



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

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NEWS RELEASE

FOR RELEASE

May 5, 2017

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

The City's receipts totaled \$354,373 for the year ended June 30, 2015. The receipts included \$53,231 in property tax, \$170,453 from charges for service, \$58,167 from operating grants, contributions and restricted interest, \$36,666 from capital grants, contributions and restricted interest, \$31,590 from local option sales tax, \$1,290 from unrestricted interest on investments and \$2,976 from other general receipts.

Disbursements for the year ended June 30, 2015 totaled \$314,699, and included \$122,493 for general government, \$26,735 for culture and recreation and \$23,999 for public works. Also, disbursements for business type activities totaled \$119,627.

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 <https://auditor.iowa.gov/reports/1522-0017-B00F>.

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CITY OF CINCINNATI
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2015

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City of Cincinnati

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|--------------------------------|----------------|---------------------|
| Dave Rummans | Mayor | (Resigned) |
| Rebecca Clark (Appointed) | Mayor | Nov 2017 |
| Rebecca Clark (Appointed) | Mayor Pro tem | (Resigned) |
| William Rick Long (Appointed) | Mayor Pro tem | Nov 2015 |
| Jeff Lenik (Appointed) | Council Member | (Resigned) |
| Bruce Clinkenbeard (Appointed) | Council Member | Nov 2015 |
| Patricia Fowler | Council Member | (Resigned) |
| Joshua McIntire | Council Member | Nov 2017 |
| Ron Shady | Council Member | Jan 2018 |
| Bob Wireman | Council Member | Jan 2018 |
| Gail Finks | City Clerk | (Resigned) |
| Melissa McIntire (Appointed) | City Clerk | Indefinite |
| Mike Craver | Attorney | Indefinite |

City of Cincinnati



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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 Cincinnati, 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.

Basis for Modified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distributions by fund of the total fund balances at July 1, 2014.

Modified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2014, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Cincinnati as of June 30, 2015, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Emphasis of a Matter

As disclosed in Note 4, the City of Cincinnati 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 Cincinnati's basic financial statements. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 28 through 34, 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 April 11, 2017 on our consideration of the City of Cincinnati'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 Cincinnati's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

April 11, 2017

City of Cincinnati

Basic Financial Statements

City of Cincinnati

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 |
| Functions/Programs: | | | | |
| Governmental activities: | | | | |
| Public safety | \$ 21,845 | - | 22,452 | - |
| Public works | 23,999 | - | 31,260 | - |
| Culture and recreation | 26,735 | 3,274 | 1,239 | - |
| General government | 122,493 | 438 | 3,216 | 36,666 |
| Total governmental activities | 195,072 | 3,712 | 58,167 | 36,666 |
| Business type activities: | | | | |
| Water | 33,669 | 89,639 | - | - |
| Sewer | 85,958 | 77,102 | - | - |
| Total business type activities | 119,627 | 166,741 | - | - |
| Total | \$ 314,699 | 170,453 | 58,167 | 36,666 |
| General Receipts and Transfers: | | | | |
| Property and other city tax levied for general purposes | | | | |
| Local option sales tax | | | | |
| Unrestricted interest on investments | | | | |
| Miscellaneous | | | | |
| Transfers | | | | |
| Total general receipts and transfers | | | | |
| Change in cash basis net position | | | | |
| Cash basis net position beginning of year | | | | |
| Cash basis net position end of year | | | | |
| Cash Basis Net Position | | | | |
| Restricted: | | | | |
| Nonexpendable: | | | | |
| Cemetery perpetual care | | | | |
| Expendable: | | | | |
| Streets | | | | |
| Local option sales tax | | | | |
| Franchise fee | | | | |
| Debt service | | | | |
| Other purposes | | | | |
| Unrestricted | | | | |
| Total cash basis net position | | | | |

See notes to financial statements.

