

CITY OF NORTHWOOD, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2015

- Prepared By -

Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616-2036
Phone (641) 257-4222

CITY OF NORTHWOOD, IOWA

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CITY OF NORTHWOOD, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Jane Bloomingdale	Mayor	January 2018
Doug Helgeland	Mayor Pro tem	January 2016
Gary Nerlien	Council Member	January 2016
Russell Meyer	Council Member	January 2016
Roger Rustad	Council Member	January 2018
Rhonda Taylor	Council Member	January 2018
Amber Julseth	Clerk/Treasurer	June 30, 2015
John Greve	Attorney	Indefinite



Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616

E-mail: rlp@fiai.net

(641) 257-4222
or (641) 228-2812
Fax (641) 228-1513

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

I 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 Northwood, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I 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.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

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

Basis of Accounting

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

Emphasis of a Matter

As disclosed in Note 4 to the financial statements, the City of Northwood adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. My opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Northwood's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my 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 4 through 8 and 31 through 35, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated November 3, 2015 on my consideration of the City of Northwood's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my 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 Northwood's internal control over financial reporting and compliance.



Charles City, Iowa
November 3, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Northwood 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. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities increased 52%, or approximately \$875,000 from fiscal year 2014 to fiscal year 2015. Other general receipts increased approximately \$451,000, while capital grants, contributions and restricted interest increased approximately \$401,000.

Disbursements of the City's governmental activities increased 58%, or approximately \$1,056,000, in fiscal year 2015 from fiscal year 2014. Public works, culture and recreation and community and economic development disbursements increased approximately \$581,000, \$239,000 and \$295,000, respectively.

The City's total cash basis net position decreased 10%, or approximately \$235,000, from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities decreased approximately \$342,000 and the cash basis net position of the business type activities increased by approximately \$107,000.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statement consists of a Cash Basis 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 financial statement by providing information about the most significant funds.

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

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

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

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks and the sanitary sewer 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 Capital Projects Fund and 5) the Permanent Funds. 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.

Reconciliation between the government-wide statement and the fund financial statement follows the fund financial statement.

2) Proprietary funds account for the City's Enterprise Funds and the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains several Enterprise Funds, including the Water, Sewer and Sewer Replacement Funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$1,714,642 to \$1,399,002. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service	\$ 66	\$ 75
Operating grants, contributions and restricted interest	223	215
Capital grants, contributions and restricted interest	401	-
General receipts:		
Property tax	928	905
Local option sales tax	167	164
Unrestricted interest on investments	7	9
Other general receipts	765	314
Total receipts	<u>\$2,557</u>	<u>\$1,682</u>
Disbursements:		
Public safety	\$ 365	\$ 380
Public works	988	407
Health and social services	20	16
Culture and recreation	607	368
Community and economic development	507	212
General government	175	185
Debt service	212	212
Capital projects	-	38
Total disbursements	<u>\$2,874</u>	<u>\$1,818</u>
Change in cash basis net position before transfers	\$ (317)	\$ (136)
Transfers, net	<u>(25)</u>	<u>(57)</u>
Change in cash basis net position	\$ (342)	\$ (193)
Cash basis net position beginning of year	<u>1,741</u>	<u>1,934</u>
Cash basis net position end of year	<u>\$1,399</u>	<u>\$1,741</u>

The City's total receipts for governmental activities increased by 52%, or approximately \$875,000. The total cost of all programs and services increased approximately \$1,056,000, or 58%, with no new programs added this year. The decrease in receipts was primarily the result of other general receipts during the year.

The cost of all governmental activities this year was approximately \$2,874,000 compared to approximately \$1,818,000 last year. However, as shown in the Statement of Activities and Net Position on pages 9-12, the amount taxpayers ultimately financed for these activities was only \$2,185,130 because some of the cost was paid by those directly benefited from the programs (\$65,854) by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$623,196). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2015 from approximately \$1,682,000 to approximately \$2,557,000.

Changes in Cash Basis Net Position of Business Type Activities
(Expressed in Thousands)

	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 231	\$ 191
Sewer	297	201
Other	162	160
General receipts:		
Unrestricted interest on investments	3	4
Total receipts	\$ 693	\$ 556
Disbursements:		
Water	\$ 222	\$ 208
Sewer	203	195
Other	186	177
Total disbursements	\$ 611	\$ 580
Change in cash basis net position before transfers	\$ 82	\$ (24)
Transfers, net	25	57
Change in cash basis net position	\$ 107	\$ 33
Cash basis net position beginning of year	558	525
Cash basis net position end of year	\$ 665	\$ 558

Total business type activities receipts for the fiscal year were approximately \$693,000 compared to approximately \$556,000 last year. The cash balance increased by approximately \$107,000 from the prior year. Total disbursements for the fiscal year increased by 5% to a total of approximately \$611,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Northwood completed the year, its governmental funds reported a combined fund balance of \$1,399,002, a decrease of more than \$315,000 from last year's total of \$1,714,642. 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 decreased \$127,953 from the prior year to \$456,192. This decrease was due to a decrease in 28E casino receipts.

The Special Revenue, Urban Renewal Tax Increment Fund cash balance was \$46,341, a decrease from the previous year. The decrease was the result of increased TIF incentives.

The Special Revenue, Local Option Sales Tax Property Tax Relief Fund cash balance increased \$8,732 to \$167,951. The increase is due to receipts greater than current year disbursements.

The Special Revenue, Revolving Loan Fund cash balance increased by \$812 to \$232,655. The increase is due to loan repayments.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Water Fund cash balance increased by \$9,611 to \$89,973, due primarily to an increase in water rates.

The Enterprise, Sewer Fund cash balance increased by \$94,757 to \$247,227, due primarily to an increase in operating receipts due to a rate increase.

