

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

June 21, 2013

Contact: Andy Nielsen
515/281-5834

The Office of Auditor of State today released an audit report on the City of Central City, Iowa.

The City's receipts totaled \$1,407,579 for the year ended June 30, 2012. The receipts included \$336,311 from charges for service, \$323,225 from operating grants, contributions and restricted interest, \$291,788 in property tax, \$202,917 from tax increment financing, \$148,899 from local option sales tax, \$7,656 from unrestricted interest on investments, \$85,000 from sewer bond proceeds and \$11,783 from other general receipts.

Disbursements for the year totaled \$2,460,656, and included \$1,022,005 for capital projects, \$447,377 for debt service and \$215,698 for public works. Also, disbursements for business type activities totaled \$298,260.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1221-0541-B00F.pdf>.

###

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

JUNE 30, 2012

Table of Contents

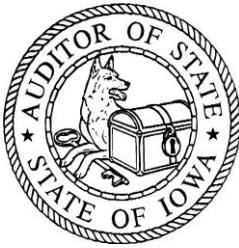
| | | <u>Page</u> |
|--|-----------------|-------------|
| Officials | | 3 |
| Independent Auditor’s Report | | 5-6 |
| Management’s Discussion and Analysis | | 7-12 |
| Basic Financial Statements: | <u>Exhibit</u> | |
| Government-wide Financial Statement: | | |
| Statement of Activities and Net Assets – Cash Basis | A | 14-15 |
| Governmental Fund Financial Statement: | | |
| Statement of Cash Receipts, Disbursements and Changes in Cash Balances | B | 16-17 |
| Proprietary Fund Financial Statement: | | |
| Statement of Cash Receipts, Disbursements and Changes in Cash Balances | C | 19 |
| Notes to Financial Statements | | 20-26 |
| Other Information: | | |
| Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds | | 28-29 |
| Notes to Other Information – Budgetary Reporting | | 30 |
| Supplementary Information: | <u>Schedule</u> | |
| Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds | 1 | 32-33 |
| Schedule of Indebtedness | 2 | 34-35 |
| Bond and Note Maturities | 3 | 36-37 |
| 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 <u>Government Auditing Standards</u> | | 39-40 |
| Schedule of Findings | | 41-43 |
| Staff | | 44 |

City of Central City

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|------------------------------|--------------------|---------------------|
| (Before January 2012) | | |
| Don Gray | Mayor | Jan 2012 |
| Jason Levenhagen | Council Member | Jan 2012 |
| Mike Robinson | Council Member | Jan 2012 |
| Chris Arthur | Council Member | Jan 2014 |
| Michelle Curtis | Council Member | Jan 2014 |
| Ray Taylor | Council Member | Jan 2014 |
| LaNeil McFadden | City Administrator | Indefinite |
| William J. Sueppel | Attorney | Indefinite |
| (After January 2012) | | |
| Don Gray | Mayor | Jan 2016 |
| Chris Arthur | Council Member | Jan 2014 |
| Michelle Curtis | Council Member | Jan 2014 |
| Ray Taylor | Council Member | Jan 2014 |
| Jason Levenhagen | Council Member | Jan 2016 |
| Mike Robinson | Council Member | Jan 2016 |
| LaNeil McFadden | City Administrator | Indefinite |
| William J. Sueppel | Attorney | Indefinite |

City of Central City



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Central City, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Central City's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2011.

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, 2011, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Central City as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated May 31, 2013 on our consideration of the City of Central City's internal control over financial reporting and 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 and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Central City's basic financial statements. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. 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, 2011, as discussed in the third paragraph, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Central City's basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 28 through 30 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on it.



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 31, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Central City 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, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

2012 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities decreased 61%, or approximately \$1,110,000, due to increased disbursements for capital projects in fiscal year 2012.
- The cash basis net assets of the City's business type activities increased 47.8%, or approximately \$57,000, due to increased water and sewer rates and decreased disbursements in fiscal year 2012.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. 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.

Supplementary Information provides detailed information about the nonmajor governmental 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 Statement of Activities and Net Assets reports information which helps answer this question.

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

The Statement of Activities and Net Assets 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 City's 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 and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

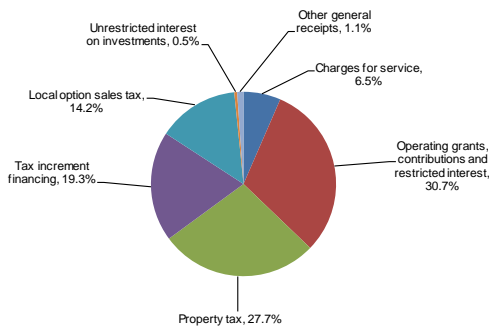
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

