

**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE \_\_\_\_\_ November 23, 2015

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Minburn, Iowa.

The City's receipts totaled \$2,459,366 for the year ended June 30, 2015, a 14% decrease from the prior year. The receipts included \$102,442 in property tax, \$220,371 from charges for service, \$296,114 from operating grants, contributions and restricted interest, \$899,026 from capital grants, contributions and restricted interest, \$754 from unrestricted interest on investments, \$937,106 of note and anticipation project note proceeds and \$3,553 from other general receipts.

Disbursements for the year ended June 30, 2015 totaled \$2,478,446, a 14% decrease from the prior year, and included \$922,692 for capital projects, \$684,555 for debt service and \$125,199 for general government. Also, disbursements for business type activities totaled \$595,503.

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/1522-0236-B00F.pdf>.

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**CITY OF MINBURN**

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

**JUNE 30, 2015**

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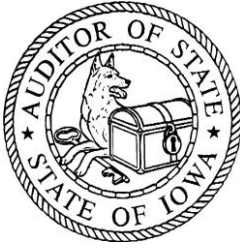
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**City of Minburn**

**Officials**

| <u>Name</u>                 | <u>Title</u>      | <u>Term Expires</u> |
|-----------------------------|-------------------|---------------------|
| Michael Pace                | Mayor             | (Resigned Jan 2015) |
| Jordan Lint                 | Mayor             | Nov 2015            |
| Gaylynn Stajcar             | Mayor Pro tem     | Jan 2018            |
| Margarete Buscher           | Council Member    | Jan 2016            |
| Jordan Lint                 | Council Member    | (Resigned Mar 2015) |
| Daryl Finestead (Appointed) | Council Member    | Nov 2015            |
| Ronald Allen                | Council Member    | Jan 2018            |
| Phyllis Moss                | Council Member    | Jan 2018            |
| Kris Fitch                  | City Clerk        | Indefinite          |
| Susan Fitch                 | Deputy City Clerk | Indefinite          |
| Beverly Wild                | Attorney          | Indefinite          |

**City of Minburn**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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.

## Opinions

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

## Basis of Accounting

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

## Emphasis of a Matter

As discussed in Note 3 to the financial statements, the City of Minburn adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

## Other Matters

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Minburn's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2014 (which are not presented herein) and expressed modified opinions on those financial statements, which were prepared on the basis of cash receipts and disbursements, since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2013. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

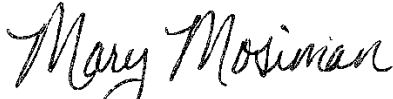
The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial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


The other information, the City's Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 9 through 14 and 34 through 41, 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 26, 2015 on our consideration of the City of Minburn'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 the City of Minburn's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 26, 2015

**City of Minburn**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Minburn provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 259%, or approximately \$1,332,700, from fiscal year 2014 to fiscal year 2015. Property tax decreased approximately \$24,700 and note and anticipation project note proceeds increased approximately \$846,900.
- Disbursements of the City's governmental activities increased 209%, or approximately \$1,274,200, in fiscal year 2015 over fiscal year 2014. Public safety disbursements decreased approximately \$196,600 while general government, debt service and capital projects disbursements increased approximately \$42,200, \$658,800 and \$784,800, respectively.
- The City's total cash basis net position decreased 5%, or approximately \$19,100, from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities decreased approximately \$35,100 and the cash basis net position of the business type activities increased approximately \$16,000.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

## **BASIS OF ACCOUNTING**

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

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

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

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

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

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sewer and storm water 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 Employee Benefits, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent 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.

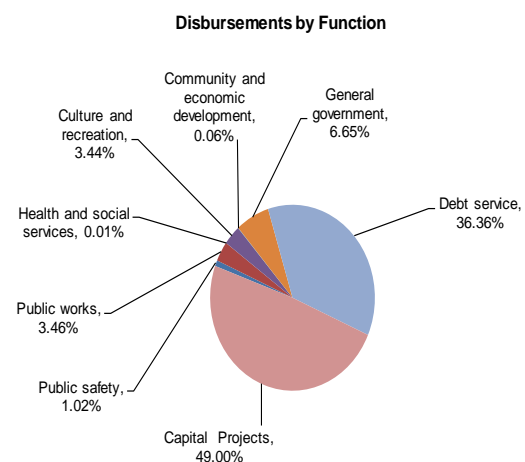
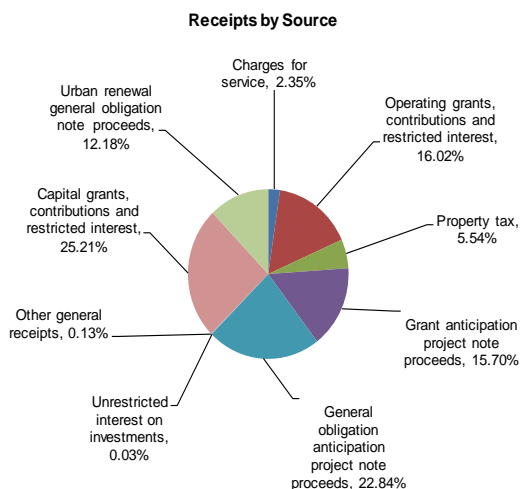
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and the Sewer and Storm Water Funds, considered to be major funds of the City.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$121,100 to approximately \$86,100. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

| Changes in Cash Basis Net Position of Governmental Activities |                     |          |
|---|---------------------|----------|
|   | Year ended June 30, |          |
|   | 2015                | 2014     |
| Receipts:   |                     |          |
| Program receipts:   |                     |          |
| Charges for service   | \$ 43,421           | 43,358   |
| Operating grants, contributions and restricted interest       | 296,114             | 187,188  |
| Capital grants, contributions and restricted interest         | 465,922             | 56,526   |
| General receipts:   |                     |          |
| Property tax  | 102,442             | 127,122  |
| Grant anticipation project note proceeds                      | 290,027             | 15,563   |
| General obligation anticipation project note proceeds         | 422,079             | 74,619   |
| Urban renewal general obligation note proceeds                | 225,000             | -        |
| Unrestricted interest on investments                          | 574                 | 262      |
| Other general receipts  | 2,303               | 10,582   |
| Total receipts  | 1,847,882           | 515,220  |
| Disbursements:  |                     |          |
| Public safety   | 19,199              | 215,750  |
| Public works  | 65,180              | 74,318   |
| Health and social services                                    | 100                 | 1,950    |
| Culture and recreation  | 64,824              | 68,468   |
| Community and economic development                            | 1,194               | 1,530    |
| General government  | 125,199             | 83,003   |
| Debt service  | 684,555             | 25,763   |
| Capital projects  | 922,692             | 137,941  |
| Total disbursements   | 1,882,943           | 608,723  |
| Change in cash basis net position before transfers            | (35,061)            | (93,503) |
| Transfers, net  | -                   | 2,000    |
| Change in cash basis net position                             | (35,061)            | (91,503) |
| Cash basis net position beginning of year                     | 121,148             | 212,651  |
| Cash basis net position end of year                           | \$ 86,087           | 121,148  |



Total business type activities cash basis net position increased approximately \$16,000 from a year ago, from approximately \$288,800 to \$304,800.

| Changes in Cash Basis Net Position of Business Type Activities |                     |                  |
|--|---------------------|------------------|
|  | Year ended June 30, |                  |
|  | 2015                | 2014             |
| Receipts:  |                     |                  |
| Program receipts:  |                     |                  |
| Charges for service:   |                     |                  |
| Water  | \$ 89,974           | 96,666           |
| Sewer and storm water  | 86,976              | 65,183           |
| Capital grants, contributions and restricted interest          | 433,104             | 891,253          |
| General receipts:  |                     |                  |
| Note proceeds  | -                   | 1,278,000        |
| Unrestricted interest on investments                           | 180                 | 472              |
| Miscellaneous  | 1,250               | 2,615            |
| Total receipts   | <u>611,484</u>      | <u>2,334,189</u> |
| Disbursements:   |                     |                  |
| Water  | 85,014              | 96,765           |
| Sewer and storm water  | 510,489             | 2,182,244        |
| Total disbursements  | <u>595,503</u>      | <u>2,279,009</u> |
| Change in cash basis net position before transfers             | 15,981              | 55,180           |
| Transfers, net   | -                   | (2,000)          |
| Change in cash basis net position                              | 15,981              | 53,180           |
| Cash basis net position beginning of year                      | 288,817             | 235,637          |
| Cash basis net position end of year                            | <u>\$ 304,798</u>   | <u>288,817</u>   |

### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Minburn completed the year, its governmental funds reported a combined fund balance of \$86,087, a decrease of \$35,061 from last year's total of \$121,148. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$73,466 from the prior year to a deficit balance of \$42,185. This was primarily due to additional legal fees and insurance costs related to the depot restoration. The City is investigating options to eliminate the deficit balance.
- The Special Revenue, Road Use Tax Fund cash balance increased \$25,366 to \$63,767. This increase was attributable to approximately \$38,400 received this fiscal year while only spending approximately \$13,000 on streets.
- The Special Revenue, Employee Benefits Fund Cash balance decreased \$107 to a balance of \$23,992.
- The Debt Service Fund cash balance decreased \$4,920 to a deficit balance of \$3,247. The City is investigating options to eliminate this deficit.
- The Capital Projects, Depot Project Fund cash balance increased \$14,869 to a balance of \$76.
- The Permanent, Cemetery Perpetual Care Fund cash balance increased \$393 to \$23,279 due to current year lot sale proceeds to be used for perpetual care.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$6,210 to \$130,829, due primarily to water customer receipts exceeding the cost to operate the water system.
- The Enterprise, Sewer and Storm Water Fund cash balance increased \$9,771 to \$173,969, due primarily to system receipts exceeding the cost to operate the system, including debt service costs.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 26, 2015 and resulted in an increase in budgeted operating disbursements, mostly related to the depot project, of \$1,181,800.

The City's receipts were \$203,963 more than budgeted. This was primarily due to the City receiving \$209,170 from the Minburn Depot, LLP to help repay a loan to renovate the depot.

Total disbursements were \$110,474 less than the amended budget. Actual disbursements for debt service were \$684,555 more than budgeted due to repayment on the grant anticipation project note and the general obligation anticipation project note not budgeted as debt service. Disbursements for the public works, culture and recreation and capital projects functions were \$33,820, \$14,416 and \$1,173,558, respectively, less than the amended budget. This was primarily due to the City budgeting a portion of debt repayment as capital projects.

The City exceeded the amounts budgeted in the public safety, debt service and business type activities functions for the year ended June 30, 2015.

## DEBT ADMINISTRATION

At June 30, 2015, the City had \$1,668,061 of bonds/notes and other long-term debt outstanding, compared to \$1,405,899 last year, as shown below.

|  | Outstanding Debt at Year-End |           |
|--|------------------------------|-----------|
|  | June 30,                     |           |
|  | 2015                         | 2014      |
| General obligation urban renewal notes | \$ 225,000                   | -         |
| Revenue bonds/notes                    | 1,278,000                    | 1,278,000 |
| Anticipatory notes                     | 165,061                      | 127,899   |
| Total                                  | \$ 1,668,061                 | 1,405,899 |

Debt increased as a result of issuing general obligation urban renewal community building notes for the depot project.

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 and anticipatory notes debt of \$390,061 is below its constitutional debt limit of approximately \$747,000.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City of Minburn's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates and fees charged for various City activities.

The fiscal year 2016 budget contains total receipts of \$404,621 and disbursements of \$448,880, which is a \$480,572 decrease in budgeted receipts and a \$2,140,040 decrease in budgeted disbursements from the fiscal year 2015 budget which contained total amended receipts of \$885,193 and amended disbursements of \$2,588,920.

The fiscal year 2016 property tax levy is \$11.45127 per \$1,000 of taxable valuation, a slight decrease from \$11.45586 per \$1,000 of taxable valuation for fiscal year 2015.

These parameters were taken into account when adopting the budget for fiscal year 2016.

## **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 Kris Fitch, City Clerk, 315 Baker Street, Minburn, Iowa 50167.



## **Basic Financial Statements**

City of Minburn

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

|   | Disbursements | Program Receipts    |   |   |
|---|---------------|---------------------|---|---|
|   |               | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| <b>Functions/Programs:</b>                            |               |                     |   |   |
| Governmental activities:                              |               |                     |   |   |
| Public safety   | \$ 19,199     | -                   | 26,627  | -   |
| Public works  | 65,180        | 37,992              | 38,358  | -   |
| Health and social services                            | 100           | -                   | -   | -   |
| Culture and recreation                                | 64,824        | 3,900               | 12,853  | -   |
| Community and economic development                    | 1,194         | -                   | -   | -   |
| General government                                    | 125,199       | 1,529               | 4,470   | -   |
| Debt service  | 684,555       | -                   | 209,170   | -   |
| Capital projects                                      | 922,692       | -                   | 4,636   | 465,922   |
| Total governmental activities                         | 1,882,943     | 43,421              | 296,114   | 465,922   |
| Business type activities:                             |               |                     |   |   |
| Water   | 85,014        | 89,974              | -   | -   |
| Sewer and storm water                                 | 510,489       | 86,976              | -   | 433,104   |
| Total business type activities                        | 595,503       | 176,950             | -   | 433,104   |
| Total   | \$ 2,478,446  | 220,371             | 296,114   | 899,026   |
| <b>General Receipts:</b>                              |               |                     |   |   |
| Property and other city tax levied for:               |               |                     |   |   |
| General purposes                                      |               |                     |   |   |
| Debt service  |               |                     |   |   |
| Grant anticipation project note proceeds              |               |                     |   |   |
| General obligation anticipation project note proceeds |               |                     |   |   |
| Urban renewal general obligation note proceeds        |               |                     |   |   |
| Unrestricted interest on investments                  |               |                     |   |   |
| Miscellaneous   |               |                     |   |   |
| Total general receipts                                |               |                     |   |   |
| Change in cash basis net position                     |               |                     |   |   |
| Cash basis net position beginning of year             |               |                     |   |   |
| Cash basis net position end of year                   |               |                     |   |   |
| <b>Cash Basis Net Position</b>                        |               |                     |   |   |
| Restricted:   |               |                     |   |   |
| Nonexpendable:  |               |                     |   |   |
| Cemetery perpetual care                               |               |                     |   |   |
| Expendable:   |               |                     |   |   |
| Streets   |               |                     |   |   |
| Employee benefits                                     |               |                     |   |   |
| Library   |               |                     |   |   |
| Fire  |               |                     |   |   |
| Capital outlay  |               |                     |   |   |
| Debt service  |               |                     |   |   |
| Unrestricted  |               |                     |   |   |
| <b>Total cash basis net position</b>                  |               |                     |   |   |

See notes to financial statements

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

| Governmental<br>Activities | Business Type<br>Activities | Total       |
|----------------------------|-----------------------------|-------------|
| 7,428                      | -                           | 7,428       |
| 11,170                     | -                           | 11,170      |
| (100)                      | -                           | (100)       |
| (48,071)                   | -                           | (48,071)    |
| (1,194)                    | -                           | (1,194)     |
| (119,200)                  | -                           | (119,200)   |
| (475,385)                  | -                           | (475,385)   |
| (452,134)                  | -                           | (452,134)   |
| (1,077,486)                | -                           | (1,077,486) |
| -                          | 4,960                       | 4,960       |
| -                          | 9,591                       | 9,591       |
| -                          | 14,551                      | 14,551      |
| (1,077,486)                | 14,551                      | (1,062,935) |
| 102,080                    | -                           | 102,080     |
| 362                        | -                           | 362         |
| 290,027                    | -                           | 290,027     |
| 422,079                    | -                           | 422,079     |
| 225,000                    | -                           | 225,000     |
| 574                        | 180                         | 754         |
| 2,303                      | 1,250                       | 3,553       |
| 1,042,425                  | 1,430                       | 1,043,855   |
| (35,061)                   | 15,981                      | (19,080)    |
| 121,148                    | 288,817                     | 409,965     |
| \$ 86,087                  | 304,798                     | 390,885     |
| \$ 23,279                  | -                           | 23,279      |
| 63,767                     | -                           | 63,767      |
| 23,992                     | -                           | 23,992      |
| 4,550                      | -                           | 4,550       |
| 17,243                     | -                           | 17,243      |
| 76                         | 27,908                      | 27,984      |
| -                          | 29,287                      | 29,287      |
| (46,820)                   | 247,603                     | 200,783     |
| \$ 86,087                  | 304,798                     | 390,885     |