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

| Governmental Activities | Business Type Activities | Total |
|----------------------------|-----------------------------|----------|
| 607 | - | 607 |
| 7,261 | - | 7,261 |
| (22,222) | - | (22,222) |
| (82,173) | - | (82,173) |
| (96,527) | - | (96,527) |
| - | 55,970 | 55,970 |
| - | (8,856) | (8,856) |
| - | 47,114 | 47,114 |
| (96,527) | 47,114 | (49,413) |
| 53,231 | - | 53,231 |
| 31,590 | - | 31,590 |
| 718 | 572 | 1,290 |
| 11 | 2,965 | 2,976 |
| 631 | (631) | - |
| 86,181 | 2,906 | 89,087 |
| (10,346) | 50,020 | 39,674 |
| 204,179 | 237,240 | 441,419 |
| \$ 193,833 | 287,260 | 481,093 |
| \$ 39,886 | - | 39,886 |
| 27,651 | - | 27,651 |
| 83,151 | - | 83,151 |
| 5,598 | - | 5,598 |
| - | 25,493 | 25,493 |
| 44,622 | - | 44,622 |
| (7,075) | 261,767 | 254,692 |
| \$ 193,833 | 287,260 | 481,093 |

City of Cincinnati

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 Use Tax | Local Option Sales Tax |
| Receipts: | | | |
| Property tax | \$ 35,033 | - | - |
| Local option sales tax | - | - | 31,590 |
| Other city tax | 5,598 | - | - |
| Licenses and permits | 390 | - | - |
| Use of money and property | 2,882 | - | - |
| Intergovernmental | 40,362 | 26,881 | - |
| Charges for service | 893 | - | - |
| Miscellaneous | 6,505 | 59 | - |
| Total receipts | 91,663 | 26,940 | 31,590 |
| Disbursements: | | | |
| Operating: | | | |
| Public safety | 20,353 | - | - |
| Public works | 5,026 | 18,593 | 380 |
| Culture and recreation | 26,735 | - | - |
| General government | 112,518 | - | - |
| Total disbursements | 164,632 | 18,593 | 380 |
| Excess (deficiency) of receipts over (under) disbursements | (72,969) | 8,347 | 31,210 |
| Other financing sources (uses): | | | |
| Transfers in | 108,132 | - | - |
| Transfers out | (31,816) | (16,637) | (45,917) |
| Total other financing sources (uses) | 76,316 | (16,637) | (45,917) |
| Change in cash balances | 3,347 | (8,290) | (14,707) |
| Cash balances beginning of year | (204) | 35,941 | 97,858 |
| Cash balances end of year | \$ 3,143 | 27,651 | 83,151 |
| Cash Basis Fund Balances | | | |
| Nonspendable - Cemetery perpetual care | \$ - | - | - |
| Restricted for: | | | |
| Streets | - | 27,651 | - |
| Local option sales tax | - | - | 83,151 |
| Franchise fee | 5,598 | - | - |
| Other purposes | - | - | - |
| Unassigned | (2,455) | - | - |
| Total cash basis fund balances | \$ 3,143 | 27,651 | 83,151 |

See notes to financial statements.

| <u>Permanent</u> | | |
|-------------------------------|----------|-----------|
| Cemetery Perpetual Care | Nonmajor | Total |
| - | 12,600 | 47,633 |
| - | - | 31,590 |
| - | - | 5,598 |
| - | - | 390 |
| 8 | - | 2,890 |
| - | 15,730 | 82,973 |
| 255 | - | 1,148 |
| - | 5,309 | 11,873 |
| 263 | 33,639 | 184,095 |
| - | 1,492 | 21,845 |
| - | - | 23,999 |
| - | - | 26,735 |
| - | 9,975 | 122,493 |
| - | 11,467 | 195,072 |
| 263 | 22,172 | (10,977) |
| 20,816 | 11,000 | 139,948 |
| (333) | (44,614) | (139,317) |
| 20,483 | (33,614) | 631 |
| 20,746 | (11,442) | (10,346) |
| 19,140 | 51,444 | 204,179 |
| 39,886 | 40,002 | 193,833 |
| 39,886 | - | 39,886 |
| - | - | 27,651 |
| - | - | 83,151 |
| - | - | 5,598 |
| - | 44,622 | 44,622 |
| - | (4,620) | (7,075) |
| 39,886 | 40,002 | 193,833 |

