(30,000)
Total other financing sources (uses)	-	-	-	(1,500)
Net change in cash balances	-	-	-	313,051
Cash balances beginning of year	2,500	87,500	60,000	925,125
Cash balances end of year	<u>\$ 2,500</u>	<u>\$ 87,500</u>	<u>\$ 60,000</u>	<u>\$ 1,238,176</u>
<b>Cash Basis Fund Balances</b>				
Nonspendable - Permanent funds	2,500	87,500	60,000	150,000
Restricted:				
Debt service	-	-	-	6,238
Streets	-	-	-	239,795
Economic development	-	-	-	498,348
Other purposes	-	-	-	405,573
Assigned for capital outlay	-	-	-	85,719
Unassigned	-	-	-	(147,497)
Total cash basis fund balances	<u>\$ 2,500</u>	<u>\$ 87,500</u>	<u>\$ 60,000</u>	<u>\$ 1,238,176</u>

See accompanying independent auditor's report.

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

As of and for the year ended June 30, 2015

	Enterprise Funds		
	Meter		
	<u>Deposits</u>	<u>Internet</u>	<u>Total</u>
Operating receipts:			
Charges for service	\$ 7,387	4,420	11,807
Total operating receipts	<u>7,387</u>	<u>4,420</u>	<u>11,807</u>
Operating disbursements:			
Business type activities	<u>9,669</u>	<u>500</u>	<u>10,169</u>
Total operating disbursements	<u>9,669</u>	<u>500</u>	<u>10,169</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(2,282)</u>	<u>3,920</u>	<u>1,638</u>
Operating transfers in (out)	<u>-</u>	<u>(3,000)</u>	<u>(3,000)</u>
Net change in cash balances	(2,282)	920	(1,362)
Cash balances beginning of year	<u>16,511</u>	<u>(5,336)</u>	<u>11,175</u>
Cash balances end of year	<u>\$ 14,229</u>	<u>(4,416)</u>	<u>9,813</u>
<b>Cash Basis Fund Balances</b>			
Unrestricted			
Total cash basis fund balances	<u>\$ 14,229</u>	<u>(4,416)</u>	<u>9,813</u>

See notes to financial statements.

City of Pocahontas, Iowa

Schedule of Indebtedness

Year ended June 30, 2015

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
G.O. corporate purpose bonds, series 2012	Jun 28, 2012	0.50-1.30%	\$ 710,000
G.O. corporate purpose bonds, series 2014	Oct 22, 2014	2.75%	228,000
Revenue bonds:			
Water	Apr 23, 2004	3.00%	\$ 1,418,582
Sewer	Jul 7, 2004	3.00%	1,200,000
Sewer	Aug 5, 2011	3.00%	430,000
Promissory notes:			
Electric	Feb 8, 2006	4.75%	\$ 1,000,000
United States Department of Agriculture	Feb 1, 2008	1.00%	402,939

See accompanying independent auditor's report.

Schedule 3

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
555,000	-	105,000	450,000	5,648	-
-	228,000	-	228,000	-	-
<u>\$ 555,000</u>	<u>228,000</u>	<u>105,000</u>	<u>678,000</u>	<u>5,648</u>	<u>-</u>
925,000	-	81,000	844,000	16,188	-
376,000	-	29,000	347,000	8,930	-
395,000	-	13,000	382,000	11,850	-
<u>\$ 1,696,000</u>	<u>-</u>	<u>123,000</u>	<u>1,573,000</u>	<u>36,968</u>	<u>-</u>
652,422	-	102,197	550,225	23,630	-
363,319	-	13,336	349,983	3,769	-
<u>\$ 1,015,741</u>	<u>-</u>	<u>115,533</u>	<u>900,208</u>	<u>27,399</u>	<u>-</u>

## Bond Maturities- General Obligation Bonds

June 30, 2015

Year Ending June 30,	General Obligation Corporate Purpose Bond Series 2014 Issued October 22, 2014		General Obligation Corporate Purpose Bonds Series 2012 Issued June 28, 2012		Total
	Interest Rates	Amount	Interest Rates	Amount	
2016	2.75 %	27,000	1.00 %	110,000	137,000
2017	2.75	31,000	1.00	110,000	141,000
2018	2.75	32,000	1.15	115,000	147,000
2019	2.75	33,000	1.30	115,000	148,000
2020	2.75	34,000	-	-	34,000
2021	2.75	35,000	-	-	35,000
2022	2.75	36,000	-	-	36,000
Total		<u>\$ 228,000</u>		<u>\$ 450,000</u>	<u>\$678,000</u>

See accompanying independent auditor's report.