The Enterprise, Sewer Replacement Fund cash balance increased by \$1,046 to \$191,051, due primarily to interest income.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 26, 2015 and resulted in an increase in disbursements and transfers out of \$834,279. The City increased revenues and other financing sources \$506,000. The City exceeded the amounts budgeted in the public works, health and social services, culture and recreation and community and economic development functions prior to amending.

DEBT ADMINISTRATION

At June 30, 2015, the City had approximately \$1,023,000 in bonds and other long-term debt outstanding, compared to approximately \$1,205,000 last year, as shown below.

Outstanding Debt at Year-End
(Expressed in Thousands)

	June 30,	
	2015	2014
General obligation bonds	<u>\$ 1,023</u>	<u>\$ 1,205</u>

Debt decreased as a result of scheduled bond payments.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,023,000 is significantly below its constitutional debt limit of \$4,658,530.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Northwood's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Another concern evolves around increased energy costs for the ensuing year and beyond. The increased costs have added as much as thirty percent to segments of the budget. Holding the budget in line becomes challenging while attempting to maintain and improve city services.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Amber Julseth, City Clerk, 627 Central, Northwood, Iowa 50459-1584.

Basic Financial Statements

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

FUNCTIONS/PROGRAMS:	<u>Disbursements</u>	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 365,025	\$ -	\$ -	\$ -
Public works	988,493	1,750	206,821	400,575
Health and social services	19,636	12,881	-	-
Culture and recreation	607,251	51,223	15,800	-
Community and economic development	506,519	-	-	-
General government	175,636	-	-	-
Debt Service	<u>211,620</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$2,874,180</u>	<u>\$ 65,854</u>	<u>\$ 222,621</u>	<u>\$ 400,575</u>
Business type activities:				
Water	\$ 222,689	\$ 231,463	\$ -	\$ -
Sewer	202,833	297,198	-	-
Other	<u>185,808</u>	<u>161,792</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$ 611,330</u>	<u>\$ 690,453</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$3,485,510</u>	<u>\$ 756,307</u>	<u>\$ 222,621</u>	<u>\$ 400,575</u>

(Continued)

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (365,025)	\$ -	\$ (365,025)
(379,347)	-	(379,347)
(6,755)	-	(6,755)
(540,228)	-	(540,228)
(506,519)	-	(506,519)
(175,636)	-	(175,636)
<u>(211,620)</u>	<u>-</u>	<u>(211,620)</u>
<u>\$ (2,185,130)</u>	<u>\$ -</u>	<u>\$ (2,185,130)</u>
\$ -	\$ 8,774	\$ 8,774
-	94,365	94,365
<u>-</u>	<u>(24,016)</u>	<u>(24,016)</u>
<u>\$ -</u>	<u>\$ 79,123</u>	<u>\$ 79,123</u>
<u>\$ (2,185,130)</u>	<u>\$ 79,123</u>	<u>\$ (2,106,007)</u>

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

General Receipts and Transfers:

Property and other city tax levied for:
 General purposes
 Debt service
Tax increment financing
Local option sales tax
Unrestricted interest on investments
Miscellaneous
Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:
 Nonexpendable:
 Cemetery perpetual care
 Expendable:
 Streets
 Urban renewal purposes
 Debt service
 Other purposes
Unrestricted

Total cash basis net position

See Notes to Financial Statements.

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 601,183	\$ -	\$ 601,183
41,973	-	41,973
285,340	-	285,340
167,464	-	167,464
7,259	2,656	9,915
765,101	-	765,101
<u>(25,000)</u>	<u>25,000</u>	<u>-</u>
<u>\$ 1,843,320</u>	<u>\$ 27,656</u>	<u>\$ 1,870,976</u>
\$ (341,810)	\$ 106,779	\$ (235,031)
<u>1,740,812</u>	<u>557,938</u>	<u>2,298,750</u>
<u>\$ 1,399,002</u>	<u>\$ 664,717</u>	<u>\$ 2,063,719</u>
\$ 110,696	\$ -	\$ 110,696
117,821	-	117,821
46,341	-	46,341
77,876	-	77,876
313,158	-	313,158
<u>733,110</u>	<u>664,717</u>	<u>1,397,827</u>
<u>\$ 1,399,002</u>	<u>\$ 664,717</u>	<u>\$ 2,063,719</u>

CITY OF NORTHWOOD, 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>Special Revenue</u>		
		<u>Urban Renewal Tax Increment</u>	<u>Local Option Sales Tax Property Tax Relief</u>	<u>Revolving Loan</u>
RECEIPTS:				
Property tax	\$ 423,903	\$ -	\$ -	\$ -
Tax increment financing	-	285,340	-	-
Other city tax	-	-	83,732	-
Licenses and permits	6,192	-	-	-
Use of money and property	14,412	-	-	812
Intergovernmental	416,375	-	-	-
Charges for service	64,104	-	-	-
Miscellaneous	584,226	-	-	-
Total receipts	<u>\$1,509,212</u>	<u>\$ 285,340</u>	<u>\$ 83,732</u>	<u>\$ 812</u>
DISBURSEMENTS:				
Operating:				
Public safety	\$ 359,480	\$ -	\$ -	\$ -
Public works	665,929	-	-	-
Health and social services	19,313	-	-	-
Culture and recreation	579,766	-	-	-
Community and economic development	58,629	12,861	-	-
General government	143,263	-	-	-
Debt service	-	-	-	-
Total disbursements	<u>\$1,826,380</u>	<u>\$ 12,861</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (317,168)</u>	<u>\$ 272,479</u>	<u>\$ 83,732</u>	<u>\$ 812</u>
Other financing sources (uses):				
Transfers in	\$ 290,000	\$ -	\$ -	\$ -
Transfers out	(100,785)	(364,120)	(75,000)	-
Total other financing sources (uses)	<u>\$ 189,215</u>	<u>\$ (364,120)</u>	<u>\$ (75,000)</u>	<u>\$ -</u>
Change in cash balances	\$ (127,953)	\$ (91,641)	\$ 8,732	\$ 812
Cash balances beginning of year	584,145	137,982	159,219	231,843
Cash balances end of year	<u>\$ 456,192</u>	<u>\$ 46,341</u>	<u>\$ 167,951</u>	<u>\$ 232,655</u>
Cash Basis Fund Balances:				
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Urban renewal purposes	-	46,341	-	-
Debt service	-	-	-	-
Streets	-	-	-	-
Other purposes	-	-	167,951	-
Assigned for:				
Cemetery	27,260	-	-	-
Library memorial trust	137,217	-	-	-
Other	290	-	-	232,655
Unassigned	291,425	-	-	-
Total cash basis fund balances	<u>\$ 456,192</u>	<u>\$ 46,341</u>	<u>\$ 167,951</u>	<u>\$ 232,655</u>