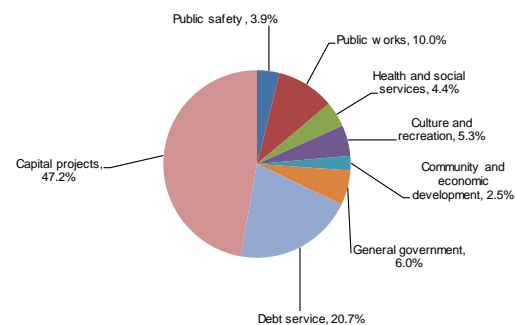
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased 61%, or \$1,110,415 from a year ago. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

| Changes in Cash Basis Net Assets of Governmental Activities | |
|---|-----------------------------|
| | Year ended June 30, 2012 |
| Receipts: | |
| Program receipts: | |
| Charges for service | \$ 68,250 |
| Operating grants, contributions and restricted interest | 323,225 |
| General receipts: | |
| Property tax | 291,788 |
| Tax increment financing | 202,917 |
| Local option sales tax | 148,899 |
| Unrestricted interest on investments | 5,119 |
| Other general receipts | 11,783 |
| Total receipts | <u>1,051,981</u> |
| Disbursements: | |
| Public safety | 83,419 |
| Public works | 215,698 |
| Health and social services | 94,833 |
| Culture and recreation | 115,541 |
| Community and economic development | 54,577 |
| General government | 128,946 |
| Debt service | 447,377 |
| Capital projects | 1,022,005 |
| Total disbursements | <u>2,162,396</u> |
| Change in cash basis net assets | (1,110,415) |
| Cash basis net assets beginning of year | 1,822,140 |
| Cash basis net assets end of year | <u>\$ 711,725</u> |

Receipts by Source



Disbursements by Function



| Changes in Cash Basis Net Assets of Business Type Activities | |
|--|-----------------------------|
| | Year ended June 30, 2012 |
| Receipts: | |
| Program receipts: | |
| Charges for service: | |
| Water | \$ 127,422 |
| Sewer | 140,639 |
| General receipts: | |
| Unrestricted interest on investments | 2,537 |
| Bond proceeds | 85,000 |
| Total receipts | <u>355,598</u> |
| Disbursements: | |
| Water | 87,509 |
| Sewer | 210,751 |
| Total disbursements | <u>298,260</u> |
| Change in cash basis net assets | 57,338 |
| Cash basis net assets beginning of year | <u>119,987</u> |
| Cash basis net assets end of year | <u>\$ 177,325</u> |

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Central City completed the year, its governmental funds reported a combined fund balance of \$711,725, a decrease of \$1,110,415 below last year's total of \$1,822,140. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$44,251 over the prior year to \$297,156. The increase was due to an increase in local option sales tax over the prior year. The City intends to use these receipts to help offset future property tax increases.
- The Special Revenue, Road Use Tax Fund cash balance was \$16,754 at the end of the fiscal year, a decrease of \$4,588 from the previous year. The decrease was due to an increase in street seal coating.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance was \$133,247 at the end of the fiscal year, a decrease of \$87,329 from the previous year. The decrease was the result of development activity and transfers to the Debt Service Fund to repay tax increment financing (TIF) debt.
- The Debt Service Fund did not have a cash balance at year end. Transfers to the Debt Service Fund equaled the debt service payments for the fiscal year.
- The Capital Projects Fund cash balance decreased \$1,071,298 from the prior year to \$89,776 at the end of the fiscal year. This decrease was primarily due to Main Street East construction project disbursements during the year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$39,949 to \$109,743 during the fiscal year.
- The Enterprise, Sewer Fund cash balance increased \$17,389 to \$67,582 during the fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on April 11, 2012 and resulted in an increase in various disbursement functions and in receipts, primarily relating to the issuance of \$85,000 of general obligation sanitary sewer bonds.

The City's receipts were \$67,714 more than budgeted. This was primarily due to an increase in intergovernmental receipts.

Even with the budget amendment, total disbursements were \$4,482 more than the amended budget. However, actual disbursements for the general government, community and economic development and capital projects functions were \$13,064, \$32,423 and \$27,995 respectively, less than the amended budget. This was primarily due to general government civic center maintenance and Central City beautification not expending as planned, community and economic development not receiving a grant for main street construction and capital projects not purchasing new equipment.

The City exceeded the amounts budgeted in the public works, health and social services, debt service and business type activities functions for the year ended June 30, 2012 due to the public works department seal coating a greater amount of streets than anticipated, health and social services senior dining mileage reimbursement and food prices increased, not budgeting enough for debt service and the business type activities water and sewer capital funds not being budgeted.

DEBT ADMINISTRATION

At June 30, 2012, the City had \$2,579,366 of bonds/notes outstanding, compared to \$2,900,047 last year, as shown below.

| | Outstanding Debt at Year-End | |
|--------------------------------|------------------------------|------------------|
| | June 30, | |
| | 2012 | 2011 |
| General obligation bonds/notes | \$ 1,855,000 | 2,165,000 |
| Revenue notes | 724,366 | 735,047 |
| Total | <u>\$ 2,579,366</u> | <u>2,900,047</u> |

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 \$1,855,000 is below its constitutional debt limit of \$3,053,338.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Central City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates and fees charged for various City activities.

These indicators were taken into account when adopting the budget for fiscal year 2013. Amounts available for appropriation in the operating budget are \$1,752,983, a decrease of 25% from the final fiscal year 2012 budget. The City has added no major new programs or initiatives to the fiscal year 2013 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$7,600 by the close of fiscal year 2013.

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 LaNeil McFadden, City Administrator, 137 4th Street N, Central City, Iowa 52214.