Bond Maturities - Revenue Bonds

June 30, 2015

Year Ending <u>June 30,</u>	Water Revenue Bonds		Sewer Revenue Bonds	
	Series 2004		Series 2004	
	Issued April 23, 2004		Issued July 7, 2004	
	Interest <u>Rates</u>	<u>Amount</u>	Interest <u>Rates</u>	<u>Amount</u>
2016	3.00	83,000	3.00	30,000
2017	3.00	86,000	3.00	31,000
2018	3.00	88,000	3.00	32,000
2019	3.00	91,000	3.00	33,000
2020	3.00	94,000	3.00	34,000
2021	3.00	96,000	3.00	35,000
2022	3.00	99,000	3.00	36,000
2023	3.00	102,000	3.00	37,000
2024	3.00	105,000	3.00	39,000
2025	-	-	3.00	40,000
Total		<u>\$ 844,000</u>		<u>\$ 347,000</u>

Year Ending <u>June 30,</u>	Sewer Revenue Bonds		
	Series 2011		
	Issued August 5, 2011		
	Interest <u>Rates</u>	<u>Amount</u>	<u>Total</u>
2016	3.00	13,000	126,000
2017	3.00	13,000	130,000
2018	3.00	14,000	134,000
2019	3.00	14,000	138,000
2020	3.00	15,000	143,000
2021	3.00	15,000	146,000
2022	3.00	16,000	151,000
2023	3.00	16,000	155,000
2024	3.00	17,000	161,000
2025	3.00	17,000	57,000
2026	3.00	18,000	18,000
2027	3.00	18,000	18,000
2028	3.00	19,000	19,000
2029	3.00	20,000	20,000
2030	3.00	20,000	20,000
2031	3.00	21,000	21,000
2032	3.00	22,000	22,000
2033	3.00	22,000	22,000
2034	3.00	23,000	23,000
2035	3.00	24,000	24,000
2036	3.00	25,000	25,000
Total		<u>\$ 382,000</u>	<u>1,573,000</u>

See accompanying independent auditor's report.

City of Pocahontas, Iowa

Schedule of Receipts By Source and Disbursements by Function -  
All Government Funds

For the Last Ten Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Receipts:					
Property tax	\$ 779,685	\$ 755,661	\$ 720,009	654,840	658,174
Tax increment financing collections	-	214	56,759	164,697	149,068
Other city tax	176,133	187,554	191,212	191,068	125,896
Licenses and permits	1,184	1,333	2,030	2,815	1,210
Use of money and property	451,590	462,532	409,304	628,529	503,230
Intergovernmental	685,286	354,446	557,380	779,969	338,244
Charges for service	257,899	253,288	259,573	271,567	258,819
Special assessments	-	-	-	1,892	5,417
Miscellaneous	<u>98,542</u>	<u>83,412</u>	<u>79,081</u>	<u>155,947</u>	<u>109,069</u>
Total	<u>\$ 2,450,319</u>	<u>\$ 2,098,440</u>	<u>2,275,348</u>	<u>2,851,324</u>	<u>2,149,127</u>
Disbursements:					
Operating:					
Public safety	\$ 308,115	\$ 282,229	\$ 296,497	292,373	267,040
Public works	484,517	643,263	512,420	648,735	637,173
Culture and recreation	230,111	273,521	240,133	225,115	203,491
Community and economic development	271,536	496,889	821,587	731,030	276,744
General government	258,842	264,667	263,543	260,523	252,285
Debt service	111,148	139,328	153,470	397,004	197,367
Capital projects	<u>999,178</u>	<u>254,237</u>	<u>163,298</u>	<u>784,259</u>	<u>303,883</u>
Total	<u>\$ 2,663,447</u>	<u>\$ 2,354,134</u>	<u>2,450,948</u>	<u>3,339,039</u>	<u>2,137,983</u>

See accompanying independent auditor's report.