See Notes to Financial Statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 219,253	\$ 643,156
-	285,340
83,732	167,464
-	6,192
-	15,224
206,821	623,196
-	64,104
194,638	778,864
<u>\$ 704,444</u>	<u>\$ 2,583,540</u>
\$ 5,545	\$ 365,025
322,564	988,493
323	19,636
27,485	607,251
435,029	506,519
32,373	175,636
211,620	211,620
<u>\$ 1,034,939</u>	<u>\$ 2,874,180</u>
<u>\$ (330,495)</u>	<u>\$ (290,640)</u>
\$ 464,905	\$ 754,905
<u>(240,000)</u>	<u>(779,905)</u>
<u>\$ 224,905</u>	<u>\$ (25,000)</u>
\$ (105,590)	\$ (315,640)
<u>601,453</u>	<u>1,714,642</u>
<u>\$ 495,863</u>	<u>\$ 1,399,002</u>
\$ 110,696	\$ 110,696
-	46,341
77,876	77,876
117,821	117,821
145,207	313,158
-	27,260
-	137,217
43,948	276,893
<u>315</u>	<u>291,740</u>
<u>\$ 495,863</u>	<u>\$ 1,399,002</u>

CITY OF NORTHWOOD, IOWA
 RECONCILIATION OF THE STATEMENT OF CASH
 RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
 TO THE CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION -
 GOVERNMENTAL FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

Total governmental funds cash balances (page 14) \$1,399,002

Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

_____ -

Cash basis net position of governmental activities (page 12) \$1,399,002

Change in cash balances (page 14) \$ (315,640)

Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.

_____ (26,170)

Change in cash basis net position of governmental activities (page 12) \$ (341,810)

See Notes to Financial Statements.

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

	Enterprise		
	Water	Sewer	Sewer Replacement
Operating Receipts:			
Charges for service	\$224,646	\$ 297,198	\$ -
Miscellaneous	6,817	-	-
Total operating receipts	<u>\$231,463</u>	<u>\$ 297,198</u>	<u>\$ -</u>
Operating disbursements:			
Governmental activities:			
Public works	\$ -	\$ -	\$ -
Culture and recreation	-	-	-
General government	-	-	-
Business type activities	222,689	202,833	-
Total operating disbursements	<u>\$222,689</u>	<u>\$ 202,833</u>	<u>\$ -</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ 8,774	\$ 94,365	\$ -
Non-operating receipts:			
Interest on investments	837	392	1,046
Excess (deficiency) of receipts over (under) disbursements	\$ 9,611	\$ 94,757	\$ 1,046
Other financing sources:			
Transfers in	-	-	-
Change in cash balances	\$ 9,611	\$ 94,757	\$ 1,046
Cash balances beginning of year	80,362	152,470	190,005
Cash balances end of year	<u>\$ 89,973</u>	<u>\$ 247,227</u>	<u>\$ 191,051</u>
Cash Basis Fund Balances			
Committed for other purposes	\$ -	\$ -	\$ 191,051
Unrestricted	89,973	247,227	-
Total cash basis fund balances	<u>\$ 89,973</u>	<u>\$ 247,227</u>	<u>\$ 191,051</u>

See Notes to Financial Statements.

<u>Nonmajor</u>	<u>Total</u>	<u>Internal Service Employee Health</u>
\$ 156,132	\$ 677,976	\$ -
5,660	12,477	-
<u>\$ 161,792</u>	<u>\$ 690,453</u>	<u>\$ -</u>
\$ -	\$ -	\$ 4,122
-	-	2,560
-	-	2,569
185,808	611,330	16,937
<u>\$ 185,808</u>	<u>\$ 611,330</u>	<u>\$ 26,188</u>
\$ (24,016)	\$ 79,123	\$ (26,188)
381	2,656	18
\$ (23,635)	\$ 81,779	\$ (26,170)
25,000	25,000	-
\$ 1,365	\$ 106,779	\$ (26,170)
135,101	557,938	26,170
<u>\$ 136,466</u>	<u>\$ 664,717</u>	<u>\$ -</u>
\$ 46,783	\$ 237,834	\$ -
89,683	426,883	-
<u>\$ 136,466</u>	<u>\$ 664,717</u>	<u>\$ -</u>

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

The City of Northwood is a political subdivision of the State of Iowa located in Worth County. It was first incorporated in 1859 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods 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 North Iowa Area Council of Governments and the Worth County Assessor's Conference Board.

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, Cemetery Perpetual Care Fund.

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(1) Summary of Significant Accounting Policies - continued

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Local Option Sales Tax Property Tax Relief Fund is used to account for local option sales tax revenues to be used for property tax relief.

