

CITY OF CORWITH

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

JUNE 30, 2016

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CITY OF CORWITH

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2016)		
David Wagner	Mayor	Jan 2018
Mike Petersen	Mayor Pro-tem	Jan 2016
Matt Hobscheidt	Council Member	Jan 2017
Tim Poage	Council Member	Jan 2017
Sharon Spellins	Council Member	Jan 2016
Wade Nall	Council Member	Jan 2016
Donna Hilbert	City Clerk	July 2016
David L. Fenchel	Attorney	July 2016
(After January 2016)		
David Wagner	Mayor	Jan 2018
Mike Petersen	Mayor Pro-tem	Jan 2019
Matt Hobscheidt	Council Member	Jan 2017
Tim Poage	Council Member	Jan 2017
Sharon Hankins	Council Member	Jan 2019
Wade Nall	Council Member	Jan 2019
Donna Hilbert	City Clerk	July 2016
David L. Fenchel	Attorney	July 2016



DENNIS L. RENNER, CPA  
MICHAEL J. BIRCHEM, CPA, CFP®

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## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Corwith, Iowa, as of and for the year ended June 30, 2016, 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

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

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

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

### Basis for Modified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance as of July 1, 2015.

## Modified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2015, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Corwith as of June 30, 2016, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## Basis of Accounting

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

## Other Matters

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Corwith's basic financial statements. The supplementary information included in Schedules 1 through 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability, and the Schedule of City Contributions on pages 6 through 11 and 26 through 31 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 6, 2016 on our consideration of City of Corwith's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Corwith's internal control over financial reporting and compliance.

October 6, 2016



Renner & Birchem, P.C.  
Britt, Iowa

## BASIC FINANCIAL STATEMENTS

## Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2016

Functions / Programs:	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Operating Grants Contributions and Restricted		Governmental Activities	Business Type Activities	Total
		Charges for Service	Interest			
<b>Governmental activities:</b>						
Public safety	\$ 28,589			(28,589)		(28,589)
Public works	19,668		22,407	2,739		2,739
Culture and recreation	54,826	64	13,836	(40,926)		(40,926)
Community and economic development	91,200			(91,200)		(91,200)
General government	55,735			(55,735)		(55,735)
Debt service	29,647			(29,647)		(29,647)
Capital projects	62,322			(62,322)		(62,322)
Total governmental activities	341,987	64	36,243	(305,680)		(305,680)
<b>Business type activities:</b>						
Water	39,697	45,328			5,631	5,631
Sewer	32,579	37,638			5,059	5,059
Electric	339,472	384,229			44,757	44,757
Total business type activities	411,748	467,195			55,447	55,447
<b>Total</b>	<b>\$ 753,735</b>	<b>467,259</b>	<b>36,243</b>	<b>(305,680)</b>	<b>55,447</b>	<b>(250,233)</b>
<b>General Receipts and Transfers:</b>						
Property tax levied for:						
General purposes				\$ 65,494		65,494
Employees benefits and insurance				7,677		7,677
Tax increment financing				104,361		104,361
Local option sales tax				21,456		21,456
Unrestricted interest on investments				25	872	897
Miscellaneous				62,794		62,794
Commercial/ industrial tax replacement				14,243		14,243
Transfers				20,316	(20,316)	
Total general receipts and transfers				296,366	(19,444)	276,922
Change in cash basis net position				(9,314)	36,003	26,689
Cash basis net position beginning of year				104,230	474,821	579,051
Cash basis net position end of year				\$ 94,916	510,824	605,740
<b>Cash Basis Net Position</b>						
Restricted:						
Expendable:						
Streets				\$ 30,799		30,799
Debt service				8,208		8,208
Urban renewal purposes				14,961		14,961
Other purposes				14,432		14,432
Unrestricted				26,516	510,824	537,340
Total cash basis net position				\$ 94,916	510,824	605,740

See notes to financial statements.