Basic Financial Statements

City of Central City

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2012

| | Disbursements | Program Receipts | |
|------------------------------------|---------------|---------------------|---|
| | | Charges for Service | Operating Grants, Contributions and Restricted Interest |
| Functions/Programs: | | | |
| Governmental activities: | | | |
| Public safety | \$ 83,419 | 3,527 | 38,227 |
| Public works | 215,698 | 61,907 | 119,228 |
| Health and social services | 94,833 | - | 136,782 |
| Culture and recreation | 115,541 | 713 | 28,988 |
| Community and economic development | 54,577 | 2,103 | - |
| General government | 128,946 | - | - |
| Debt service | 447,377 | - | - |
| Capital projects | 1,022,005 | - | - |
| Total governmental activities | 2,162,396 | 68,250 | 323,225 |
| Business type activities: | | | |
| Water | 87,509 | 127,422 | - |
| Sewer | 210,751 | 140,639 | - |
| Total business type activities | 298,260 | 268,061 | - |
| Total | \$ 2,460,656 | 336,311 | 323,225 |

General Receipts:

Property and other city tax levied for general purposes
Tax increment financing
Local option sales tax
Unrestricted interest on investments
Bond proceeds
Miscellaneous
Total general receipts
Change in cash basis net assets
Cash basis net assets beginning of year
Cash basis net assets end of year

Cash Basis Net Assets

Restricted:
Streets
Urban renewal purposes
Debt service
Capital projects
Other purposes
Unrestricted

Total cash basis net assets

See notes to financial statements.

| Net (Disbursements) Receipts and Changes in Cash Basis Net Assets | | |
|--|-----------------------------|-------------|
| Governmental Activities | Business Type Activities | Total |
| (41,665) | - | (41,665) |
| (34,563) | - | (34,563) |
| 41,949 | - | 41,949 |
| (85,840) | - | (85,840) |
| (52,474) | - | (52,474) |
| (128,946) | - | (128,946) |
| (447,377) | - | (447,377) |
| (1,022,005) | - | (1,022,005) |
| (1,770,921) | - | (1,770,921) |
| - | 39,913 | 39,913 |
| - | (70,112) | (70,112) |
| - | (30,199) | (30,199) |
| (1,770,921) | (30,199) | (1,801,120) |
| 291,788 | - | 291,788 |
| 202,917 | - | 202,917 |
| 148,899 | - | 148,899 |
| 5,119 | 2,537 | 7,656 |
| - | 85,000 | 85,000 |
| 11,783 | - | 11,783 |
| 660,506 | 87,537 | 748,043 |
| (1,110,415) | 57,338 | (1,053,077) |
| 1,822,140 | 119,987 | 1,942,127 |
| \$ 711,725 | 177,325 | 889,050 |
| \$ 16,754 | - | 16,754 |
| 133,247 | - | 133,247 |
| 40,810 | - | 40,810 |
| 89,776 | - | 89,776 |
| 133,982 | - | 133,982 |
| 297,156 | 177,325 | 474,481 |
| \$ 711,725 | 177,325 | 889,050 |

City of Central City

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

As of and for the year ended June 30, 2012

| | Special Revenue | | |
|--|-----------------|--------------------|-----------------------------------|
| | General | Road Use Tax | Urban Renewal Tax Increment |
| Receipts: | | | |
| Property tax | \$ 240,987 | - | - |
| Tax increment financing | - | - | 202,917 |
| Local option sales tax | 148,899 | - | - |
| Licenses and permits | 10,173 | - | - |
| Use of money and property | 11,705 | - | 378 |
| Intergovernmental | 111,888 | 119,228 | - |
| Charges for service | 62,620 | - | - |
| Miscellaneous | 7,266 | - | - |
| Total receipts | 593,538 | 119,228 | 203,295 |
| Disbursements: | | | |
| Operating: | | | |
| Public safety | 51,782 | - | - |
| Public works | 70,991 | 123,816 | - |
| Health and social services | 84,212 | - | - |
| Culture and recreation | 108,047 | - | - |
| Community and economic development | 7,012 | - | 47,565 |
| General government | 115,885 | - | - |
| Debt service | - | - | - |
| Capital projects | - | - | - |
| Total disbursements | 437,929 | 123,816 | 47,565 |
| Excess (deficiency) of receipts over (under) disbursements | 155,609 | (4,588) | 155,730 |
| Other financing sources (uses): | | | |
| Operating transfers in | - | - | 50,000 |
| Operating transfers out | (111,358) | - | (293,059) |
| Total other financing sources (uses) | (111,358) | - | (243,059) |
| Change in cash balances | 44,251 | (4,588) | (87,329) |
| Cash balances beginning of year | 252,905 | 21,342 | 220,576 |
| Cash balances end of year | \$ 297,156 | 16,754 | 133,247 |
| Cash Basis Fund Balances | | | |
| Restricted for: | | | |
| Streets | \$ - | 16,754 | - |
| Urban renewal purposes | - | - | 133,247 |
| Debt Service | - | - | - |
| Capital projects | - | - | - |
| Other purposes | - | - | - |
| Unassigned | 297,156 | - | - |
| Total cash basis fund balances | \$ 297,156 | 16,754 | 133,247 |