The Revolving Loan Fund is used to account for money loaned to businesses in the City.

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(1) Summary of Significant Accounting Policies - continued

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, Sewer Replacement Fund accounts for funds reserved for future sewer repairs and replacements.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City of Northwood 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.

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

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 public works, health and social services, culture and recreation and community and economic development functions prior to amending.

(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.

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

(3) **Bonds Payable**

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2016	\$ 190,000	\$ 24,709
2017	199,000	20,531
2018	203,000	15,764
2019	211,000	10,931
2020	220,000	5,687
Total	\$1,023,000	\$ 77,622

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(3) **Bonds Payable** - continued

The resolution providing for the issuance of the general obligation bonds includes the following provision:

- (a) At the option of the City, bonds due on the Drinking Water Bond issue of June 10, 2000 and Streets & Bridges issue of October 29, 2009, are subject to redemption and prepayment in inverse numerical order beginning June 1, 2010 and June 1, 2017, respectively, and on any interest payment date thereafter, at a price of par plus accrued interest to call date, by giving proper notice.

(4) **Pension Plan**

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

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

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

A multiplier (based on years of service).

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

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

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

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(4) Pension Plan - continued

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

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

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

The City's contributions to IPERS for the year ended June 30, 2015 were \$39,427.

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 of the collective net pension liability totaled \$255,524. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.006314 percent, which was an increase of 0.000147 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 \$19,125, \$14,054 and \$97,450 respectively.

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

(4) Pension Plan - continued

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

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate 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	<u>1</u>	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that 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.

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(4) Pension Plan - continued

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 pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's Proportionate share of the net pension liability	\$ 482,806	\$ 255,524	\$ 63,675

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

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 10 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with United Healthcare and Wellmark Blue Cross Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$507 for single coverage and \$1,427 for family coverage. For the year ended June 30, 2015, the City contributed \$126,688 and plan members eligible for benefits did not contribute to the plan.

(6) Law Enforcement Contract

The City of Northwood entered into an agreement with the Worth County Sheriff's Department for the purpose of providing the City with law enforcement services. The amount paid on the contract by the City for the year ended June 30, 2015 amounted to \$310,038.

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

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, comp time and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable, comp time payable and sick leave 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	\$ 23,433
Comp time	8,150
Sick leave	<u>32,531</u>
Total	<u>\$ 64,114</u>

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

(8) Industrial Development Revenue Bonds

The City has issued a total of \$2,800,000 of multifamily elderly revenue bonds under the provision of Chapter 419 of the Code of Iowa, of which \$2,200,000 is outstanding at June 30, 2015. The bonds and related principal are payable solely by Lutheran Retirement Home, Inc., and the bond principal and interest do not constitute liabilities of the City.

(9) Economic Development

On August 1, 2003, the City loaned \$20,000 to Grass Lake Furniture Co. The loan proceeds were to be used to operate a retail business in Northwood. The loan is a non-interest bearing loan. Grass Lake Furniture Co. is obligated to repay the City in monthly installments of \$238 beginning August 1, 2004. The loan Balance at June 30, 2015 was \$7,381.

On February 26, 2007, the City loaned \$18,000 to Worth Brewing Company, LLC. The loan proceeds were to be used for a business in Northwood. The loan is a non-interest bearing loan. Worth Brewing Company, LLC is obligated to repay the City \$8,000 in annual installments of \$1,335 beginning February 26, 2011. The remaining \$10,000 was forgivable after three years. The loan balance at June 30, 2015 was \$1,325.

On September 13, 2007, the City loaned \$16,000 to Grass Lake Furniture Co. The loan proceeds were to be used to operate a retail business in Northwood. The loan is a non-interest bearing loan. Grass Lake Furniture Co. is obligated to repay the City in monthly installment of \$190 beginning April 30, 2008. The loan Balance at June 30, 2015 was \$14,095.

On January 17, 2011, the City loaned \$9,871 to Manuel Ramirez, Shawna Seger, and Noe Garduno Flores D/B/A Tequila's Mexican Bar & Grill. The loan proceeds were to be used for a business in Northwood. The loan is a non-interest bearing loan. Tequila's Mexican Bar & Grill is obligated to repay the City \$4,035 in annual installments of \$1,645 beginning January 2014. The remaining \$4,936 was forgivable after three years. The loan balance at June 30, 2015 was \$1,345.

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(9) Economic Development - continued

On March 9, 2011, the City loaned \$12,000 to Thomas Capranos D/B/A Northwood Laundromat. The loan proceeds were to be used for a business in Northwood. The loan is a non-interest bearing loan. Thomas Capranos is obligated to repay the City \$7,000 in annual installments of \$1,500 beginning March 10, 2012. The remaining \$5,000 is forgivable after five years. The loan balance at June 30, 2015 was \$1,000.

On April 25, 2012 the City loaned \$7,000 to Rick Rosenberg D/B/A Orion Fitness Center. The loan proceeds were to be used for a business in Northwood. The loan is a non-interest bearing loan. Rick Rosenberg is obligated to repay the City \$4,000 in one annual installment of \$1,000 beginning April 25, 2013 and two annual installments of \$1,500 beginning April 25, 2014. The remaining \$3,000 is forgivable after three years. The loan balance at June 30, 2015 was paid off.

On November 5, 2012 the City loaned \$8,800 to Rick Rosenberg D/B/A Orion Fitness Center. The loan proceeds were to be used for a business in Northwood. The loan is a non-interest bearing loan. Rick Rosenberg is obligated to repay the City \$6,800 in one annual installment of \$2,000 beginning November 5, 2014 and two annual installments of \$2,400 beginning November 5, 2015. The remaining \$2,000 is forgivable after three years. The loan balance at June 30, 2015 was \$2,400.