City of Corwith

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

As of and for the year ended June 30, 2016

	Special Revenue							Total
	General	Road Use Tax	Employee Benefits	Urban Renewal Tax Increment	Emergency	Debt Service	Capital Project	
<b>Receipts:</b>								
Property tax	\$ 64,195		7,677		1,299			73,171
Tax increment financing				104,361				104,361
Other city tax	21,456							21,456
Licenses and permits	1,542							1,542
Use of money and property	10					16,740	15	16,765
Intergovernmental	30,501	22,407	320	11,310	54		8,391	72,983
Charges for services	64							64
Miscellaneous	21,238						777	22,015
<b>Total receipts</b>	<b>139,006</b>	<b>22,407</b>	<b>7,997</b>	<b>115,671</b>	<b>1,353</b>	<b>16,740</b>	<b>9,183</b>	<b>312,357</b>
<b>Disbursements:</b>								
<b>Operating:</b>								
Public safety	27,058		1,531					28,589
Public works	5,003	12,526	2,139					19,668
Culture and recreation	51,969		2,857					54,826
Community & economic development				91,200				91,200
General government	54,144		1,591					55,735
Debt service						29,647		29,647
Capital projects							62,322	62,322
<b>Total disbursements</b>	<b>138,174</b>	<b>12,526</b>	<b>8,118</b>	<b>91,200</b>		<b>29,647</b>	<b>62,322</b>	<b>341,987</b>
Excess (deficiency) of receipts over (under) disbursements	832	9,881	(121)	24,471	1,353	(12,907)	(53,139)	(29,630)
<b>Other financing sources (uses):</b>								
Operating transfers in	48,295		2,547			12,908		63,750
Operating transfers out	(22,728)	(1,274)		(18,137)	(1,295)			(43,434)
<b>Total other financing sources (uses)</b>	<b>25,567</b>	<b>(1,274)</b>	<b>2,547</b>	<b>(18,137)</b>	<b>(1,295)</b>	<b>12,908</b>		<b>20,316</b>
Change in cash balances	26,399	8,607	2,426	6,334	58	1	(53,139)	(9,314)
Cash balances beginning of year	26	22,192	(2,325)	8,627	33	8,207	67,470	104,230
Cash balances end of year	\$ 26,425	30,799	101	14,961	91	8,208	14,331	94,916
<b>Cash Basis Fund Balances</b>								
<b>Restricted for:</b>								
Debt service						8,208		8,208
Streets		30,799						30,799
Employee benefits			101					101
Urban renewal purposes				14,961				14,961
Capital projects fund							14,331	14,331
Unassigned	\$ 26,425				91			26,516
<b>Total cash basis fund balances</b>	<b>\$ 26,425</b>	<b>30,799</b>	<b>101</b>	<b>14,961</b>	<b>91</b>	<b>8,208</b>	<b>14,331</b>	<b>94,916</b>

See notes to financial statements.

## City of Corwith

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

As of and for the year ended June 30, 2016

	Proprietary Funds			
	Water	Sewer Rental	Electric	Total
Operating receipts:				
Charges for service	\$ 45,328	37,638	384,229	467,195
Total operating receipts	45,328	37,638	384,229	467,195
Operating disbursements:				
Business type activities	39,697	32,579	339,472	411,748
Total operating disbursements	39,697	32,579	339,472	411,748
Excess of operating receipts over operating disbursements	5,631	5,059	44,757	55,447
Non-operating receipts (disbursements):				
Interest on investments	28	422	422	872
Net non-operating receipts (disbursements)	28	422	422	872
Excess of receipts over disbursements	5,659	5,481	45,179	56,319
Other financing sources (uses):				
Operating transfers in	8,582	12,873	18,137	39,592
Operating transfers out		(12,000)	(47,908)	(59,908)
Total other financing sources (uses)	8,582	873	(29,771)	(20,316)
Change in cash balances	14,241	6,354	15,408	36,003
Cash balance beginning of year	43,409	99,070	332,342	474,821
Cash balances end of year	\$ 57,650	105,424	347,750	510,824
<b>Cash Basis Fund Balances</b>				
Unrestricted	57,650	105,424	347,750	510,824
Total cash basis fund balances	\$ 57,650	105,424	347,750	510,824

See notes to financial statements.