See notes to financial statements.

| Debt Service | Capital Projects | Nonmajor | Total |
|--------------|------------------|----------|-------------|
| - | - | 50,801 | 291,788 |
| - | - | - | 202,917 |
| - | - | - | 148,899 |
| - | - | - | 10,173 |
| - | 707 | 718 | 13,508 |
| - | - | 44,755 | 275,871 |
| - | - | - | 62,620 |
| - | - | 38,939 | 46,205 |
| - | 707 | 135,213 | 1,051,981 |
| - | - | 31,637 | 83,419 |
| - | - | 20,891 | 215,698 |
| - | - | 10,621 | 94,833 |
| - | - | 7,494 | 115,541 |
| - | - | - | 54,577 |
| - | - | 13,061 | 128,946 |
| 404,417 | - | 42,960 | 447,377 |
| - | 1,022,005 | - | 1,022,005 |
| 404,417 | 1,022,005 | 126,664 | 2,162,396 |
| (404,417) | (1,021,298) | 8,549 | (1,110,415) |
| 404,417 | - | - | 454,417 |
| - | (50,000) | - | (454,417) |
| 404,417 | (50,000) | - | - |
| - | (1,071,298) | 8,549 | (1,110,415) |
| - | 1,161,074 | 166,243 | 1,822,140 |
| - | 89,776 | 174,792 | 711,725 |
| - | - | - | 16,754 |
| - | - | - | 133,247 |
| - | - | 40,810 | 40,810 |
| - | 89,776 | - | 89,776 |
| - | - | 133,982 | 133,982 |
| - | - | - | 297,156 |
| - | 89,776 | 174,792 | 711,725 |

City of Central City

City of Central City

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

As of and for the year ended June 30, 2012

| | Enterprise | | |
|--|------------|----------|----------|
| | Water | Sewer | Total |
| Operating receipts: | | | |
| Charges for service | \$ 127,422 | 140,639 | 268,061 |
| Operating disbursements: | | | |
| Business type activities | 87,509 | 89,629 | 177,138 |
| Excess of operating receipts over operating disbursements | 39,913 | 51,010 | 90,923 |
| Non-operating receipts (disbursements): | | | |
| Interest on investments | 36 | 2,501 | 2,537 |
| General obligation bond proceeds | - | 85,000 | 85,000 |
| Debt service | - | (40,410) | (40,410) |
| Capital outlay | - | (80,712) | (80,712) |
| Net non-operating receipts (disbursements) | 36 | (33,621) | (33,585) |
| Change in cash balances | 39,949 | 17,389 | 57,338 |
| Cash balances beginning of year | 69,794 | 50,193 | 119,987 |
| Cash balances end of year | \$ 109,743 | 67,582 | 177,325 |
| Cash Basis Fund Balances | | | |
| Unrestricted | \$ 109,743 | 67,582 | 177,325 |

See notes to financial statements.

City of Central City

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

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

These financial statements present the City of Central City (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational financial relationship with the City.

Blended Component Unit

The Central City Fire Department Volunteers, Inc. has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa for the purpose of providing volunteer rescue services and firefighting services to the Central City area. The corporation is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds.

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: Linn County Assessor's Conference Board, City Assessor's

Conference Board, Linn County Emergency Management Commission, Linn County Landfill Commission and Linn County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets 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 Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts 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 Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the payment of debt for urban renewal projects.

The Debt Service Fund is utilized to account 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, with the exception of those financed through enterprise funds.

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.

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 assets 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.

D. Governmental Cash Basis Fund Balances

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

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

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the public works, health and social services, debt service and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Bonds and Notes Payable

In November 2011, the City issued \$85,000 of general obligation sanitary sewer bonds to pay for the cost of improvements to the City's sewage treatment facilities.

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

| Year Ending June 30, | General Obligation Bonds | | Revenue Notes | | Total | |
|----------------------------|-----------------------------|----------|---------------|----------|-----------|----------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2013 | \$ 245,000 | 45,766 | 11,251 | 31,709 | 256,251 | 77,475 |
| 2014 | 205,000 | 42,435 | 11,756 | 31,204 | 216,756 | 73,639 |
| 2015 | 210,000 | 38,515 | 12,284 | 30,676 | 222,284 | 69,191 |
| 2016 | 220,000 | 33,745 | 12,754 | 30,206 | 232,754 | 63,951 |
| 2017 | 220,000 | 28,058 | 13,411 | 29,549 | 233,411 | 57,607 |
| 2018 - 2022 | 755,000 | 48,611 | 76,576 | 138,224 | 831,576 | 186,835 |
| 2023 - 2027 | - | - | 95,421 | 119,379 | 95,421 | 119,379 |
| 2028 - 2032 | - | - | 118,864 | 95,936 | 118,864 | 95,936 |
| 2033 - 2037 | - | - | 148,203 | 66,598 | 148,203 | 66,598 |
| 2038 - 2042 | - | - | 184,702 | 30,098 | 184,702 | 30,098 |
| 2043 | - | - | 39,144 | 883 | 39,144 | 883 |
| Total | \$ 1,855,000 | 237,130 | 724,366 | 604,462 | 2,579,366 | 841,592 |

Child Care Facility Revenue Notes

The City has pledged future customer receipts, net of specified operating disbursements, to repay \$790,000 of child care facility revenue notes issued in January 2004. Proceeds from the notes provided financing for the construction and furnishing of a child care facility. The notes are payable solely from customer net receipts and are payable through 2043. The total principal and interest remaining to be paid on the notes is \$1,328,828. For the current year, principal and interest paid and total customer net receipts were \$42,960 and \$44,886, respectively.