On August 8, 2013 the City loaned \$20,000 to Aaron Street D/B/A Northwood Chiropractic. The loan proceeds were to be used for a business in Northwood. The loan is a non-interest bearing loan. Aaron Street is obligated to repay the City \$7,000 in five annual installments of \$1,500 beginning August 8, 2014. The remaining \$13,000 is forgivable after five years. The loan balance at June 30, 2015 was \$18,600.

On December 19, 2013, the City loaned \$25,000 to Teresa George D/B/A Shade Tree Liquors. The loan proceeds were to be used for a business in Northwood. The loan is forgivable after three years. The loan balance at June 30, 2015 was \$25,000.

On January 15, 2014 the City loaned \$3,715 to Jennifer Lombard D/B/A Finders Keepers. The loan proceeds were to be used for a business in Northwood. The loan is forgivable after three years. The loan balance at June 30, 2015 was \$3,715.

On March 3, 2014, the City loaned \$4,000 to Peter Ausenhus D/B/A Worth Brewing Company. The loan proceeds were to be used for a business in Northwood. The loan is forgivable after three years. The loan balance at June 30, 2015 was \$4,000.

On June 18, 2014, the City loaned \$12,367 to Worth County Historical Society. The loan proceeds were to be used for a building in Northwood. The loan is forgivable after three years. The loan balance at June 30, 2015 was \$12,367.

On June 18, 2014, the City loaned \$1,019 to DS Liquors. The loan proceeds were to be used for a business in Northwood. The loan is forgivable after three years. The loan balance at June 30, 2015 was \$1,019.

On October 29, 2014, the City loaned \$25,000 to Dr. David Penfold, D/B/A Northwood Dental. The loan proceeds were to be used for a business in Northwood. The loan is forgivable after five years. The loan balance at June 30, 2015 was \$25,000.

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(9) Economic Development - continued

On December 22, 2014, the City loaned \$6,361 to Fat Jill's Bakery. The loan proceeds were to be used for a business in Northwood. The loan is a non-interest bearing loan. Fat Jill's Bakery is obligated to repay the City \$3,000 in annual installments of \$1,000 beginning December 22, 2016. The remaining \$3,361 is forgivable after five years. The loan balance at June 30, 2015 was \$6,361.

On April 14, 2015, the City loaned \$1,497 to Signatures Sports Bar. The loan proceeds were to be used for a business in Northwood. The loan is forgivable after three years. The loan balance at June 30, 2015 was \$1,497.

On June 9, 2015, the City loaned \$25,000 to Worth Brewing Company, LLC. The loan proceeds were to be used for a business in Northwood. The loan is forgivable after five years. The loan balance at June 30, 2015 was \$25,000.

On June 15, 2015, the City loaned \$6,353 to Worth County Community of Promise. The loan proceeds were to be used for a business in Northwood. The loan is forgivable after three years. The loan balance at June 30, 2015 was \$6,353.

On June 29, 2015, the City loaned \$102,500 to Northwood Economic Development Corporation. The loan proceeds were to be used for Economic Development in Northwood. The loan is forgivable after three years. The loan balance at June 30, 2015 was \$102,500.

The City has funds set aside for various housing assistance programs within the City. Applications are reviewed by the council. The amount expended by the City for the 2015 fiscal year was \$215,988.

The City allocated funds for business development within the City. Applications are considered by a separate business development committee. The amount expended by the City for the 2015 fiscal year was \$166,711.

(10) Risk Management

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

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

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(10) Risk Management - continued

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2015 were \$49,882.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The City does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been disclosed in the City's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with Workers Compensation and Aviation in the amount of \$18,139 and \$1,305, respectively. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

(11) Related Party Transactions

The City had business transactions between the City and City officials totaling \$3,847 during the year ended June 30, 2015.

(12) 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	Special Revenue: Employee Benefits	\$ 75,000
	Local Option Sales Tax - Property Tax Relief	75,000
	Local Option Sales Tax - Infrastructure	<u>140,000</u>
		<u>\$ 290,000</u>
Special Revenue: Housing Assistance Program	General	\$ 50,000
	Special Revenue: Local Option Sales Tax Infrastructure	<u>25,000</u>
		<u>\$ 75,000</u>
Revitalization	General	\$ 25,000
	Special Revenue: Urban Renewal Tax Increment	<u>152,500</u>
		<u>\$ 177,500</u>
Road Use Tax	General	<u>785</u>
		<u>\$ 253,285</u>
Debt Service: General Obligation Bonds	Special Revenue: Urban Renewal Tax Increment	<u>\$ 211,620</u>
Enterprise: Taxi	General	<u>\$ 25,000</u>
Total		<u><u>\$ 779,905</u></u>

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

(13) Commitments

At June 30, 2015, the following commitments had been made:

<u>Project</u>	<u>Total Contract</u>	<u>Costs Incurred To Date</u>
4 th Street Bridge	\$ 459,238	\$ 413,668
Wastewater engineering	<u>1,035,000</u>	<u>-</u>
	<u>\$1,494,238</u>	<u>\$ 413,668</u>