# CITY OF CORWITH

## Notes to Financial Statements

June 30, 2016

### (1) Summary of Significant Accounting Policies

The City of Corwith is a political subdivision of the State of Iowa located in Hancock County. It was first incorporated in 1886 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water, sewer and electric utilities for its citizens.

#### A. Reporting Entity

For financial reporting purposes, City of Corwith 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 following boards and commissions: Hancock County Assessor's Conference Board, Hancock County Development Commission and Hancock County Disaster/911 Service 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:

## CITY OF CORWITH

### Notes to Financial Statements (continued)

June 30, 2016

*Nonexpendable restricted net position* is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City.

*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. The City has elected to report all governmental funds as major funds.

The City reports the following major governmental funds:

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

Special Revenue:

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

The Employee Benefits Fund is used to account for property tax collected and payment of employee benefits.

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

## CITY OF CORWITH

### Notes to Financial Statements (continued)

June 30, 2016

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

The Capital projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

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

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

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

#### C. Measurement Focus and Basis of Accounting

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

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

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

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

CITY OF CORWITH

Notes to Financial Statements (continued)

June 30, 2016

D. Governmental Cash Basis Fund Balances

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2016, disbursements exceeded the amounts budgeted for capital projects.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City had no investments during the year ended June 30, 2016.

Interest Rate Risk

The City's investment policy limits the investment of operating funds (fund 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.

CITY OF CORWITH

Notes to Financial Statements (continued)

June 30, 2016

**(3) Bonds and Notes Payable**

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

Year Ending June 30,	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 11,000	2,400	13,552	2,145	24,552	4,545
2018	12,000	1,850	14,309	1,389	26,309	3,239
2019	12,000	1,250	15,051	646	27,051	1,896
2020	13,000	650	4,517	44	17,517	694
	<u>\$ 48,000</u>	<u>6,150</u>	<u>47,429</u>	<u>4,224</u>	<u>95,429</u>	<u>10,374</u>

**(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](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to 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, except members with service before June 30, 2012, will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

## CITY OF CORWITH

### Notes to Financial Statements (continued)

June 30, 2016

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-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.

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 - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires 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 2016, pursuant to the required rate, Regular members contributed 5.95 percent of covered payroll and the City contributed 8.93 percent of covered payroll for a total rate of 14.88 percent.

The City's contributions to IPERS for the year ended June 30, 2016 were \$8,204.

CITY OF CORWITH

Notes to Financial Statements (continued)

June 30, 2016

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City liability for its proportionate share of the collective net pension liability totaled \$61,211. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the City’s proportion was 0.0012390 percent, which was a decrease of 0.000050 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$5,162, \$11,768 and \$14,253 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 %compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2010)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 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 IPERS’ investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of 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 geometric real rates of return for each major asset class are summarized in the following table:

CITY OF CORWITH

Notes to Financial Statements (continued)

June 30, 2016

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed 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, IPERS' 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 IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, 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% lower (6.5%) or 1% higher (8.5%) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability	\$ 107,169	\$ 61,211	\$ 22,419

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

**(5) Other Postemployment Benefits(OPEB)**

Plan Description – The City operates a single-employer retiree benefit plan which provides vision and dental benefits for retirees and their spouses. There are 2 active members in the plan. Retired participants must be age 55 or older at retirement.

CITY OF CORWITH

Notes to Financial Statements (continued)

June 30, 2016

The dental and vision benefits are provided through a fully-insured plan with True North. Retirees pay the same premium for the dental 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 \$12 for single coverage and \$30 for family coverage for vision benefits and \$43 for single coverage and \$150 for family coverage for dental benefits. The same monthly premiums apply to retirees. For the year ended June 30, 2016 the City contributed \$1,317.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. Sick leave and comp time hours are accumulated for subsequent use but are not paid upon termination, retirement, or death. Comp time hours are accumulated for subsequent use but are not paid upon termination or retirements. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2016, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount June 30, 2016</u>
Vacation	<u>\$ 1,019</u>

This liability has been computed based on rates of pay in effect at June 30, 2016.