Annual principal and interest payments on the revenue notes are expected to require 96% of net receipts.

The resolution providing for the issuance of the revenue notes includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the ABC Childcare facility and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made by ABC Childcare to a revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers shall be made to a reserve account until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying, at maturity, principal or interest on the notes when insufficient money shall be available in the sinking account.
- (d) The source of payment is limited to revenues generated by the daycare facility and the notes do not constitute a general obligation of the City and should not be paid in any way from taxation.
- (e) The City is to enter into a Management and Use Payment Agreement with the Central City Community School District to provide for the use, management and operation of the daycare facility by the School. The agreement was signed on January 22, 2004.

(4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2012 was \$19,377, equal to the required contribution for the year.

(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 six 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 Wellmark. Retirees under age 65 would pay the same premium for 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 \$643 for single coverage, \$1,192 for 2-person coverage, and \$1,004 for family coverage. For the year ended June 30, 2012, the City contributed 80%, or \$26,999, and the employees contributed 20%, or \$6,563 to the plan for a total of \$33,562.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time 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, sick leave and compensatory time termination payments payable to employees at June 30, 2012, primarily relating to the General Fund, is as follows:

| Type of Benefit | Amount |
|-------------------|------------------|
| Vacation | \$ 5,700 |
| Sick leave | 12,700 |
| Compensatory time | <u>3,300</u> |
| Total | <u>\$ 21,700</u> |

These liabilities have been computed based on rates of pay in effect at June 30, 2012.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

| Transfer to | Transfer from | Amount |
|---|---|-------------------|
| Debt Service | General | \$ 111,358 |
| Debt Service | Special Revenue: Urban Renewal Tax Increment | 293,059 |
| Special Revenue: Urban Renewal Tax Increment | Special Revenue: Capital Projects | <u>50,000</u> |
| Total | | <u>\$ 454,417</u> |

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

(8) Development Agreement

The City has entered into a development agreement to assist urban renewal projects.

The City agreed to rebate 65.29% of the incremental property tax paid by the developer in exchange for the construction of certain public improvements related to the development of housing. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated for a period of fifteen years, beginning November 17, 1997. The total to be paid by the City under this agreement is not to exceed \$900,000.

During the year ended June 30, 2012, the City rebated \$38,565 of incremental property tax under this agreement. The maximum remaining balance for this agreement at June 30, 2012 was \$221,373.

(9) 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.

(10) Construction Contract

The City entered into a contract totaling \$1,136,836 for the Main Street East Construction Project. The City made payments totaling \$226,459 in the prior year and \$831,014 during fiscal year 2012. The balance remaining on the contract at June 30, 2012 totaled \$79,363.

(11) Contract With Heritage Area Agency on Aging

The City is a subcontractor to the Heritage Agency on Aging of Kirkwood Community College. The City agreed to provide nutrition service at the facility located in Central City. The contractor reimbursed the City \$80,540 for actual expenses incurred under the terms of the contract for the year ended June 30, 2012.

Other Information

City of Central City
 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, 2012

| | Governmental Funds Actual | Proprietary Funds Actual | Less Funds not Reuired to be Budgeted |
|---|---------------------------------|--------------------------------|--|
| Receipts: | | | |
| Property tax | \$ 291,788 | - | - |
| Tax increment financing | 202,917 | - | - |
| Local option sales tax | 148,899 | - | - |
| Licenses and permits | 10,173 | - | - |
| Use of money and property | 13,508 | 2,537 | - |
| Intergovernmental | 275,871 | - | - |
| Charges for service | 62,620 | 268,061 | - |
| Miscellaneous | 46,205 | - | 38,227 |
| Total receipts | 1,051,981 | 270,598 | 38,227 |
| Disbursements: | | | |
| Public safety | 83,419 | - | 31,637 |
| Public works | 215,698 | - | - |
| Health and social services | 94,833 | - | - |
| Culture and recreation | 115,541 | - | - |
| Community and economic development | 54,577 | - | - |
| General government | 128,946 | - | - |
| Debt service | 447,377 | - | - |
| Capital projects | 1,022,005 | - | - |
| Business type activities | - | 298,260 | - |
| Total disbursements | 2,162,396 | 298,260 | 31,637 |
| Excess (deficiency) of receipts over (under) disbursements | (1,110,415) | (27,662) | 6,590 |
| Other financing sources, net | - | 85,000 | - |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | (1,110,415) | 57,338 | 6,590 |
| Balances beginning of year | 1,822,140 | 119,987 | 5,382 |
| Balances end of year | \$ 711,725 | 177,325 | 11,972 |

See accompanying independent auditor's report.