City of Cincinnati

City of Cincinnati

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 | Total |
| Operating receipts: | | | |
| Charges for service | \$ 80,556 | 76,882 | 157,438 |
| Miscellaneous | 8,963 | - | 8,963 |
| Total operating receipts | 89,519 | 76,882 | 166,401 |
| Operating disbursements: | | | |
| Business type activities | 32,065 | 46,975 | 79,040 |
| Excess of operating receipts over operating disbursements | 57,454 | 29,907 | 87,361 |
| Non-operating receipts (disbursements): | | | |
| Interest on investments | 54 | 518 | 572 |
| Miscellaneous | 120 | 3,185 | 3,305 |
| Debt service | - | (21,816) | (21,816) |
| Capital outlay | (1,604) | (17,167) | (18,771) |
| Net non-operating receipts (disbursements) | (1,430) | (35,280) | (36,710) |
| Excess (deficiency) of receipts over (under) disbursements | 56,024 | (5,373) | 50,651 |
| Transfers in | 194 | 174 | 368 |
| Transfers out | - | (999) | (999) |
| Total transfers in (out) | 194 | (825) | (631) |
| Change in cash balances | 56,218 | (6,198) | 50,020 |
| Cash balances beginning of year | 123,940 | 113,300 | 237,240 |
| Cash balances end of year | \$ 180,158 | 107,102 | 287,260 |
| Cash Basis Fund Balances | | | |
| Restricted for debt service | \$ - | 25,493 | 25,493 |
| Unrestricted | 180,158 | 81,609 | 261,767 |
| Total cash basis fund balances | \$ 180,158 | 107,102 | 287,260 |

See notes to financial statements.

City of Cincinnati

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

The City of Cincinnati is a political subdivision of the State of Iowa located in Appanoose County. It was first incorporated in 1875 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Cincinnati 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: Appanoose County Assessor's Conference Board, Appanoose County Emergency Management Commission, Appanoose County Joint E911 Service Board and Rathbun Area Solid Waste Commission.

B. Basis of Presentation

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

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

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent 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 Local Option Sales Tax Fund is used to account for local option sales tax and its uses.

The Permanent, Cemetery Perpetual Care Fund is used to account for a trust for care and maintenance of the 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 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 amount budgeted in the general government function prior to the budget amendment.

(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. 72.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for the sewer revenue bond and sewer revenue capital loan notes are as follows:

| Year Ending June 30, | Sewer Revenue | | Sewer Revenue Capital Loan | | Total | |
|----------------------------|---------------|----------|-------------------------------|----------|-----------|----------|
| | Bond | | Notes | | | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2016 | \$ 4,766 | 4,590 | 7,000 | 4,830 | 11,766 | 9,420 |
| 2017 | 5,005 | 4,351 | 7,000 | 4,620 | 12,005 | 8,971 |
| 2018 | 5,255 | 4,101 | 8,000 | 4,410 | 13,255 | 8,511 |
| 2019 | 5,518 | 3,838 | 8,000 | 4,170 | 13,518 | 8,008 |
| 2020 | 5,793 | 3,563 | 8,000 | 3,930 | 13,793 | 7,493 |
| 2021-2025 | 33,613 | 13,167 | 46,000 | 15,750 | 79,613 | 28,917 |
| 2026-2030 | 31,843 | 3,960 | 53,000 | 8,460 | 84,843 | 12,420 |
| 2031-2032 | - | - | 24,000 | 1,080 | 24,000 | 1,080 |
| Total | \$ 91,793 | 37,570 | 161,000 | 47,250 | 252,793 | 84,820 |

Sewer Revenue Bond

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay a \$157,800 sewer revenue bond issued in December 1988. The bond matures annually on July 1 and bears interest at 5.0% per annum, which is also due and payable every July 1. Proceeds from the bond provided financing for the construction of improvements to the sewer treatment plant. The bond is payable solely from sewer customer net receipts and is payable through 2029. Annual principal and interest payments on the bond required approximately 31% of net receipts. The total principal and interest remaining to be paid on the bond is \$129,363. For the current year, \$9,356 of principal and interest were paid and total customer net receipts were \$29,907.