Schedule 6

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
625,289	612,206	578,796	578,775	592,328
152,318	154,619	98,695	60,937	51,243
158,312	154,096	129,935	141,821	111,680
1,625	1,675	1,425	2,717	2,290
336,879	366,456	306,949	132,945	138,368
935,842	419,799	1,037,160	264,837	413,845
241,916	259,374	261,607	223,168	198,951
5,281	7,514	12,616	6,489	10,446
<u>98,395</u>	<u>105,673</u>	<u>93,906</u>	<u>137,713</u>	<u>179,061</u>
<u>2,555,857</u>	<u>2,081,412</u>	<u>2,521,089</u>	<u>1,549,402</u>	<u>1,698,212</u>
255,329	247,291	243,031	236,813	226,559
471,823	603,095	566,239	471,068	452,681
212,045	259,503	188,648	181,058	174,088
749,291	876,815	1,233,174	473,909	637,418
257,534	242,584	249,901	226,240	240,394
199,405	195,905	212,467	224,068	224,455
<u>450,620</u>	<u>197,178</u>	<u>165,423</u>	<u>48,605</u>	<u>45,882</u>
<u>2,596,047</u>	<u>2,622,371</u>	<u>2,858,883</u>	<u>1,861,761</u>	<u>2,001,477</u>

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

## Certified Public Accountants

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

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, except for the Pocahontas Community Hospital, each major fund and the aggregate remaining fund information of the City of Pocahontas, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the primary government's basic financial statements, and have issued our report thereon dated February 19, 2016. Our report expressed unmodified opinions on the financial statements, except for the business type activities, which was adverse due to the omission of the Hospital, which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

### Internal Control Over Financial Reporting

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

*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 that a material misstatement of the City of Pocahontas' financial statements 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 that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as Items I-A-15 and I-B-15 we consider to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Pocahontas' 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 II of the accompanying Schedule of Findings.

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

#### City of Pocahontas's Responses to Findings

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

Purpose of this Report

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

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

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

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

February 19, 2016

City of Pocahontas, Iowa

Schedule of Findings

Year ended June 30, 2015

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

**SIGNIFICANT DEFICIENCIES:**

I-A-15 Segregation of Duties - Community Center - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the same person writes checks, signs checks, posts receipts and disbursements and reconciles the bank account.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, we recommend that the Community Center Board review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will investigate possible alternatives.

Conclusion – Response accepted.

I-B-15 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. The City of Pocahontas does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes, as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

City of Pocahontas, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

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

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

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Part II: Other Findings Related to Statutory Reporting:**

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

Recommendation – The budget should be amended in sufficient amounts before the disbursements exceed the budget.

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

Conclusion – Response accepted.

City of Pocahontas, Iowa

Schedule of Findings

Year ended June 30, 2015

- II-B-15 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-15 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-15 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Gus Holzmueller – Council Member Owner of Pocahontas Ford	Vehicle, repairs	\$16,970
Brian Stover – Council Member Owner of Stover Construction	Repairs	<u>1,600</u>
		<u>18,570</u>

Per Chapter 362.5 of the Code of Iowa, the purchase of the vehicle and repairs from Pocahontas Ford appear to represent a conflict of interest since they were not entered into through competitive bidding. The repair transaction with Stover Construction does not appear to represent a conflict of interest as it was less than \$2,500 during the fiscal year.

Recommendation – City officials should review their procedures to insure they are in compliance with the code of Iowa.

Response – We felt that a bid on a used police vehicle was not needed as it met the required specifications. We will review our procedures to insure we have bids for transactions in excess of \$2,500 in the future.

Conclusion – Response accepted.

City of Pocahontas, Iowa

Schedule of Findings

Year ended June 30, 2015

II-E-15 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that coverage is adequate for current operations.

II-F-15 City Council Minutes - Out of 22 disbursements tested, one was not included with the bill listings approved by City Council.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and should approve all bills paid.

Response – This was an oversight this year. We will review our procedures to ensure all bills are published. It should be noted that the council had approved this purchase in a motion at a prior council meeting, but this one was left off the bill listing when it was purchased.

Conclusion – Response accepted.

II-G-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.

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

II-I-15 Telecommunications Services – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.

II-J-15 Deficit Balances – The Airport Capital Projects Fund, Industrial Development Revenue Fund and the Enterprises Internet Fund had deficit balances as of June 30, 2015.

Recommendation – City officials should review these deficits in order to return these funds to a sound financial position.

Response – See footnote #11 in notes to financial statements for our plans to eliminate these deficits.

City of Pocahontas, Iowa

Schedule of Findings

Year ended June 30, 2015

Conclusion – Response accepted.

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

However, the Annual Report did not show any outstanding TIF debt.

Recommendation – The City should ensure that the Annual Report filed should agree with the City's records.

Response - We will correct this item on next year's report. Also, we have already contacted to the state to inform them about this matter.

Conclusion – Response accepted.