| Total | Budgeted Amounts | | Final to Total Variance |
|-------------|------------------|-------------|-------------------------------|
| | Original | Final | |
| 291,788 | 285,877 | 285,877 | 5,911 |
| 202,917 | 213,000 | 213,000 | (10,083) |
| 148,899 | 117,457 | 117,457 | 31,442 |
| 10,173 | 3,725 | 3,725 | 6,448 |
| 16,045 | 17,950 | 17,950 | (1,905) |
| 275,871 | 233,829 | 233,829 | 42,042 |
| 330,681 | 336,700 | 336,700 | (6,019) |
| 7,978 | 8,100 | 8,100 | (122) |
| 1,284,352 | 1,216,638 | 1,216,638 | 67,714 |
| 51,782 | 57,976 | 57,976 | 6,194 |
| 215,698 | 201,541 | 211,541 | (4,157) |
| 94,833 | 83,691 | 92,691 | (2,142) |
| 115,541 | 107,797 | 127,797 | 12,256 |
| 54,577 | 87,000 | 87,000 | 32,423 |
| 128,946 | 132,010 | 142,010 | 13,064 |
| 447,377 | 374,818 | 415,818 | (31,559) |
| 1,022,005 | 1,050,000 | 1,050,000 | 27,995 |
| 298,260 | 239,704 | 239,704 | (58,556) |
| 2,429,019 | 2,334,537 | 2,424,537 | (4,482) |
| (1,144,667) | (1,117,899) | (1,207,899) | 63,232 |
| 85,000 | - | 85,000 | - |
| (1,059,667) | (1,117,899) | (1,122,899) | 63,232 |
| 1,936,745 | 1,851,524 | 1,851,524 | 85,221 |
| 877,078 | 733,625 | 728,625 | 148,453 |

City of Central City

Notes to Other Information – Budgetary Reporting

June 30, 2012

The budgetary comparison is presented as Other Information 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 blended component unit. 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 \$90,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the public works, health and social services, debt service and business type activities functions.

Supplementary Information

City of Central City

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

As of and for the year ended June 30, 2012

| | Special | |
|---------------------------------|----------------------|-------------------|
| | Employee Benefits | Building Trust |
| Receipts: | | |
| Property tax | \$ 50,801 | - |
| Use of money and property | - | - |
| Intergovernmental | - | - |
| Miscellaneous | - | - |
| Total receipts | <u>50,801</u> | <u>-</u> |
| Disbursements: | | |
| Operating: | | |
| Public safety | - | - |
| Public works | 20,891 | - |
| Health and social services | 10,621 | - |
| Culture and recreation | 6,228 | 1,247 |
| General government | 13,061 | - |
| Debt service | - | - |
| Total disbursements | <u>50,801</u> | <u>1,247</u> |
| Change in cash balances | - | (1,247) |
| Cash balances beginning of year | - | 96,872 |
| Cash balances end of year | <u>\$ -</u> | <u>95,625</u> |
| Cash Basis Fund Balances | | |
| Restricted for: | | |
| Debt service | - | - |
| Other purposes | - | 95,625 |
| Total cash basis fund balances | <u>\$ -</u> | <u>95,625</u> |

See accompanying independent auditor's report.

| Revenue | | | |
|------------------|----------------|----------------------------------|---------|
| Library Trust | ABC Daycare | Fire Department Volunteers | Total |
| - | - | - | 50,801 |
| 587 | 131 | - | 718 |
| - | 44,755 | - | 44,755 |
| 712 | - | 38,227 | 38,939 |
| 1,299 | 44,886 | 38,227 | 135,213 |
| - | - | 31,637 | 31,637 |
| - | - | - | 20,891 |
| - | - | - | 10,621 |
| 19 | - | - | 7,494 |
| - | - | - | 13,061 |
| - | 42,960 | - | 42,960 |
| 19 | 42,960 | 31,637 | 126,664 |
| 1,280 | 1,926 | 6,590 | 8,549 |
| 25,105 | 38,884 | 5,382 | 166,243 |
| 26,385 | 40,810 | 11,972 | 174,792 |
| - | 40,810 | - | 40,810 |
| 26,385 | - | 11,972 | 133,982 |
| 26,385 | 40,810 | 11,972 | 174,792 |

City of Central City
 Schedule of Indebtedness
 Year ended June 30, 2012

| Obligation | Date of Issue | Interest Rates | Amount Originally Issued |
|---------------------------------------|---------------|----------------|--------------------------|
| General obligation bonds/notes: | | | |
| Corporate purpose and refunding notes | Jul 1, 2004 | 2.00-4.30 % | \$ 745,000 |
| Street improvement bonds | June 24, 2009 | 1.50-4.10 | 900,000 |
| Corporate purpose and refunding bonds | June 8, 2011 | .50-2.75 | 1,270,000 |
| Sanitary sewer bonds | Nov 9, 2011 | .90-1.00 | 85,000 |
| Total | | | |
| Revenue notes: | | | |
| Childcare center | Jan 22, 2004 | 4.50 % | \$ 500,000 |
| Childcare center | Jan 22, 2004 | 4.25 | 290,000 |
| Total | | | |

See accompanying independent auditor's report.