City of Minburn

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

As of and for the year ended June 30, 2015

|  | Special Revenue |                    |                      |                 |
|--|-----------------|--------------------|----------------------|-----------------|
|  | General         | Road<br>Use<br>Tax | Employee<br>Benefits | Debt<br>Service |
| Receipts:  |                 |                    |                      |                 |
| Property tax   | \$ 83,490       | -                  | 18,590               | 362             |
| Licenses and permits                                       | 1,529           | -                  | -                    | -               |
| Use of money and property                                  | 532             | -                  | -                    | -               |
| Intergovernmental  | 18,427          | 38,358             | -                    | -               |
| Charges for service  | 41,542          | -                  | -                    | -               |
| Miscellaneous  | 16,919          | -                  | -                    | 209,170         |
| Total receipts   | 162,439         | 38,358             | 18,590               | 209,532         |
| Disbursements:   |                 |                    |                      |                 |
| Operating:   |                 |                    |                      |                 |
| Public safety  | 11,426          | -                  | 312                  | -               |
| Public works   | 49,875          | 12,992             | 2,313                | -               |
| Health and social services                                 | 100             | -                  | -                    | -               |
| Culture and recreation                                     | 56,077          | -                  | 8,106                | -               |
| Community and economic development                         | 1,194           | -                  | -                    | -               |
| General government   | 117,233         | -                  | 7,966                | -               |
| Debt service   | -               | -                  | -                    | 214,452         |
| Capital projects   | -               | -                  | -                    | -               |
| Total disbursements  | 235,905         | 12,992             | 18,697               | 214,452         |
| Excess (deficiency) of receipts over (under) disbursements | (73,466)        | 25,366             | (107)                | (4,920)         |
| Other financing sources:                                   |                 |                    |                      |                 |
| Grant anticipation project note proceeds                   | -               | -                  | -                    | -               |
| General obligation anticipation project note proceeds      | -               | -                  | -                    | -               |
| Urban renewal general obligation note proceeds             | -               | -                  | -                    | -               |
| Total other financing sources                              | -               | -                  | -                    | -               |
| Change in cash balances                                    | (73,466)        | 25,366             | (107)                | (4,920)         |
| Cash balances beginning of year                            | 31,281          | 38,401             | 24,099               | 1,673           |
| Cash balances end of year                                  | \$ (42,185)     | 63,767             | 23,992               | (3,247)         |
| <b>Cash Basis Fund Balances</b>                            |                 |                    |                      |                 |
| Non spendable - Cemetery perpetual care                    | \$ -            | -                  | -                    | -               |
| Restricted for:  |                 |                    |                      |                 |
| Streets  | -               | 63,767             | -                    | -               |
| Employee benefits  | -               | -                  | 23,992               | -               |
| Library  | -               | -                  | -                    | -               |
| Fire   | -               | -                  | -                    | -               |
| Capital outlay   | -               | -                  | -                    | -               |
| Unassigned   | (42,185)        | -                  | -                    | (3,247)         |
| Total cash basis fund balances                             | \$ (42,185)     | 63,767             | 23,992               | (3,247)         |

See notes to financial statements

| Capital<br>Projects | Permanent<br>Cemetery |          | Total     |
|---------------------|-----------------------|----------|-----------|
| Depot<br>Project    | Perpetual<br>Care     | Nonmajor |           |
| -                   | -                     | -        | 102,442   |
| -                   | -                     | -        | 1,529     |
| -                   | 43                    | 9        | 584       |
| 465,922             | -                     | -        | 522,707   |
| -                   | 350                   | -        | 41,892    |
| 4,636               | -                     | 10,897   | 241,622   |
| 470,558             | 393                   | 10,906   | 910,776   |
| -                   | -                     | 7,461    | 19,199    |
| -                   | -                     | -        | 65,180    |
| -                   | -                     | -        | 100       |
| -                   | -                     | 641      | 64,824    |
| -                   | -                     | -        | 1,194     |
| -                   | -                     | -        | 125,199   |
| 470,103             | -                     | -        | 684,555   |
| 922,692             | -                     | -        | 922,692   |
| 1,392,795           | -                     | 8,102    | 1,882,943 |
| (922,237)           | 393                   | 2,804    | (972,167) |
| 290,027             | -                     | -        | 290,027   |
| 422,079             | -                     | -        | 422,079   |
| 225,000             | -                     | -        | 225,000   |
| 937,106             | -                     | -        | 937,106   |
| 14,869              | 393                   | 2,804    | (35,061)  |
| (14,793)            | 22,886                | 17,601   | 121,148   |
| 76                  | 23,279                | 20,405   | 86,087    |
| -                   | 23,279                | -        | 23,279    |
| -                   | -                     | -        | 63,767    |
| -                   | -                     | -        | 23,992    |
| -                   | -                     | 4,550    | 4,550     |
| -                   | -                     | 17,243   | 17,243    |
| 76                  | -                     | -        | 76        |
| -                   | -                     | (1,388)  | (46,820)  |
| 76                  | 23,279                | 20,405   | 86,087    |

**City of Minburn**

City of Minburn

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

As of and for the year ended June 30, 2015

|  | Enterprise |                       |           |
|--|------------|-----------------------|-----------|
|  | Water      | Sewer and Storm Water | Total     |
| Operating receipts:  |            |                       |           |
| Charges for service  | \$ 89,974  | 86,976                | 176,950   |
| Operating disbursements:   |            |                       |           |
| Business type activities   | 85,014     | 46,792                | 131,806   |
| Excess (deficiency) of operating receipts over (under) operating disbursements | 4,960      | 40,184                | 45,144    |
| Non-operating receipts (disbursements):  |            |                       |           |
| USDA grant   | -          | 300,044               | 300,044   |
| Community Development Block grant  | -          | 133,060               | 133,060   |
| Interest on investments  | -          | 180                   | 180       |
| Miscellaneous  | 1,250      | -                     | 1,250     |
| Debt service   | -          | (27,941)              | (27,941)  |
| Capital projects   | -          | (435,756)             | (435,756) |
| Total non-operating receipts (disbursements)                                   | 1,250      | (30,413)              | (29,163)  |
| Change in cash balances  | 6,210      | 9,771                 | 15,981    |
| Cash balances beginning of year  | 124,619    | 164,198               | 288,817   |
| Cash balances end of year  | \$ 130,829 | 173,969               | 304,798   |
| <b>Cash Basis Fund Balances</b>  |            |                       |           |
| Restricted for:  |            |                       |           |
| Capital outlay   | \$ -       | 27,908                | 27,908    |
| Debt service   | -          | 29,287                | 29,287    |
| Unrestricted   | 130,829    | 116,774               | 247,603   |
| Total cash basis fund balances   | \$ 130,829 | 173,969               | 304,798   |

See notes to financial statements.

City of Minburn

Notes to Financial Statements

June 30, 2015

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

The City of Minburn is a political subdivision of the State of Iowa located in Dallas County. It was first incorporated in 1892 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 Minburn 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: Dallas County Assessor's Conference Board, Dallas County Emergency Management Commission, North Dallas Solid Waste Regional Planning Commission and the Dallas County Joint E911 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:

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

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

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

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

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

The City reports the following major governmental funds:

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

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 the tax levy and disbursements for employee benefits such as health insurance, pensions, etc.

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, Depot Project Fund is utilized to account for the grants and other resources used for the relocation and restoration of the Minburn Depot.

The Permanent, Cemetery Perpetual Care Fund is used to account for the permanently maintained restricted cash balance and the interest earned that can only be used for maintaining the City Cemetery.

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 and Storm Water 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 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.

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.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the general government, debt service, capital projects and business type activities functions prior to the May 2015 budget amendment. At June 30, 2015, disbursements exceeded the amounts budgeted in the public safety, debt service and business type activities functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure 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) 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 the 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. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% 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 - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1% point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

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

The City's contributions to IPERS for the year ended June 30, 2015 were \$8,651.