**(7) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$8,725 during the year ended June 30, 2016.

**(8) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF CORWITH

Notes to Financial Statements (continued)

June 30, 2016

**(9) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Emergency	\$ 1,295
	Enterprise:	
	Electric	35,000
	Sewer	<u>12,000</u>
		<u>48,295</u>
Enterprise:		
Water	General	8,582
Sewer	General	12,873
Electric	Special Revenue:	
	Urban Renewal	<u>18,137</u>
		<u>39,592</u>
Special Revenue:		
Employee Benefits	General	1,273
	Special Revenue:	
	Road Use Tax	<u>1,274</u>
		<u>2,547</u>
Debt Service	Enterprise:	
	Electric	<u>12,908</u>
Total		<u>\$103,342</u>

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

**(10) Subsequent Events**

In August 2016, the City issued \$400,000 of general obligation bonds and entered into a construction contract for \$406,500 for construction of a new fire station.

**(11) New Accounting Pronouncement**

The City of Corwith adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

## OTHER INFORMATION

City of Corwith

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, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 73,171		73,171	70,920	70,920	2,251
Tax increment financing	104,361		104,361	104,158	104,158	203
Other city tax	21,456		21,456	25,680	25,680	(4,224)
Licenses and permits	1,542		1,542	1,215	1,215	327
Use of money and property	16,765	872	17,637	1,435	1,435	16,202
Intergovernmental	72,983		72,983	66,218	78,511	(5,528)
Charges for services	64	467,195	467,259	506,845	510,485	(43,226)
Miscellaneous	22,015		22,015	10,300	57,407	(35,392)
Total receipts	312,357	468,067	780,424	786,771	849,811	(69,387)
Disbursements:						
Public safety	28,589		28,589	29,231	29,231	642
Public works	19,668		19,668	31,004	45,004	25,336
Culture and recreation	54,826		54,826	49,129	55,669	843
Community and economic development	91,200		91,200	91,239	94,700	3,500
General government	55,735		55,735	63,517	63,517	7,782
Debt service	29,647		29,647	29,648	29,648	1
Capital projects	62,322		62,322	6,200	55,900	(6,422)
Business type activities		411,748	411,748	477,077	498,877	87,129
Total disbursements	341,987	411,748	753,735	777,045	872,546	118,811
Excess (deficiency) of receipts over (under) disbursements	(29,630)	56,319	26,689	9,726	(22,735)	49,424
Other financing sources, net	20,316	(20,316)		16,740	16,740	(16,740)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(9,314)	36,003	26,689	26,466	(5,995)	32,684
Balances beginning of year	104,230	474,821	579,051	516,052	516,052	62,999
Balances end of year	\$ 94,916	510,824	605,740	542,518	510,057	95,683

See accompanying independent auditor's report.

City of Corwith

Notes to Other Information – Budgetary Reporting

June 30, 2016

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 the Internal Service Fund. 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 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 \$95,501. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements exceeded the amounts budgeted for capital projects.

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

Iowa Public Employees' Retirement System  
Last Fiscal Year\*

Other Information

	<u>2016</u>
City's proportion of the net pension liability	.0012390%
City's proportionate share of the net pension liability	\$ 61,211
City's covered-employee payroll	\$ 84,880
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.13%
IPERS' net position as a percentage of the total pension liability	85.19%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Corwith  
Schedule of City Contributions

Iowa Public Employees' Retirement System  
Last 8 Fiscal Years

Other Information

	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contribution	\$ 8,204	7,580	7,316	7,247	5,848	4,947	4,672	5,927
Contributions in relation to the statutorily required contribution	(8,204)	(7,580)	(7,316)	(7,247)	(5,848)	(4,947)	(4,672)	(5,927)
Contribution deficiency (excess)	<hr/> <hr/>							
City's covered-employee payroll	\$ 91,867	84,880	81,932	83,588	72,462	71,178	70,250	84,606
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	7.01%

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 Corwith

Notes to Other Information – Pension Liability

Year ended June 30, 2016

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.