| Balance Beginning of Year | Issued During Year | Redeemed During Year | Balance End of Year | Interest Paid |
|---------------------------------|--------------------------|----------------------------|---------------------------|------------------|
| \$ 155,000 | - | 155,000 | - | 818 |
| 740,000 | - | 85,000 | 655,000 | 25,858 |
| 1,270,000 | - | 115,000 | 1,155,000 | 21,541 |
| - | 85,000 | 40,000 | 45,000 | 410 |
| <u>\$ 2,165,000</u> | <u>85,000</u> | <u>395,000</u> | <u>1,855,000</u> | <u>48,627</u> |
| \$ 465,854 | - | 6,655 | 459,199 | 20,885 |
| 269,193 | - | 4,026 | 265,167 | 11,394 |
| <u>\$ 735,047</u> | <u>-</u> | <u>10,681</u> | <u>724,366</u> | <u>32,279</u> |

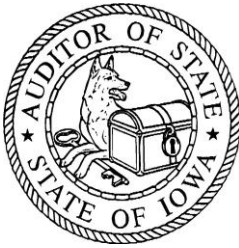
City of Central City
 Bond and Note Maturities
 June 30, 2012

| Year Ending June 30, | General Obligation Bonds | | | | | | | Total |
|----------------------------|--------------------------|-------------------|------------------------------------|---------------------|--------------------|------------------|------------------|-------|
| | Street Improvement | | Corporate Purpose and Refunding | | Sanitary Sewer | | | |
| | Issued Jun 24, 2009 | | Issued Jun 8, 2011 | | Issued Nov 9, 2011 | | | |
| | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount | | |
| 2013 | 2.80% | \$ 85,000 | 0.75% | \$ 115,000 | 1.00% | \$ 45,000 | 245,000 | |
| 2014 | 3.20 | 85,000 | 1.00 | 120,000 | - | - | 205,000 | |
| 2015 | 3.05 | 90,000 | 1.35 | 120,000 | - | - | 210,000 | |
| 2016 | 3.75 | 95,000 | 1.70 | 125,000 | - | - | 220,000 | |
| 2017 | 3.85 | 95,000 | 1.95 | 125,000 | - | - | 220,000 | |
| 2018 | 4.00 | 100,000 | 2.20 | 130,000 | - | - | 230,000 | |
| 2019 | 4.10 | 105,000 | 2.40 | 135,000 | - | - | 240,000 | |
| 2020 | | | 2.55 | 140,000 | - | - | 140,000 | |
| 2021 | | | 2.75 | 145,000 | - | - | 145,000 | |
| 2022 | | - | | - | - | - | - | |
| 2023 | | - | | - | - | - | - | |
| 2024 | | - | | - | - | - | - | |
| 2025 | | - | | - | - | - | - | |
| 2026 | | - | | - | - | - | - | |
| 2027 | | - | | - | - | - | - | |
| 2028 | | - | | - | - | - | - | |
| 2029 | | - | | - | - | - | - | |
| 2030 | | - | | - | - | - | - | |
| 2031 | | - | | - | - | - | - | |
| 2032 | | - | | - | - | - | - | |
| 2033 | | - | | - | - | - | - | |
| 2034 | | - | | - | - | - | - | |
| 2035 | | - | | - | - | - | - | |
| 2036 | | - | | - | - | - | - | |
| 2037 | | - | | - | - | - | - | |
| 2038 | | - | | - | - | - | - | |
| 2039 | | - | | - | - | - | - | |
| 2040 | | - | | - | - | - | - | |
| 2041 | | - | | - | - | - | - | |
| 2042 | | - | | - | - | - | - | |
| 2043 | | - | | - | - | - | - | |
| Total | | <u>\$ 655,000</u> | | <u>\$ 1,155,000</u> | | <u>\$ 45,000</u> | <u>1,855,000</u> | |

See accompanying independent auditor's report.

| Revenue Notes | | | | | |
|---------------------|-------------------|--|---------------------|-------------------|----------------|
| Childcare | | | Childcare | | |
| Issued Jan 22, 2004 | | | Issued Jan 22, 2004 | | |
| Interest Rates | Amount | | Interest Rates | Amount | Total |
| 4.50% | \$ 7,019 | | 4.25% | \$ 4,232 | 11,251 |
| 4.50 | 7,341 | | 4.25 | 4,415 | 11,756 |
| 4.50 | 7,678 | | 4.25 | 4,606 | 12,284 |
| 4.50 | 7,977 | | 4.25 | 4,777 | 12,754 |
| 4.50 | 8,398 | | 4.25 | 5,013 | 13,411 |
| 4.50 | 8,783 | | 4.25 | 5,230 | 14,013 |
| 4.50 | 9,187 | | 4.25 | 5,457 | 14,644 |
| 4.50 | 9,559 | | 4.25 | 5,667 | 15,226 |
| 4.50 | 10,048 | | 4.25 | 5,939 | 15,987 |
| 4.50 | 10,510 | | 4.25 | 6,196 | 16,706 |
| 4.50 | 10,992 | | 4.25 | 6,465 | 17,457 |
| 4.50 | 11,453 | | 4.25 | 6,721 | 18,174 |
| 4.50 | 12,024 | | 4.25 | 7,036 | 19,060 |
| 4.50 | 12,576 | | 4.25 | 7,341 | 19,917 |
| 4.50 | 13,154 | | 4.25 | 7,659 | 20,813 |
| 4.50 | 13,720 | | 4.25 | 7,971 | 21,691 |
| 4.50 | 14,388 | | 4.25 | 8,337 | 22,725 |
| 4.50 | 15,049 | | 4.25 | 8,698 | 23,747 |
| 4.50 | 15,741 | | 4.25 | 9,075 | 24,816 |
| 4.50 | 16,433 | | 4.25 | 9,452 | 25,885 |
| 4.50 | 17,219 | | 4.25 | 9,878 | 27,097 |
| 4.50 | 18,010 | | 4.25 | 10,306 | 28,316 |
| 4.50 | 18,837 | | 4.25 | 10,753 | 29,590 |
| 4.50 | 19,681 | | 4.25 | 11,207 | 30,888 |
| 4.50 | 20,607 | | 4.25 | 11,705 | 32,312 |
| 4.50 | 21,553 | | 4.25 | 12,212 | 33,765 |
| 4.50 | 22,543 | | 4.25 | 12,741 | 35,284 |
| 4.50 | 23,569 | | 4.25 | 13,288 | 36,857 |
| 4.50 | 24,662 | | 4.25 | 13,869 | 38,531 |
| 4.50 | 25,795 | | 4.25 | 14,470 | 40,265 |
| 4.50 | 24,693 | | 4.25 | 14,451 | 39,144 |
| | <u>\$ 459,199</u> | | | <u>\$ 265,167</u> | <u>724,366</u> |