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

- (a) The bond will only be redeemed from the future earnings of the enterprise activity and the bond holder holds a lien on the future earnings of the funds.
- (b) The City shall make annual payments of \$9,356, including interest at 5.0% per annum, to Farmers Home Administration in the years 1991 through 2029, inclusive.
- (c) User rates shall be established at a level which produces and maintains net receipts at a level not less than 125% the amount of principal and interest on the bond falling due in the same year.
- (d) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.
- (e) Additional monthly transfers to a sewer reserve account shall be made until an amount equal to the principal and interest due in any subsequent year has been accumulated. This account is restricted for the purpose of paying principal and interest payments on the bond.
- (f) All users of the sewer system, including the City, shall pay for usage.

The City's net revenues for the year ended June 30, 2015 were greater than the required 125% of bond principal and interest falling due during the year.

The City has established a separate sewer revenue bond sinking account and monthly transfers to the account have been made.

The City has established a separate sewer reserve account and the required transfers have been made.

The City pays for use of the sewer system as required by the sewer revenue bond resolution.

Sewer Revenue Capital Loan Notes

On March 2, 2011, the City entered into an agreement with the Iowa Finance Authority for the issuance of up to \$193,000 of sewer revenue capital loan notes with interest at 3.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The notes were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements, extensions and a new pump station for the sewer utility system. At June 30, 2013, the City had drawn \$181,656, the final loan amount. An initiation fee of 1% of the authorized borrowing for the sewer revenue capital loan notes was charged by the Iowa Finance Authority and withheld from the first proceeds of the sewer revenue capital loan notes drawn by the City.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the sewer revenue capital loan notes. The notes are payable solely from sewer customer net receipts. Annual principal and interest payments on the notes are expected to require approximately 40% of net receipts. The total amount of principal and interest remaining to be paid on the notes at June 30, 2015 is \$208,250. For the current year, \$12,040 of principal and interest was paid and total customer net receipts were \$29,907.

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

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holder holds a lien on the future earnings of the funds.
- (b) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

The City's net revenues for the year ended June 30, 2015 were greater than the required 110% of note principal and interest due during the year.

(4) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by 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, PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month 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 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 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of covered payroll 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 \$3,711.

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 \$31,809. 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 IPERS relative to the contributions of all IPERS participating employers. At June 30, 2014, the City’s proportion was 0.0008021%, which was an increase of 0.000071% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City collective pension expense, collective deferred outflows of resources and collective deferred inflows of resources totaled \$2,381, \$1,750 and \$12,131, 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 (effective June 30, 2014) | 3.00% per annum. |
| Rates of salary increase (effective June 30, 2010) | 4.00 to 17.00% average, including inflation. Rates vary by membership group. |
| Long-term investment rate of return (effective June 30, 1996) | 7.50% compounded annually, net of investment expense, including inflation. |

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

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

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. 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 to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

| | 1% Decrease (6.50%) | Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|---------------------|-----------------------|---------------------|
| City's proportionate share of the net pension liability | \$ 60,102 | 31,809 | 7,927 |

IPERS' 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.

(5) Compensated Absences

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

| Type of Benefit | Amount |
|-----------------|-----------------|
| Vacation | \$ 500 |
| Sick leave | <u>4,600</u> |
| Total | <u>\$ 5,100</u> |

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

(6) Interfund Transfers

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

| Transfer to | Transfer from | Amount |
|-------------------------|-------------------------|-------------------|
| General | Special Revenue: | |
| | Road Use Tax Fund | \$ 16,637 |
| | Local Option Sales Tax | 45,917 |
| | Insurance | 4,746 |
| | Employee Benefits | 7,623 |
| | VFD - Township | 24,957 |
| | VFD - Fundraiser | 6,940 |
| | Permanent: | |
| | Cemetery Perpetual Fund | 333 |
| | Enterprise: | |
| | Sewer | <u>979</u> |
| | | <u>108,132</u> |
| Permanent: | | |
| Cemetery Perpetual Care | General | <u>20,816</u> |
| Special Revenue: | | |
| Grant - Fire Truck | General | <u>11,000</u> |
| Enterprise: | | |
| Water Fund | Special Revenue: | |
| | Insurance | 174 |
| | Enterprise: | |
| | Sewer | <u>20</u> |
| | | <u>194</u> |
| Sewer Fund | Special Revenue: | |
| | Insurance | <u>174</u> |
| Total | | <u>\$ 140,316</u> |

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

(7) Risk Management

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

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

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

The City's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2015 were \$7,722.