Legislative action in 2008 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.

Changes of assumptions:

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

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

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

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

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

SUPPLEMENTARY INFORMATION

## City of Corwith

## Schedule of Indebtedness

Year ended June 30, 2016

Obligation	Date of Issue	Interest Rate	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General Obligation:								
City Hall/Library	12/1/2003	5.00%	\$ 150,000	\$ 59,000		11,000	48,000	2,050
Revenue Bonds/notes:								
Post office lease participation note	9/30/2004	6.50 (A)	150,000	59,632		12,203	47,429	3,494
Total revenue bonds/debt				\$ 59,632		12,203	47,429	3,494

(A) Refinanced effective July 1, 2016 to 5%.

See accompanying independent auditor's report.

## City of Corwith

## Bond and Note Maturities

June 30, 2016

Year Ending June 30,	GENERAL OBLIGATION			
	City Hall/ Library Issued December 1, 2003		Post Office Issued September 30, 2004	
	Interest Rates	Amount	Interest Rates	Amount
2017	5.00%	\$ 11,000	5.00	13,552
2018	5.00	12,000	5.00	14,309
2019	5.00	12,000	5.00	15,051
2020	5.00	13,000	5.00	4,517
<b>Total</b>		<b>\$ 48,000</b>		<b>47,429</b>

See accompanying independent auditor's report.



# Renner & Birchem, PC

Certified Public Accountants

*"Where people who care make the difference"*

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

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in 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 City of Corwith, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 6, 2016. Our report expressed modified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles, since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2015.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Corwith's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-16 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-16 to be a significant deficiency.

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### City of Corwith's Responses to Findings

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

### Purpose of this Report

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

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

October 6, 2016

  
Renner & Birchem, P.C.  
Britt, Iowa

City of Corwith  
Schedule of Findings  
Year Ended June 30, 2016

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

**Internal Control Deficiencies:**

I-A-16 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts functions and the cash disbursement functions are all done by the same person.

Recommendation - We realize that with a limited number of employees segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate this.

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.

I-B-16 Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or similar, situation arises.

Response – The City will investigate the possibility of obtaining or developing an accounting policies and procedures manual.

Conclusion – Response accepted.

**Instances of Non – Compliance:**

No matters were noted.

City of Corwith

Schedule of Findings

Year Ended June 30, 2016

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

II-A-16 Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the capital projects activities function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should 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 in the future, if applicable.

Conclusion – Response accepted.

II-B-16 Questionable Disbursements – Except as noted below, no disbursements that do not meet the requirements of public purpose as defined in Attorney General’s opinion dated April 25, 1979 were noted.

Sales tax was paid on certain credit card transactions. No 1099-MISC was issued for payment of grant writer fees of \$1,500 for the fire department.

Recommendation – The City should not be paying sales tax on any transactions. Proper issuance of 1099’s should be adhered to in order to avoid penalties.

Response – The City will request exemption from sales tax on credit card transactions. The Clerk was not made aware of the \$1,500 payment requiring form 1099-MISC until late in fiscal year.

Conclusion – Response accepted.

II-C-16 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-16 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>
David Wagner, Mayor	Mowing	\$8,575
Wade Nall, Council Member	Mowing	150

City of Corwith

Schedule of Findings

Year Ended June 30, 2016

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

The transaction with the mayor does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(3) (d) of the Code of Iowa. In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transaction with the city council member does not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year.

- II-E-16 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.
- II-F-16 Council Minutes - No transactions were found that we believe should have been approved in the council minutes but were not.
- II-G-16 Deposits and Investments – Except as noted below, no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- II-H-16 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.