Collective Net Pension Liability, Collective Pension Expense, Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$58,612. The collective net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.001448%, which was an increase of 0.00002% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City's collective pension expense, collective deferred outflows and collective deferred inflows totaled \$4,387, \$3,224 and \$22,353, respectively.

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

|  |   |
|--|---|
| Rate of inflation<br>(effective June 30, 2014)                   | 3.00% per annum   |
| Rates of salary increase<br>(effective June 30, 2010)            | 4.00 to 17.00%, average, including inflation. Rates vary by membership group. |
| Long-term investment rate of return<br>(effective June 30, 1996) | 7.50%, compounded annually, net of investment expense, including inflation    |

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

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

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

| <u>Asset Class</u>     | <u>Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|-------------------------|---|
| US Equity              | 23%                     | 6.31%   |
| Non US Equity          | 15                      | 6.76  |
| Private Equity         | 13                      | 11.34   |
| Real Estate            | 8                       | 3.52  |
| Core Plus Fixed Income | 28                      | 2.06  |
| Credit Opportunities   | 5                       | 3.67  |
| TIPS                   | 5                       | 1.92  |
| Other Real Assets      | 2                       | 6.27  |
| Cash                   | 1                       | (0.69)  |
| 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 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net 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.

|  | 1%<br>Decrease<br>(6.5%) | Discount<br>Rate<br>(7.5%) | 1%<br>Increase<br>(8.5%) |
|--|--------------------------|----------------------------|--------------------------|
| City's proportionate share of<br>the net pension liability | \$ 110,746               | \$ 58,612                  | \$ 14,606                |

Pension Plan Fiduciary Net Position - Detailed information about 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).

**(4) Taxable General Obligation Urban Renewal Community Building Notes**

On April 21, 2015, the City issued \$225,000 of taxable general obligation urban renewal community building notes for the purpose of paying the cost of carrying out an urban renewal project consisting of funding the relocation and restoration of the Minburn Depot to its 1914 appearance. The notes bear interest at 4.15% per annum through the December 1, 2019 payment. On December 1, 2020 and December 1, 2025, the interest shall be adjusted to a rate equal to 2.54% over the 5-year U.S. Treasury Constant Maturities rate as released by the Federal Reserve. However, at no time will the interest rate exceed 7.00% per annum. The note matures June 1, 2031. During the year ended June 30, 2015, the City paid interest of \$1,842 on the notes.

**(5) U.S. Department of Agriculture – Rural Development Notes**

On August 23, 2013, the City entered into an agreement with the U.S. Department of Agriculture – Rural Development for the issuance of \$947,000 of sewer revenue notes with interest at 2.75% per annum. The notes were issued for the purpose of providing funds to pay a portion of the cost of constructing improvements and extensions to the sanitary sewer system. The notes are payable solely from sewer customer net receipts. Interest only on the unpaid principal balance, calculated from the date of each advance, is payable on August 23, 2015 for the year ended June 30, 2015. Thereafter, both the principal and interest are payable in equal monthly installments of \$3,353, commencing on September 23, 2015, with the final payment due August 23, 2053.

**(6) Anticipation Project Notes**

On May 23, 2013, the City issued a grant anticipation project note to provide funds for relocating and restoring the Minburn Depot. The note was issued pursuant to Chapter 76.13 of the Code of Iowa and is payable from the anticipated proceeds of a grant from the Iowa Department of Transportation. Pursuant to the note, the City may draw a maximum of \$546,531 on the note provided the total amount outstanding at any one time does not exceed \$400,000. Each advance on the note bears interest at 3.35% per annum from the date advanced. The note matures December 1, 2015. At June 30, 2015, the City had drawn \$546,531 against the grant anticipation project note, including \$422,079 drawn during fiscal year 2015. During the year ended June 30, 2015, the City paid principal of \$465,744 and interest of \$4,329 on the note. The principal balance outstanding at June 30, 2015 was \$24,231.

On May 23, 2013, the City entered into a general obligation anticipation project note for up to \$350,000 to provide funds for relocating and restoring the Minburn Depot. The note was issued pursuant to Chapters 76.13 and 384.24A of the Code of Iowa and is payable from the anticipated proceeds of an authorized loan agreement and the corresponding issuance of general obligation bonds or notes. The note bears interest at 3.35% per annum and matures on April 1, 2016. At June 30, 2015, the City had drawn \$350,000 against the anticipation project note, including \$290,027 drawn during fiscal year 2015. During the year ended June 30, 2015, the City paid principal of \$209,170 and interest of \$3,440 on the note. The principal balance outstanding at June 30, 2015 was \$140,830.

Annual debt service requirements to maturity for the sewer revenue notes are as follows:

| Year<br>Ending<br>June 30, | Principal  | Interest | Total     |
|----------------------------|------------|----------|-----------|
| 2016                       | \$ 11,951  | 47,953   | 59,904    |
| 2017                       | 14,707     | 25,529   | 40,236    |
| 2018                       | 15,116     | 25,120   | 40,236    |
| 2019                       | 15,537     | 24,699   | 40,236    |
| 2020                       | 15,970     | 24,266   | 40,236    |
| 2021-2025                  | 86,773     | 114,407  | 201,180   |
| 2026-2030                  | 99,548     | 101,632  | 201,180   |
| 2031-2035                  | 114,204    | 86,976   | 201,180   |
| 2036-2040                  | 131,017    | 70,163   | 201,180   |
| 2041-2045                  | 150,305    | 50,875   | 201,180   |
| 2046-2050                  | 172,434    | 28,746   | 201,180   |
| 2051-2054                  | 119,438    | 5,301    | 124,739   |
| Total                      | \$ 947,000 | 605,667  | 1,552,667 |

On August 23, 2013, the City entered into an agreement with the U.S. Department of Agriculture – Rural Development for the issuance of \$331,000 of sewer revenue notes with interest at 2.75% per annum. The notes were issued for the purpose of providing funds to pay a portion of the cost of constructing improvements and extensions to the sanitary sewer system. The notes are payable solely from sewer customer net receipts. Interest only on the unpaid principal balance, calculated from the date of each advance, is payable on August 23, 2015 for the year ended June 30, 2015. Thereafter, both principal and interest are payable in equal monthly installments of \$1,172, commencing on September 23, 2015, with the final payment due August 23, 2053.

Annual debt service requirements to maturity for the sewer revenue notes is as follows:

| Year<br>Ending<br>June 30, | Principal  | Interest | Total   |
|----------------------------|------------|----------|---------|
| 2016                       | \$ 4,178   | 16,761   | 20,939  |
| 2017                       | 5,141      | 8,923    | 14,064  |
| 2018                       | 5,284      | 8,780    | 14,064  |
| 2019                       | 5,431      | 8,633    | 14,064  |
| 2020                       | 5,582      | 8,482    | 14,064  |
| 2021-2025                  | 30,333     | 39,987   | 70,320  |
| 2026-2030                  | 34,798     | 35,522   | 70,320  |
| 2031-2035                  | 39,922     | 30,399   | 70,321  |
| 2036-2040                  | 45,799     | 24,521   | 70,320  |
| 2041-2045                  | 52,540     | 17,779   | 70,319  |
| 2046-2050                  | 60,276     | 10,044   | 70,320  |
| 2051-2054                  | 41,716     | 1,850    | 43,566  |
| Total                      | \$ 331,000 | 211,681  | 542,681 |

The resolutions providing for the issuance of the sewer revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue note sinking account for the purpose of making principal and interest payments when due.
- (c) A reserve account of \$54,300 shall be established and maintained. Monthly transfers equal to \$435 shall be made until the required balance has been accumulated. This account is restricted for paying the principal and interest on the notes if the sinking account balance is insufficient.
- (d) Annual deposits of \$1,500 are required to be made to a short lived asset account within the Sewer Fund. The account is restricted for deficiencies in the sinking or reserve accounts or capital improvements, extensions or repairs to the system.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,278,000 of sewer revenue notes issued in August 2013. Annual principal and interest payments on the notes required approximately 70% of net receipts. The estimated total principal and interest remaining to be paid on the notes is \$2,095,348. For the current year, principal and interest paid and total customer net receipts were \$27,941 and \$40,184, respectively.

At June 30, 2015, the City had established the sinking, reserve and short-lived asset accounts, but had not made the required monthly transfers and is not being charged for sewer usage.