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

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

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

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

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000, respectively. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Deficit Balance

The General Fund and Special Revenue, Insurance Fund had deficit balances of \$2,455 and \$4,620, respectively, at June 30, 2015. The City is investigating alternatives to eliminate deficits, which include future cost saving measures and/or anticipated receipts.

(9) Subsequent Event

On November 9, 2015, the City Council approved the issuance of \$405,000 of sewer revenue capital loan notes for the purpose of paying the costs of acquiring, constructing, reconstructing, extending, remodeling, improving, repairing and equipping all or part of the municipal sewer system.

Other Information

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

Other Information

Year ended June 30, 2015

| | Governmental Funds Actual | Proprietary Funds Actual |
|--|---------------------------------|--------------------------------|
| Receipts: | | |
| Property tax | \$ 47,633 | - |
| Local option sales tax | 31,590 | - |
| Other city tax | 5,598 | - |
| Licenses and permits | 390 | - |
| Use of money and property | 2,890 | 572 |
| Intergovernmental | 82,973 | - |
| Charges for service | 1,148 | 157,438 |
| Miscellaneous | 11,873 | 12,268 |
| Total receipts | 184,095 | 170,278 |
| Disbursements: | | |
| Public safety | 21,845 | - |
| Public works | 23,999 | - |
| Culture and recreation | 26,735 | - |
| General government | 122,493 | - |
| Business type activities | - | 119,627 |
| Total disbursements | 195,072 | 119,627 |
| Excess of receipts over disbursements | (10,977) | 50,651 |
| Other financing sources, net | 631 | (631) |
| Excess of receipts and other financing sources over disbursements and other financing uses | (10,346) | 50,020 |
| Balances beginning of year | 204,179 | 237,240 |
| Balances end of year | \$ 193,833 | 287,260 |

See accompanying independent auditor's report.

| Total | Budgeted Amounts | | Final to |
|---------|------------------|-----------|-------------------|
| | Original | Final | Total Variance |
| 47,633 | 43,722 | 43,722 | 3,911 |
| 31,590 | - | - | 31,590 |
| 5,598 | 31,495 | 31,495 | (25,897) |
| 390 | - | - | 390 |
| 3,462 | 1,952 | 1,952 | 1,510 |
| 82,973 | 40,805 | 90,705 | (7,732) |
| 158,586 | 168,000 | 168,000 | (9,414) |
| 24,141 | - | - | 24,141 |
| 354,373 | 285,974 | 335,874 | 18,499 |
| 21,845 | 22,300 | 22,300 | 455 |
| 23,999 | 53,015 | 53,015 | 29,016 |
| 26,735 | 32,100 | 32,100 | 5,365 |
| 122,493 | 105,770 | 155,670 | 33,177 |
| 119,627 | 193,538 | 193,538 | 73,911 |
| 314,699 | 406,723 | 456,623 | 141,924 |
| 39,674 | (120,749) | (120,749) | 160,423 |
| - | - | - | - |
| 39,674 | (120,749) | (120,749) | 160,423 |
| 441,419 | 425,357 | 425,357 | 16,062 |
| 481,093 | 304,608 | 304,608 | 176,485 |

City of Cincinnati

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 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 \$49,900. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the general government function prior to the budget amendment.

City of Cincinnati
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 | 0.0008021% |
| City's proportionate share of the net pension liability | \$ 31,809 |
| City's covered-employee payroll | \$ 50,703 |
| City's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 62.74% |
| IPERS' 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 Cincinnati
Schedule of City Contributions

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

Other Information

| | 2015 | 2014 | 2013 | 2012 |
|---|-----------|---------|---------|---------|
| Statutorily required contribution | \$ 3,711 | 4,528 | 4,157 | 3,947 |
| Contributions in relation to the statutorily required contribution | (3,711) | (4,528) | (4,157) | (3,947) |
| Contribution deficiency (excess) | \$ - | - | - | - |
| City's covered-employee payroll | \$ 41,553 | 50,703 | 47,948 | 48,907 |
| Contributions as a percentage of covered-employee payroll | 8.93% | 8.93% | 8.67% | 8.07% |

See accompanying independent auditor's report.