City of Central City



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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 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 Central City, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated May 31, 2013. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2011. Except as noted in the Independent Auditor's Report, 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.

Internal Control Over Financial Reporting

The management of the City of Central City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Central City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Central City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Central City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

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

Compliance and Other Matters


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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 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.

The City of Central City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Central City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Central City and other parties to whom the City of Central City may report and is not intended to be and should not be used by anyone other than these specified parties.

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


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 31, 2013

City of Central City
Schedule of Findings
Year ended June 30, 2012

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. For the City, one of two individuals has control over each of the following areas:

- (1) Receipts - collecting, depositing, journalizing, posting and reconciling.
- (2) Disbursements - check writing, signing and reconciling.
- (3) Utilities - billing, collecting and posting.
- (4) Payroll - preparation and distribution.

For the Central City Volunteer Fire Department, one individual has control over each of the following areas:

- (1) Receipts – collecting, depositing, posting and reconciling.
- (2) Disbursements - preparing, recording and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City and the Volunteer Fire Department should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing available personnel, including elected officials.

Response – We will review our control procedures to obtain the maximum internal control.

Conclusion – Response accepted.

- (B) Authorized Signature Cards – Individuals no longer employed by the City are still listed as authorized signers on the signature cards held by the bank.

Recommendation – The City should update the signature cards anytime there is a change in employees involved with handling, recording and approval of City receipts and disbursements.

Response – The City will develop a policy to update the signature cards anytime there is a change in employment.

Conclusion – Response accepted

- (C) Computer System – The City does not have a written disaster recovery plan for its computer system.

Recommendation – The City should develop a written disaster recovery plan.

Response – The City will develop a written disaster recovery plan for our computer system.

Conclusion – Response accepted.

City of Central City
Schedule of Findings
Year ended June 30, 2012

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, 2012 exceeded the amounts budgeted in the public works, health and social services, debt service and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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 City did amend the budget in May, but did not anticipate final disbursements correctly. In the future, the City will amend the budget before disbursements are made which exceed the budget.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No expenditures we 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:

| Name, Title and Business Connection | Transaction Description | Amount |
|--|-------------------------|--------|
| Don Gray, Mayor, part owner of Strategic Print Solutions | Copier maintenance | \$ 240 |

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the above transactions with Don Gray do not appear to represent a conflict of interest since the cumulative amount was less than \$2,500 during the year.

- (5) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (6) Official Depositories – A resolution naming official depositories has been approved by the City. However, maximum deposit amounts for each bank were not included on the depository resolution.

Recommendation – The City should adopt a new depository resolution which establishes maximum deposit amounts for each bank and ensure the official depositories adequately secure all uninsured deposits as required by Chapter 12C.2 of the Code of Iowa.

City of Central City

Schedule of Findings

Year ended June 30, 2012

Response – The City will adopt a new depository resolution which establishes maximum deposit amounts for each bank.

Conclusion – Response accepted.

(7) Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.

(8) Payment of General Obligation Bonds – Principal and interest on the City’s general obligation sanitary sewer bonds were paid from the Enterprise, Sewer Fund. Chapter 384.4 of the Code of Iowa states, in part, “Moneys pledged or available to service general obligation notes, and received from sources other than property tax, must be deposited in the debt service fund.”

Recommendation – The City should transfer from the Enterprise, Sewer Fund to the Debt Service Fund for future funding contributions. Payments on the bonds should be made from the Debt Service Fund as required.

Response – The City will strive to make payments from the Debt Service Fund and transfer from the appropriate fund.

Conclusion – Response accepted.

City of Central City

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager
Daniel L. Grady, Senior Auditor II
Tyler L. Carter, Staff Auditor
Kelsey J. Kranz, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized initial "A".

Andrew E. Nielsen, CPA
Deputy Auditor of State