**(7) 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. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation hours payable to employees at June 30, 2015, primarily relating to the General Fund, is approximately \$7,000. This liability has been computed based on rates of pay in effect at June 30, 2015.

**(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.

**(9) Deficit Balances**

The General Fund, the Debt Service Fund and the Special Revenue, Bike Trail Fund had deficit balances of \$42,185, \$3,247 and \$1,388, respectively, at June 30, 2015. The City is investigating alternatives to eliminate the deficits, which include future cost saving measures and/or anticipated receipts.



**(10) Participation in Joint Venture**

The City is a participant in Minburn Depot, LLP, a joint venture for the relocation and restoration of the Minburn Depot. The purpose is to own and to maintain the depot to continue to be eligible for Historic State Tax Credits and Historic Tax Credits. The City made a \$100 cash contribution for a 0.99% General Partner interest. Summary financial information for the joint venture for the year ended June 30, 2015 is as follows:

|                                | <u>Total</u>   |
|--------------------------------|----------------|
| Receipts                       | \$ 396,119     |
| Disbursements                  | <u>395,382</u> |
| Change in cash balance         | 737            |
| Cash balance beginning of year | <u>-</u>       |
| Cash balance end of year       | <u>\$ 737</u>  |

**City of Minburn**

## **Other Information**

City of Minburn  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances –  
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2015

|   | Governmental<br>Funds<br>Actual | Proprietary<br>Funds<br>Actual | Total       |
|---|---------------------------------|--------------------------------|-------------|
| Receipts:   |                                 |                                |             |
| Property tax  | \$ 102,442                      | -                              | 102,442     |
| Licenses and permits  | 1,529                           | -                              | 1,529       |
| Use of money and property   | 584                             | 180                            | 764         |
| Intergovernmental   | 522,707                         | -                              | 522,707     |
| Charges for service   | 41,892                          | 176,950                        | 218,842     |
| Miscellaneous   | 241,622                         | 1,250                          | 242,872     |
| Total receipts  | 910,776                         | 178,380                        | 1,089,156   |
| Disbursements:  |                                 |                                |             |
| Public safety   | 19,199                          | -                              | 19,199      |
| Public works  | 65,180                          | -                              | 65,180      |
| Health and social services  | 100                             | -                              | 100         |
| Culture and recreation  | 64,824                          | -                              | 64,824      |
| Community and economic development  | 1,194                           | -                              | 1,194       |
| General government  | 125,199                         | -                              | 125,199     |
| Debt service  | 684,555                         | -                              | 684,555     |
| Capital projects  | 922,692                         | -                              | 922,692     |
| Business type activities  | -                               | 595,503                        | 595,503     |
| Total disbursements   | 1,882,943                       | 595,503                        | 2,478,446   |
| Excess (deficiency) of receipts<br>over (under) disbursements   | (972,167)                       | (417,123)                      | (1,389,290) |
| Other financing sources, net  | 937,106                         | 433,104                        | 1,370,210   |
| Excess (deficiency) of receipts and<br>other financing sources over (under)<br>disbursements and other financing uses | (35,061)                        | 15,981                         | (19,080)    |
| Balances beginning of year  | 121,148                         | 288,817                        | 409,965     |
| Balances end of year  | \$ 86,087                       | 304,798                        | 390,885     |

See accompanying independent auditor's report.

| Budgeted Amounts |             | Final to  |
|------------------|-------------|-----------|
| Original         | Final       | Total     |
|                  |             | Variance  |
| 103,431          | 103,431     | (989)     |
| 387              | 387         | 1,142     |
| 220              | 1,470       | (706)     |
| 44,902           | 436,555     | 86,152    |
| 230,600          | 230,600     | (11,758)  |
| 112,750          | 112,750     | 130,122   |
| 492,290          | 885,193     | 203,963   |
| 15,850           | 12,600      | (6,599)   |
| 98,600           | 99,000      | 33,820    |
| 2,000            | 2,000       | 1,900     |
| 59,940           | 79,240      | 14,416    |
| 2,050            | 2,050       | 856       |
| 61,290           | 131,390     | 6,191     |
| -                | -           | (684,555) |
| 1,000,000        | 2,096,250   | 1,173,558 |
| 167,390          | 166,390     | (429,113) |
| 1,407,120        | 2,588,920   | 110,474   |
| (914,830)        | (1,703,727) | 314,437   |
| -                | 1,001,236   | 368,974   |
| (914,830)        | (702,491)   | 683,411   |
| 386,392          | 386,232     | 23,733    |
| (528,438)        | (316,259)   | 707,144   |

City of Minburn

Notes to Other Information – Budgetary Reporting

June 30, 2015

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,181,800. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the general government, debt service, capital projects and business type activities functions prior to the May 2015 budget amendment. At June 30, 2015, disbursements exceeded the amounts budgeted in the public safety, debt service and business type activities functions.

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

Iowa Public Employees' Retirement System  
Last Fiscal Year\*  
(In Thousands)

Other Information

|   | <u>2015</u> |
|---|-------------|
| City's proportion of the net pension liability  | 0.001448%   |
| City's proportionate share of the net pension liability   | \$ 59       |
| City's covered-employee payroll   | \$ 97       |
| City's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 60.82%      |
| Plan fiduciary net position as a percentage of the total pension liability                              | 87.61%      |

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

See accompanying independent auditor's report.

**City of Minburn**



City of Minburn  
Schedule of City Contributions

Iowa Public Employees' Retirement System  
Last 10 Fiscal Years  
(In Thousands)

Other Information

|   | <u>2015</u>   | <u>2014</u>   | <u>2013</u>   | <u>2012</u>   | <u>2011</u>   |
|---|---------------|---------------|---------------|---------------|---------------|
| Statutorily required contribution                                     | \$ 8.60       | 8.60          | 7.90          | 6.40          | 5.00          |
| Contributions in relation to the<br>statutorily required contribution | <u>(8.60)</u> | <u>(8.60)</u> | <u>(7.90)</u> | <u>(6.40)</u> | <u>(5.00)</u> |
| Contribution deficiency (excess)                                      | <u>\$ -</u>   | <u>-</u>      | <u>-</u>      | <u>-</u>      | <u>-</u>      |
| City's covered-employee payroll                                       | \$ 96.30      | 96.30         | 91.10         | 79.30         | 71.90         |
| Contributions as a percentage of<br>covered-employee payroll          | 8.93%         | 8.93%         | 8.67%         | 8.07%         | 6.95%         |

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 readily available.

See accompanying independent auditor's report.

City of Minburn

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

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

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

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

**City of Minburn**

## **Supplementary Information**

**City of Minburn**

## City of Minburn

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

As of and for the year ended June 30, 2015

|                                 | Special Revenue |                        |  |                               | Total   |
|---------------------------------|-----------------|------------------------|--|-------------------------------|---------|
|                                 | Bike Trail      | Friends of the Library | Minburn Area Fire Fighters Association | Minburn Emergency Rescue Team |         |
| Receipts:                       |                 |                        |  |                               |         |
| Use of money and property       | \$ -            | -                      | 4                                      | 5                             | 9       |
| Miscellaneous                   | -               | 1,574                  | 5,198                                  | 4,125                         | 10,897  |
| Total receipts                  | -               | 1,574                  | 5,202                                  | 4,130                         | 10,906  |
| Disbursements:                  |                 |                        |  |                               |         |
| Operating:                      |                 |                        |  |                               |         |
| Public safety                   | -               | -                      | 6,029                                  | 1,432                         | 7,461   |
| Culture and recreation          | -               | 641                    | -                                      | -                             | 641     |
| Total disbursements             | -               | 641                    | 6,029                                  | 1,432                         | 8,102   |
| Change in cash balances         | -               | 933                    | (827)                                  | 2,698                         | 2,804   |
| Cash balances beginning of year | (1,388)         | 3,617                  | 7,938                                  | 7,434                         | 17,601  |
| Cash balances end of year       | \$ (1,388)      | 4,550                  | 7,111                                  | 10,132                        | 20,405  |
| <b>Cash Basis Fund Balances</b> |                 |                        |  |                               |         |
| Restricted for:                 |                 |                        |  |                               |         |
| Library                         | \$ -            | 4,550                  | -                                      | -                             | 4,550   |
| Fire                            | -               | -                      | 7,111                                  | 10,132                        | 17,243  |
| Unassigned                      | (1,388)         | -                      | -                                      | -                             | (1,388) |
| Total cash basis fund balances  | \$ (1,388)      | 4,550                  | 7,111                                  | 10,132                        | 20,405  |

See accompanying independent auditor's report.