Other Information

CITY OF NORTHWOOD, 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

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Less Funds Not Required To Be Budgeted</u>
RECEIPTS:			
Property tax	\$ 643,156	\$ -	\$ -
Tax increment financing	285,340	-	-
Other city tax	167,464	-	-
Licenses and permits	6,192	-	-
Use of money and property	15,224	2,674	18
Intergovernmental	623,196	-	-
Charges for service	64,104	677,976	-
Special assessments	-	-	-
Miscellaneous	778,864	12,477	-
Total receipts	<u>\$ 2,583,540</u>	<u>\$ 693,127</u>	<u>\$ 18</u>
DISBURSEMENTS:			
Public safety	\$ 365,025	\$ -	\$ -
Public works	988,493	4,122	4,122
Health and social services	19,636	-	-
Culture and recreation	607,251	2,560	2,560
Community and economic development	506,519	-	-
General government	175,636	2,569	2,569
Debt service	211,620	-	-
Capital projects	-	-	-
Business type activities	-	628,267	16,937
Total disbursements	<u>\$ 2,874,180</u>	<u>\$ 637,518</u>	<u>\$ 26,188</u>
Excess (deficiency) of receipts over (under) disbursements	\$ (290,640)	\$ 55,609	\$ (26,170)
Other financing sources, net	<u>(25,000)</u>	<u>25,000</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ (315,640)	\$ 80,609	\$ (26,170)
Balances beginning of year	<u>1,714,642</u>	<u>584,108</u>	<u>26,170</u>
Balances end of year	<u>\$ 1,399,002</u>	<u>\$ 664,717</u>	<u>\$ -</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>	
\$ 643,156	\$ 608,960	\$ 608,960	\$ 34,196
285,340	275,000	275,000	10,340
167,464	187,488	187,488	(20,024)
6,192	6,200	6,200	(8)
17,880	36,100	36,100	(18,220)
623,196	618,182	618,182	5,014
742,080	1,045,440	1,051,440	(309,360)
-	6,530	6,530	(6,530)
791,341	572,587	1,072,587	(281,246)
<u>\$3,276,649</u>	<u>\$3,356,487</u>	<u>\$ 3,862,487</u>	<u>\$ (585,838)</u>
\$ 365,025	\$ 334,538	\$ 375,629	\$ 10,604
988,493	828,544	1,030,044	41,551
19,636	12,532	22,532	2,896
607,251	517,832	615,832	8,581
506,519	321,600	756,100	249,581
175,636	186,043	191,043	15,407
211,620	219,458	219,458	7,838
-	-	-	-
611,330	610,740	654,928	43,598
<u>\$3,485,510</u>	<u>\$3,031,287</u>	<u>\$ 3,865,566</u>	<u>\$ 380,056</u>
\$ (208,861)	\$ 325,200	\$ (3,079)	\$ (205,782)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ (208,861)	\$ 325,200	\$ (3,079)	\$ (205,782)
<u>2,272,580</u>	<u>2,438,388</u>	<u>2,438,388</u>	<u>(165,808)</u>
<u>\$2,063,719</u>	<u>\$2,763,588</u>	<u>\$ 2,435,309</u>	<u>\$ (371,590)</u>

CITY OF NORTHWOOD, 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 and Fiduciary 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 Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$834,279. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the public works, health and social services, culture and recreation and community and economic development functions prior to amendment.

CITY OF NORTHWOOD, IOWA
SCHEDULE OF THE 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	0.006314%
City's proportionate share of the net pension liability	\$ 255
City's covered-employee payroll	\$ 442
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.60%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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

See Accompanying Independent Auditor's Report.

CITY OF NORTHWOOD, IOWA
SCHEDULE OF CITY CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FISCAL YEAR (IN THOUSANDS)

OTHER INFORMATION

	<u>2015</u>
Statutorily required contribution	\$ 39
Contributions in relation to the statutorily required contribution	<u>(39)</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 442
Contributions as a percentage of covered-employee payroll	8.80%

See Accompanying Independent Auditor's Report.

CITY OF NORTHWOOD, IOWA
NOTES TO OTHER INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

Decreased the inflation assumption from 3.25 percent to 3.00 percent.

Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.

Adjusted male mortality rates for retirees in the Regular membership group.

Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.

Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

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

Adjusted retiree mortality assumptions.

Modified retirement rates to reflect fewer retirements.

Lowered disability rates at most ages.

Lowered employment termination rates.

Generally increased the probability of terminating members receiving a deferred retirement benefit.

Modified salary increase assumptions based on various service duration.

**CITY OF NORTHWOOD, IOWA
NOTES TO OTHER INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015**

Changes of assumptions: - continued

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

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 NORTHWOOD, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Special</u>			
	<u>Road Use Tax</u>	<u>Local Option Sales Tax Infrastructure</u>	<u>Employee Benefits</u>	<u>Housing Assistance Program</u>
RECEIPTS:				
Property tax	\$ -	\$ -	\$ 177,280	\$ -
Other city tax	-	83,732	-	-
Intergovernmental	206,821	-	-	-
Miscellaneous	-	-	-	174,309
Total receipts	<u>\$ 206,821</u>	<u>\$ 83,732</u>	<u>\$ 177,280</u>	<u>\$ 174,309</u>
DISBURSEMENTS:				
Operating:				
Public safety	\$ -	\$ -	\$ -	\$ -
Public works	230,864	47,467	44,233	-
Health and social services	-	-	323	-
Culture and recreation	-	-	27,485	-
Community and economic development	-	52,330	-	215,988
General government	-	-	32,373	-
Debt service	-	-	-	-
Total disbursements	<u>\$ 230,864</u>	<u>\$ 99,797</u>	<u>\$ 104,414</u>	<u>\$ 215,988</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (24,043)</u>	<u>\$ (16,065)</u>	<u>\$ 72,866</u>	<u>\$ (41,679)</u>
Other financing sources (uses):				
Transfers in	\$ 785	\$ -	\$ -	\$ 75,000
Transfers out	-	(165,000)	(75,000)	-
Total other financing sources (uses)	<u>\$ 785</u>	<u>\$ (165,000)</u>	<u>\$ (75,000)</u>	<u>\$ 75,000</u>
Change in cash balances	\$ (23,258)	\$ (181,065)	\$ (2,134)	\$ 33,321
Cash balances beginning of year	<u>141,079</u>	<u>219,146</u>	<u>109,260</u>	<u>(25,507)</u>
Cash balances end of year	<u>\$ 117,821</u>	<u>\$ 38,081</u>	<u>\$ 107,126</u>	<u>\$ 7,814</u>
Cash Basis Fund Balances:				
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -
Restricted for other purposes	117,821	38,081	107,126	-
Assigned for:				
Revitalization	-	-	-	-
Housing assistance	-	-	-	7,814
Unassigned	-	-	-	-
Total cash basis fund balances	<u>\$ 117,821</u>	<u>\$ 38,081</u>	<u>\$ 107,126</u>	<u>\$ 7,814</u>

See Accompanying Independent Auditor's Report.