City of Minburn  
 Schedule of Indebtedness  
 June 30, 2015

| Obligation  | Date of Issue | Interest Rates | Amount Originally Issued |
|---|---------------|----------------|--------------------------|
| General obligation notes:                                   |               |                |                          |
| Taxable general obligation urban renewal community building | Apr 21, 2015  | 4.15%          | \$ 225,000               |
| Revenue notes:  |               |                |                          |
| Sewer (USDA)  | Aug 23, 2013  | 2.75%          | \$ 947,000               |
| Sewer (USDA)  | Aug 23, 2013  | 2.75           | 331,000                  |
| Total   |               |                |                          |
| Anticipation project notes:                                 |               |                |                          |
| Grant   | May 23, 2013  | 3.35%          | \$ 400,000               |
| General obligation  | May 23, 2013  | 3.35           | 350,000                  |
| Total   |               |                |                          |

See accompanying independent auditor's report.



| Balance<br>Beginning<br>of Year | Issued<br>During<br>Year | Redeemed<br>During<br>Year | Balance<br>End of<br>Year | Interest<br>Paid |
|---------------------------------|--------------------------|----------------------------|---------------------------|------------------|
| -                               | 225,000                  | -                          | 225,000                   | 1,842            |
| 947,000                         | -                        | -                          | 947,000                   | 23,104           |
| 331,000                         | -                        | -                          | 331,000                   | 4,837            |
| <b>\$ 1,278,000</b>             | -                        | -                          | <b>1,278,000</b>          | <b>27,941</b>    |
| 67,926                          | 422,079                  | 465,774                    | 24,231                    | 4,329            |
| 59,973                          | 290,027                  | 209,170                    | 140,830                   | 3,440            |
| <b>\$ 127,899</b>               | <b>712,106</b>           | <b>674,944</b>             | <b>165,061</b>            | <b>7,769</b>     |

**Schedule 3**

City of Minburn

Note Maturities

June 30, 2015

| Year<br>Ending<br>June 30, | Revenue Notes       |                   |                     |                   |                  | Total |
|----------------------------|---------------------|-------------------|---------------------|-------------------|------------------|-------|
|                            | Sewer               |                   | Sewer               |                   |                  |       |
|                            | Issued Aug 23, 2013 |                   | Issued Aug 23, 2013 |                   |                  |       |
|                            | Interest<br>Rates   | Amount            | Interest<br>Rates   | Amount            |                  |       |
| 2016                       | 2.75%               | \$ 11,951         | 2.75%               | \$ 4,178          | 16,129           |       |
| 2017                       | 2.75                | 14,707            | 2.75                | 5,141             | 19,848           |       |
| 2018                       | 2.75                | 15,116            | 2.75                | 5,284             | 20,400           |       |
| 2019                       | 2.75                | 15,537            | 2.75                | 5,431             | 20,968           |       |
| 2020                       | 2.75                | 15,970            | 2.75                | 5,582             | 21,552           |       |
| 2021                       | 2.75                | 16,415            | 2.75                | 5,738             | 22,153           |       |
| 2022                       | 2.75                | 16,871            | 2.75                | 5,898             | 22,769           |       |
| 2023                       | 2.75                | 17,342            | 2.75                | 6,062             | 23,404           |       |
| 2024                       | 2.75                | 17,824            | 2.75                | 6,231             | 24,055           |       |
| 2025                       | 2.75                | 18,320            | 2.75                | 6,404             | 24,724           |       |
| 2026                       | 2.75                | 18,831            | 2.75                | 6,583             | 25,414           |       |
| 2027                       | 2.75                | 19,356            | 2.75                | 6,766             | 26,122           |       |
| 2028                       | 2.75                | 19,895            | 2.75                | 6,954             | 26,849           |       |
| 2029                       | 2.75                | 20,449            | 2.75                | 7,148             | 27,597           |       |
| 2030                       | 2.75                | 21,018            | 2.75                | 7,347             | 28,365           |       |
| 2031                       | 2.75                | 21,604            | 2.75                | 7,552             | 29,156           |       |
| 2032                       | 2.75                | 22,205            | 2.75                | 7,762             | 29,967           |       |
| 2033                       | 2.75                | 22,824            | 2.75                | 7,978             | 30,802           |       |
| 2034                       | 2.75                | 23,458            | 2.75                | 8,201             | 31,659           |       |
| 2035                       | 2.75                | 24,112            | 2.75                | 8,429             | 32,541           |       |
| 2036                       | 2.75                | 24,784            | 2.75                | 8,663             | 33,447           |       |
| 2037                       | 2.75                | 25,474            | 2.75                | 8,905             | 34,379           |       |
| 2038                       | 2.75                | 26,184            | 2.75                | 9,153             | 35,337           |       |
| 2039                       | 2.75                | 26,913            | 2.75                | 9,408             | 36,321           |       |
| 2040                       | 2.75                | 27,662            | 2.75                | 9,670             | 37,332           |       |
| 2041                       | 2.75                | 28,433            | 2.75                | 9,939             | 38,372           |       |
| 2042                       | 2.75                | 29,225            | 2.75                | 10,216            | 39,441           |       |
| 2043                       | 2.75                | 30,038            | 2.75                | 10,500            | 40,538           |       |
| 2044                       | 2.75                | 30,875            | 2.75                | 10,792            | 41,667           |       |
| 2045                       | 2.75                | 31,735            | 2.75                | 11,093            | 42,828           |       |
| 2046                       | 2.75                | 32,619            | 2.75                | 11,402            | 44,021           |       |
| 2047                       | 2.75                | 33,527            | 2.75                | 11,720            | 45,247           |       |
| 2048                       | 2.75                | 34,461            | 2.75                | 12,046            | 46,507           |       |
| 2049                       | 2.75                | 35,420            | 2.75                | 12,382            | 47,802           |       |
| 2050                       | 2.75                | 36,407            | 2.75                | 12,726            | 49,133           |       |
| 2051                       | 2.75                | 37,421            | 2.75                | 13,081            | 50,502           |       |
| 2052                       | 2.75                | 38,463            | 2.75                | 13,445            | 51,908           |       |
| 2053                       | 2.75                | 39,534            | 2.75                | 13,820            | 53,354           |       |
| 2054                       | 2.75                | 4,020             | 2.75                | 1,370             | 5,390            |       |
| Total                      |                     | <u>\$ 947,000</u> |                     | <u>\$ 331,000</u> | <u>1,278,000</u> |       |

See accompanying independent auditor's report.

## City of Minburn

Schedule of Receipts By Source and Disbursements By Function –  
All Governmental Funds

For the Last Two Years

|                                    | 2015                | 2014           |
|------------------------------------|---------------------|----------------|
| Receipts:                          |                     |                |
| Property tax                       | \$ 102,442          | 127,122        |
| Licenses and permits               | 1,529               | 427            |
| Use of money and property          | 584                 | 295            |
| Intergovernmental                  | 522,707             | 116,277        |
| Charges for service                | 41,892              | 42,931         |
| Miscellaneous                      | 241,622             | 137,986        |
| Total                              | <u>\$ 910,776</u>   | <u>425,038</u> |
| Disbursements:                     |                     |                |
| Operating:                         |                     |                |
| Public safety                      | \$ 19,199           | 215,750        |
| Public works                       | 65,180              | 74,318         |
| Health and social services         | 100                 | 1,950          |
| Culture and recreation             | 64,824              | 68,468         |
| Community and economic development | 1,194               | 1,530          |
| General government                 | 125,199             | 83,003         |
| Debt service                       | 684,555             | 25,763         |
| Capital projects                   | 922,692             | 137,941        |
| Total                              | <u>\$ 1,882,943</u> | <u>608,723</u> |

See accompanying independent auditor's report.

**Schedule 5**

## City of Minburn

## Schedule of Expenditures of Federal Awards

June 30, 2015

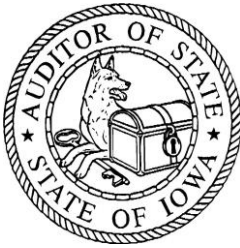
| Grantor/Program  | CFDA<br>Number | Agency<br>Pass-Through<br>Number | Program<br>Expenditures |
|--|----------------|----------------------------------|-------------------------|
| Direct:  |                |                                  |                         |
| U.S. Department of Agriculture:  |                |                                  |                         |
| Water and Waste Disposal System for<br>Rural Communities                                   | 10.760         |                                  | \$ 300,044              |
| Indirect:  |                |                                  |                         |
| U.S. Department of Housing and Urban Development:  |                |                                  |                         |
| Iowa Economic Development Authority:   |                |                                  |                         |
| Community Development Block Grants/State's<br>Program and Non-Entitlement Grants in Hawaii | 14.228         | 10-WS-046                        | 15,078                  |
| U.S. Department of Transportation:   |                |                                  |                         |
| Iowa Department of Transportation:   |                |                                  |                         |
| Highway Planning and Construction  | 20.205         | 09-STPES-117                     | 465,610                 |
| Total indirect   |                |                                  | 480,688                 |
| Total  |                |                                  | \$ 780,732              |

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Minburn and is presented on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**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**

**City of Minburn**



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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Minburn, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 26, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Minburn'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 our opinion on the effectiveness of the City of Minburn's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Minburn's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and 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 Minburn's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-15 through II-D-15 to be material weaknesses.

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 Part II of the accompanying Schedule of Findings and Questioned Costs as items II-E-15 through II-K-15 to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Minburn'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 IV of the accompanying Schedule of Findings and Questioned Costs.

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


### The City of Minburn's Responses to the Findings


The City of Minburn's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Minburn'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 results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Minburn 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.

  
MARY MOSIMAN, CPA  
Auditor of State

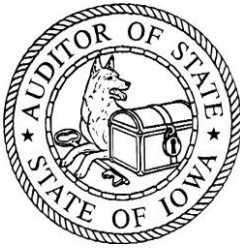
  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 26, 2015



**Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133**

**City of Minburn**



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

Mary Mosiman, CPA  
Auditor of State

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Des Moines, Iowa 50319-0004

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

Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Minburn, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Minburn's major federal program for the year ended June 30, 2015. The City of Minburn's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Minburn's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Minburn's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Minburn's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Minburn complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of non-compliance which is required to be reported in accordance with OMB Circular A-133 and is described as item III-A-15 in the accompanying Schedule of Findings and Questioned Costs. Our opinion on the major federal program is not modified with respect to this matter.

The City of Minburn's response to the non-compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City of Minburn's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.


#### Report on Internal Control Over Compliance

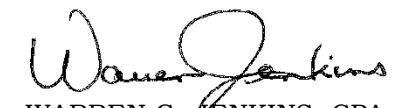
The management of the City of Minburn is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Minburn's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Minburn's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses or significant deficiencies. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 26, 2015

City of Minburn

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Minburn did not qualify as a low-risk auditee.

City of Minburn

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

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

**INTERNAL CONTROL DEFICIENCIES:**

II-A-15 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. When duties are properly segregated, the activities of one employee act as a check on those of another. One person has control over each of the following areas for the City:

- (1) Accounting system – performing all general accounting functions, including journal entries, and having custody of City assets.
- (2) Cash – handling, reconciling and recording.
- (3) Investments – investing, recording and custody.
- (4) Long-term debt – Recording and reconciling.
- (5) Receipts – collecting, depositing, posting and reconciling.
- (6) Utility receipts – billing, collecting, depositing, posting and reconciling.
- (7) Disbursements – purchasing, check writing, check signing, recording, reconciling and mailing.
- (8) Payroll – recordkeeping, preparing, entering pay rates, adding and removing employees from payroll and distributing.
- (9) Journal entries – preparing and journalizing.
- (10) Compensated absences – maintaining records and balances.
- (11) Computer system – performing all general accounting functions and controlling all data input and output.
- (12) Financial reporting – preparing, reconciling and distributing.

For the Friends of the Library, the Minburn Area Fire Fighters Association and the Minburn Emergency Rescue Team accounts, one person has control over each of the following areas:

- (1) Receipts – collecting, depositing, posting and reconciling.
- (2) Disbursements – posting, reconciling and check writing.
- (3) Cash and investments – handling and recording cash and investing.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Evidence of review of reconciliations should be documented by the signature or initials of the independent reviewer and the date of the review.

City of Minburn

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Response – The City will develop policies and procedures to obtain the maximum internal control possible utilizing current staff and elected officials. Evidence of review in areas stated above will be documented by the signature or initials of the reviewer and the date of the review.

Conclusion – Response accepted.

- II-B-15 Bank Reconciliations – The cash and investment balances in the City’s general ledger were not reconciled to bank and investment account balances throughout the year. The City maintains ten bank accounts. The bank statements for the Minburn Area Fire Fighters Association and the Minburn Emergency Rescue Team accounts do not cut off at month end. In addition, three checks from the year ended June 30, 2014 were duplicate checks and still outstanding at June 30, 2015.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly. Variances, if any, should be reviewed and resolved timely. Procedures should be established to ensure all financial reports reconcile and include all City activity. All bank account statements should cut off at month end to facilitate month end balancing. The City should consider reducing the number of bank accounts maintained to simplify the reconciling process. The City should resolve the duplicate check issue.

Response – The City will establish procedures to ensure bank and investment account balances, including all of the City’s financial reports, are reconciled to the general ledger monthly. Variances, if any, will be reviewed and resolved timely. All bank account statements have been changed and are now cut off at month end. The City is considering which bank accounts should be eliminated.

Conclusion – Response accepted.

- II-C-15 Financial Reporting – During the audit, we identified material amounts of receipts and disbursements recorded in incorrect accounts or funds and/or functions and material activity for the lagoon project was recorded to an incorrect fund. Adjustments were subsequently made by the City to properly report the amounts in the City’s financial statements.

Also, certain receipts, disbursements and fund balances in the City’s 2014 Annual Financial Report did not agree to the general ledger.

Recommendation – The City should implement procedures to ensure all receipts and disbursements and the lagoon project activity are properly recorded in the City’s financial records and in the Annual Financial Report.

Response – The City will implement procedures to ensure all receipts and disbursements and the lagoon project activity are properly recorded in the City’s financial records and in the Annual Financial Report.

Conclusion – Response accepted.

City of Minburn

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

II-D-15 Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or a City Council designated independent person should review the reconciliations and monitor delinquencies. The review should be documented by the signature or initials of the reviewer and the date of review.

Response – Procedures will be established to reconcile utility billings, collections and delinquent accounts for each billing period. A City Council member will review the reconciliations and monitor delinquencies. The review will be documented by the signature or initials of the reviewer and the date of the review.

Conclusion – Response accepted.

II-E-15 Computer System – During our review of internal control, the existing control activities in the City's computer system were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the City's computer system were noted:

The City does not have written policies over the computer system for:

- Password privacy and confidentiality.
- Requiring password changes because software does not require the user to change log-ins/passwords periodically.
- Requiring preparation and storage of backup tapes/disks.
- Addressing alternative power source(s).
- Usage of the internet.
- Procedures to ensure financial information entered is approved, accurate and complete.

Also, the City does not have a written disaster recovery plan and a computer log is not maintained to determine who recorded a transaction based on an employee's login name.

Recommendation – The City should develop written policies addressing the above items in order to improve the City's control over the computer system. Also, a written disaster recovery plan should be developed.

Response – The City will develop written policies addressing the above items in order to improve the City's control over the computer system. A written disaster recovery plan will be developed. Employees will use own log in names.

Conclusion – Response accepted.



City of Minburn

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

II-F-15 Record of Investments – A detailed record of investment transactions was not maintained.

Recommendation – A detailed record of investment transactions by fund should be maintained. This record should include investment number, purchase date, redemption date, interest rate, principal amount and interest received.

Response – A detailed record of investment transactions by fund will be maintained. This record should include investment number, purchase date, redemption date, interest rate, principal amount and interest received.

Conclusion – Response accepted.

II-G-15 Timely Deposits – Collections were not always deposited timely.