<u>Revenue</u>		<u>Debt Service</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
<u>Rental Inspection</u>	<u>Revitalization</u>	<u>General Obligation</u>		
\$ -	\$ -	\$ 41,973	\$ -	\$ 219,253
-	-	-	-	83,732
-	-	-	-	206,821
5,860	11,564	-	2,905	194,638
<u>\$ 5,860</u>	<u>\$ 11,564</u>	<u>\$ 41,973</u>	<u>\$ 2,905</u>	<u>\$ 704,444</u>
\$ 5,545	\$ -	\$ -	\$ -	\$ 5,545
-	-	-	-	322,564
-	-	-	-	323
-	-	-	-	27,485
-	166,711	-	-	435,029
-	-	-	-	32,373
-	-	211,620	-	211,620
<u>\$ 5,545</u>	<u>\$ 166,711</u>	<u>\$ 211,620</u>	<u>\$ -</u>	<u>\$ 1,034,939</u>
<u>\$ 315</u>	<u>\$ (155,147)</u>	<u>\$ (169,647)</u>	<u>\$ 2,905</u>	<u>\$ (330,495)</u>
\$ -	\$ 177,500	\$ 211,620	\$ -	\$ 464,905
-	-	-	-	(240,000)
<u>\$ -</u>	<u>\$ 177,500</u>	<u>\$ 211,620</u>	<u>\$ -</u>	<u>\$ 224,905</u>
\$ 315	\$ 22,353	\$ 41,973	\$ 2,905	\$ (105,590)
-	13,781	35,903	107,791	601,453
<u>\$ 315</u>	<u>\$ 36,134</u>	<u>\$ 77,876</u>	<u>\$ 110,696</u>	<u>\$ 495,863</u>
\$ -	\$ -	\$ -	\$ 110,696	\$ 110,696
-	-	77,876	-	340,904
-	36,134	-	-	36,134
-	-	-	-	7,814
315	-	-	-	315
<u>\$ 315</u>	<u>\$ 36,134</u>	<u>\$ 77,876</u>	<u>\$ 110,696</u>	<u>\$ 495,863</u>

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

	<u>Enterprise</u>			
	<u>Taxi</u>	<u>Meter Deposit</u>	<u>Garbage</u>	<u>Total</u>
Operating receipts:				
Charges for service	\$ 32,853	\$ -	\$123,279	\$156,132
Miscellaneous	-	5,660	-	5,660
Total operating receipts	<u>\$ 32,853</u>	<u>\$ 5,660</u>	<u>\$123,279</u>	<u>\$161,792</u>
Operating disbursements:				
Business type activities	<u>55,116</u>	<u>3,865</u>	<u>126,827</u>	<u>185,808</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	\$(22,263)	\$ 1,795	\$ (3,548)	\$(24,016)
Non-operating receipts:				
Uses of money and property	<u>-</u>	<u>200</u>	<u>181</u>	<u>381</u>
Excess (deficiency) of receipts over (under) disbursements	\$(22,263)	\$ 1,995	\$ (3,367)	\$(23,635)
Transfers in	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Change in cash balances	\$ 2,737	\$ 1,995	\$ (3,367)	\$ 1,365
Cash balances beginning of year	<u>21,487</u>	<u>44,788</u>	<u>68,826</u>	<u>135,101</u>
Cash balances end of year	<u>\$ 24,224</u>	<u>\$ 46,783</u>	<u>\$ 65,459</u>	<u>\$136,466</u>
Cash Basis Fund Balances:				
Unrestricted	\$ 24,224	\$ -	\$ 65,459	\$ 89,683
Committed for other purposes	<u>-</u>	<u>46,783</u>	<u>-</u>	<u>46,783</u>
Total cash basis fund balances	<u>\$ 24,224</u>	<u>\$ 46,783</u>	<u>\$ 65,459</u>	<u>\$136,466</u>

See Accompanying Independent Auditor's Report.

CITY OF NORTHWOOD, 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:			
Streets & Bridges	10-29-09	1.50 - 3.50%	\$ 900,000
Drinking Water	6-10-00	1.75	1,690,000
Total indebtedness			

See Accompanying Independent Auditor's Report.

<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>
\$ 570,000	\$ -	\$ 85,000	\$ 485,000	\$ 17,590	\$ -
<u>635,000</u>	<u>-</u>	<u>97,000</u>	<u>538,000</u>	<u>11,112</u>	<u>-</u>
<u>\$1,205,000</u>	<u>\$ -</u>	<u>\$ 182,000</u>	<u>\$1,023,000</u>	<u>\$ 28,702</u>	<u>\$ -</u>

CITY OF NORTHWOOD, IOWA
BOND MATURITIES
JUNE 30, 2015

GENERAL OBLIGATION BONDS

Year Ending June 30,	<u>Drinking Water</u>		<u>Streets & Bridges</u>		<u>Total</u>
	<u>Issued June 10, 2000</u>		<u>Issued October 29, 2009</u>		
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	
2016	1.75%	\$ 100,000	2.70%	\$ 90,000	\$ 190,000
2017	1.75	104,000	3.10	95,000	199,000
2018	1.75	108,000	3.10	95,000	203,000
2019	1.75	111,000	3.30	100,000	211,000
2020	1.75	115,000	3.50	105,000	220,000
Total		<u>\$ 538,000</u>		<u>\$ 485,000</u>	<u>\$1,023,000</u>

See Accompanying Independent Auditor's Report.