Recommendation – To strengthen controls over receipts and to safeguard cash, all collections should be deposited intact and timely.

Response – All collections will be deposited timely.

Conclusion – Response accepted.

II-H-15 Disbursements – For the Friends of the Library, invoices and other supporting documentation were not always available to support disbursements. Final approval for two disbursements was not noted in the minutes of the Friends of the Library.

Recommendation – All disbursements should be supported by invoices or other supporting documentation.

Response – All disbursements will be supported by invoices or other supporting documentation and be approved prior to payment.

Conclusion – Response accepted.

II-I-15 Payroll – The following were identified:

- Although timesheets are maintained for all employees, there was no indication the timesheets had been reviewed and approved by appropriate supervisory personnel prior to preparation of the payroll.
- Not all hourly wage rates were approved by the City Council and documented in the minutes record.
- Annual salary increases for all City employees were approved based upon a percentage and the actual approved wages were not documented in the City Council minutes.

City of Minburn

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Recommendation – Timesheets should be reviewed and approved by appropriate supervisory personnel prior to preparation of payroll. The approval should be documented by the signature or initials of the reviewer and the date of the review. Salary/wage rates for all employees should be approved by the City Council and documented in the minutes record. To increase control over actual wages paid, salary/wage rate increases should be documented in the minutes record by recording the new, approved rate, not just the percentage increase.

Response – Timesheets will be reviewed and approved by appropriate supervisory personnel prior to preparation of payroll. The approval will be evidenced by the signature or initials of the reviewer and the date of the review. Salary/wage rates for all employees will be approved by the City Council and documented in the minutes record. Salary/wage rate increases will be documented in the minutes record by recording the new, approved rate, not just the percentage increase.

Conclusion – Response accepted.

II-J-15 Credit Cards – The City has several credit cards for use by City employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting for credit card charges.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls the cards, who is authorized to use the cards and for what purpose, as well as the types of supporting documentation required to substantiate charges.

Response – The City will adopt a formal written policy regulating the use of City credit cards. The policy will address who controls the cards, who is authorized to use the cards and for what purpose, as well as the types of supporting documentation required to substantiate charges.

Conclusion – Response accepted.

II-K-15 Accounting Procedures Manual – The City does not have a current 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 a similar, situation arises.
- (4) Ensure City accounts are appropriately utilized.

Response – The City will develop an accounting policies and procedures manual to meet the goals stated above.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Minburn

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCE OF NON-COMPLIANCE:**

**CFDA Number 14.228: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii  
Federal Award Year: 2015  
U.S. Department of Housing and Urban Development**

III-A-15 (2015-001) Cash Management – The City drew \$15,078 from a Community Development Block Grant received through the Iowa Economic Development Authority for an invoice previously fully reimbursed by the U.S. Department of Agriculture - Rural Development grant in the prior fiscal year.

Recommendation – The City should improve cash management procedures to ensure invoices are not submitted for reimbursement from two federal funding sources. Also, disbursement tracking should be improved to minimize the time between the receipt of federal funds and the disbursement of those funds. The City should work with the USDA and the Iowa Economic Development Authority to resolve this matter.

Response and Corrective Action Planned – The City will contact both USDA and IEDA in the effort to correct the error and will work with both agencies to get the matter resolved.

Conclusion – Response accepted.

City of Minburn

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

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

IV-A-15 Certified Budget – During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the general government, capital projects, debt service and business type activities functions prior to the May 2015 budget amendment. At June 30, 2015, disbursements exceeded the amounts budgeted in the public safety, 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 budget will be amended before disbursements are allowed to exceed the budget.

Conclusion – Response accepted.

IV-B-15 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-15 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-15 Business Transactions – No business transactions between the City and City officials or employees were noted.

IV-E-15 Bond Coverage – Surety bond coverage of City officials is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-15 City Council Minutes – Except as noted in II-I-15 above, no transactions were found that we believe should have been approved in the City Council minutes but were not.

Although minutes of City Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Minutes of City Council meetings were not always signed as required by Chapter 380.7 of the Code of Iowa.

Minutes of City Council meetings were not always approved at a subsequent meeting.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and publish minutes as required. All minutes should also be signed to authenticate the actions taken.

Response – All minutes will be published within fifteen days. All minutes will also be signed.

Conclusion – Response accepted.

City of Minburn

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

- IV-G-15 Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Response – The City will adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. A resolution in amounts sufficient to cover anticipated balances at all approved depositories will be adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Conclusion – Response accepted.

- IV-H-15 Revenue Notes – The City has established the sewer revenue note sinking, reserve and short-lived asset accounts required by the sewer revenue note resolutions. However, the necessary transfers have not been made.

The City does not pay for sewer usage as required by the sewer revenue note resolutions.

Recommendation – The City should make the necessary transfers as required by the sewer note resolutions. The City should also pay for sewer usage as required.

Response – The City will make the necessary transfers as required by the sewer note resolutions. The City will also pay for sewer usage as required.

Conclusion – Response accepted.

- IV-I-15 Payment of General Obligation Anticipation Project Notes – Chapter 384.4 of the Code of Iowa states, in part, “Moneys pledged or available to service general obligation bonds, and received from sources other than property taxes, must be deposited in the debt service fund.” During the year ended June 30, 2015, the City paid the interest on the general obligation anticipation project notes from the Enterprise, Sewer and Storm Water Fund and the interest on the taxable general obligation urban renewal community building notes from the Capital Projects, Depot Project Fund. This was corrected for financial reporting purposes.

Recommendation – The City should transfer funds to the Debt Service Fund to pay the general obligation anticipation project notes and general obligation urban renewal community building notes in the future.

Response – The City will transfer funds to the Debt Service Fund to pay the general obligation notes in the future.

Conclusion – Response accepted.

City of Minburn

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

- IV-J-15 Financial Condition – The General Fund, the Debt Service Fund and the Special Revenue, Bike Trail Fund had deficit balances at June 30, 2015 of \$42,185, \$3,247 and \$1,388, respectively.

Recommendation – The City should investigate alternatives to eliminate these deficit balances to return the funds to a sound financial position.

Response – The City will investigate alternatives to eliminate these deficit balances to return the funds to a sound financial position.

Conclusion – Response accepted.

- IV-K-15 Separately Maintained Records – The Friends of the Library, the Minburn Area Firefighters Association and the Minburn Emergency Rescue Team maintain bank accounts for fundraiser and donation activity separate from the City Clerk’s accounting records. The transactions and resulting balances were not included in the City’s accounting records and were not included in the City’s annual budget or monthly financial reports. However, the transactions and the resulting balances are included in these financial statements.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any City purpose.” For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City’s accounting records and annual budget.

Response – The financial activity and balances of all City accounts will be included in the City’s accounting records and annual budget.

Conclusion – Response accepted.

- IV-L-15 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not obtain an image of the back of each cancelled check as required.

Recommendation – The City should obtain and retain an image of both the front and back of each cancelled check for all accounts, including the Friends of the Library, the Minburn Area Firefighters Association and the Minburn Emergency Rescue Team separately maintained accounts, as required.

Response – The City will obtain and retain an image of both the front and back of each cancelled check for all accounts, including the Friends of the Library, the Minburn Area Firefighters Association and the Minburn Emergency Rescue Team separately maintained accounts, as required.

Conclusion – Response accepted.

City of Minburn

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

IV-M-15 Minburn Depot LLP – The City entered into a partnership agreement with Midwest Oilseeds, Inc. and Minburn Community Betterment group to operate Minburn Depot, LLP. Chapter 28E.4 states a public agency may enter into an agreement with one or more public or private agencies for joint or cooperative action. The City does not reference Chapter 28E of the Code of Iowa in the agreement.

Recommendation – The City should establish a 28E agreement to allow the City to be the general partner of Minburn Depot, LLP.

Response – The City will establish a 28E agreement to allow the City to be the general partner of Minburn Depot, LLP.

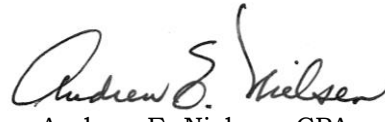
Conclusion – Response accepted.

City of Minburn

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager  
Laura M. Wernimont, Senior Auditor  
Emma L. McGrane, Assistant Auditor  
Lucas P. Mullen, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State