CITY OF NORTHWOOD, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Receipts:				
Property tax	\$ 643,156	\$ 643,745	\$ 651,843	\$ 613,134
Tax increment financing	285,340	261,097	267,429	270,172
Other city tax	167,464	164,556	164,644	140,556
Licenses and permits	6,192	6,607	7,946	5,193
Use of money and property	15,224	16,136	20,131	22,144
Intergovernmental	623,196	215,359	217,487	244,944
Charges for service	64,104	69,630	68,609	65,555
Special assessments	-	-	2,054	330
Miscellaneous	778,864	320,912	449,216	341,158
Total	<u>\$2,583,540</u>	<u>\$1,698,042</u>	<u>\$1,849,359</u>	<u>\$1,703,186</u>
Disbursements:				
Operating:				
Public safety	\$ 365,025	\$ 379,782	\$ 254,835	\$ 314,332
Public works	988,493	407,068	697,490	553,585
Health and social services	19,636	15,493	11,122	9,332
Culture and recreation	607,251	368,449	660,389	285,211
Community and economic development	506,519	212,100	128,414	136,762
General government	175,636	184,957	196,827	180,742
Debt Service	211,620	211,997	221,739	272,777
Capital projects	-	38,418	-	-
Total	<u>\$2,874,180</u>	<u>\$1,818,264</u>	<u>\$2,170,816</u>	<u>\$1,752,741</u>

See Accompanying Independent Auditor's Report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 601,593	\$ 606,648	\$ 601,719	\$ 532,291	\$ 548,070	\$ 504,301
268,943	246,761	239,192	261,044	284,207	288,698
153,190	132,862	153,892	148,842	154,150	96,949
4,620	6,110	5,555	4,701	6,747	5,800
28,086	31,674	39,178	72,070	81,120	51,625
254,354	458,205	283,809	211,205	195,470	200,687
66,583	59,726	59,881	54,376	52,051	54,527
-	-	-	92	588	2,428
391,034	221,006	402,190	353,790	395,172	171,404
<u>\$1,768,403</u>	<u>\$1,762,992</u>	<u>\$1,785,416</u>	<u>\$1,638,411</u>	<u>\$1,717,575</u>	<u>\$1,376,419</u>
\$ 350,436	\$ 269,340	\$ 310,689	\$ 283,158	\$ 230,440	\$ 215,760
431,830	363,250	369,727	312,772	282,887	276,193
15,263	11,285	8,109	6,626	1,490	18,014
284,634	349,751	443,912	452,149	240,473	190,528
148,524	151,167	170,782	87,495	82,676	127,399
208,819	149,034	159,063	133,933	155,033	169,536
304,303	231,916	292,050	294,816	281,474	275,433
7,571	438,989	100,000	-	-	56,679
<u>\$1,751,380</u>	<u>\$1,964,732</u>	<u>\$1,854,332</u>	<u>\$1,570,949</u>	<u>\$1,274,473</u>	<u>\$1,329,542</u>



Larry Pump, CPA
 117 North Jackson Street
 Charles City, IA 50616

E-mail: rlp@fiai.net

(641) 257-4222
 or (641) 228-2812
 Fax (641) 228-1513

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:

I have audited 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, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Northwood, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated November 3, 2015. My report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. There are no deficiencies described in the accompanying Schedule of Findings that I consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Northwood's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in 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 my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Northwood's Responses to the Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

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



Charles City, Iowa
November 3, 2015

CITY OF NORTHWOOD, IOWA
Schedule of Findings
Year Ended June 30, 2015

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that one person has control over most of the accounting and banking functions.

Recommendation - I realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response - We will review procedures and make changes to improve internal control where possible.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- (B) Countersignature of Checks - Checks are prepared and signed by one individual.

Recommendation - Checks should be prepared and signed by one individual and then the supporting documentation should be made available along with the check to a second independent individual for review and countersignature.

Response - We will investigate the alternatives.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget - Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public works, health and social services, culture and recreation and community and economic development functions prior to amending. 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 have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended prior to disbursements exceeding the budget in the future.

Conclusion - Response accepted.

CITY OF NORTHWOOD, IOWA
Schedule of Findings
Year Ended June 30, 2015

Other Findings Related to Required Statutory Reporting: - continued

- (2) Questionable Disbursements - No disbursements I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) 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>
Jim Meland, Employee, Equipment Rental	Rental	\$3,250
Roger Rustad, Council Member, Trucking	Haul Rock	573
Andy Julseth, Spouse of employee Amber Julseth	Park supplies	24

In accordance with Chapter 362.5 (3)(k) of the Code of Iowa, the transactions with Jim Meland may represent a conflict of interest since total transactions were more than \$2,500 during the fiscal year.

Recommendation - The City should consult legal counsel to determine the disposition of this matter.

Response - We will do this.

Conclusion - Response accepted.

- (5) Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- (6) Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Health Insurance Plan - The City has a health insurance plan that is partially self-funded. Chapter 509A.15 of the Code of Iowa requires that for this type of plan the City must file a Certificate of Compliance with the Insurance Commissioner of Iowa. I noted that this was not filed.

Recommendation - The Certificate of Compliance should be filed as required by the Code.

Response - We will investigate this.

Conclusion - Response accepted.

CITY OF NORTHWOOD, IOWA
Schedule of Findings
Year Ended June 30, 2015

Other Findings Related to Required Statutory Reporting: - continued

- (9) Urban Renewal Annual Report - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1.