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

City of Cincinnati

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% per year measured from the member's first unreduced retirement age to a 6% 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, deputies and protection occupation members.

Supplementary Information

City of Cincinnati

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

As of and for the year ended June 30, 2015

| | | | Special |
|---|------------|----------------------|----------------------|
| | Insurance | Employee Benefits | Grant - City Hall |
| Receipts: | | | |
| Property tax | \$ 2,924 | 9,676 | - |
| Intergovernmental | - | - | - |
| Miscellaneous | - | - | - |
| Total receipts | 2,924 | 9,676 | - |
| Disbursements: | | | |
| Operating: | | | |
| Public safety | - | 1,128 | - |
| General government | 7,840 | - | 2,135 |
| Total disbursements | 7,840 | 1,128 | 2,135 |
| Excess (deficiency) of receipts over (under) disbursements | (4,916) | 8,548 | (2,135) |
| Other financing sources (uses): | | | |
| Transfers in | - | - | - |
| Transfers out | (5,094) | (7,623) | - |
| Total other financing sources (uses) | (5,094) | (7,623) | - |
| Change in cash balances | (10,010) | 925 | (2,135) |
| Cash balances beginning of year | 5,390 | 20,832 | 5,000 |
| Cash balances end of year | \$ (4,620) | 21,757 | 2,865 |
| Cash Basis Fund Balances | | | |
| Restricted for other purposes | \$ - | 21,757 | 2,865 |
| Unassigned | (4,620) | - | - |
| Total cash basis fund balances | \$ (4,620) | 21,757 | 2,865 |

See accompanying independent auditor's report.

| Revenue | | | | |
|-----------------------------|-----------------------|-----------------|--------------------|----------|
| Grant- Fire Equipment | Grant - Fire Truck | VFD Township | VFD Fundraisers | Total |
| - | - | - | - | 12,600 |
| 4,000 | - | 11,730 | - | 15,730 |
| - | - | - | 5,309 | 5,309 |
| 4,000 | - | 11,730 | 5,309 | 33,639 |
| - | - | 340 | 24 | 1,492 |
| - | - | - | - | 9,975 |
| - | - | 340 | 24 | 11,467 |
| 4,000 | - | 11,390 | 5,285 | 22,172 |
| - | 11,000 | - | - | 11,000 |
| - | - | (24,957) | (6,940) | (44,614) |
| - | 11,000 | (24,957) | (6,940) | (33,614) |
| 4,000 | 11,000 | (13,567) | (1,655) | (11,442) |
| - | 5,000 | 13,567 | 1,655 | 51,444 |
| 4,000 | 16,000 | - | - | 40,002 |
| 4,000 | 16,000 | - | - | 44,622 |
| - | - | - | - | (4,620) |
| 4,000 | 16,000 | - | - | 40,002 |

City of Cincinnati
Schedule of Indebtedness
Year ended June 30, 2015

| Obligation | Date of Issue | Interest Rates | Amount Originally Issued |
|---|------------------|-------------------|--------------------------------|
| Farmer's Home Administration sewer revenue bond | Dec 15, 1988 | 5.00% | \$ 157,800 |
| Sewer revenue capital loan notes | Mar 2, 2011 * | 3.00% | \$ 181,656 |

* The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

| Balance Beginning of Year | Issued During Year | Redeemed During Year | Balance End of Year | Interest Paid |
|---------------------------------|--------------------------|----------------------------|---------------------------|------------------|
| 96,332 | - | 4,539 | 91,793 | 4,817 |
| 168,000 | - | 7,000 | 161,000 | 5,040 |

City of Cincinnati

City of Cincinnati
 Bond and Note Maturities
 June 30, 2015

| Year Ending June 30, | Sewer | | | | | Total |
|----------------------------|---------------------|------------------|----------------------------|-------------------|----------------|-------|
| | Revenue Bond | | Revenue Capital Loan Notes | | | |
| | Issued Dec 15, 1988 | | Issued March 2, 2011 | | | |
| | Interest | | Interest | | | |
| | Rates | Amount | Rates | Amount | | |
| 2016 | 5.00% | \$ 4,766 | 3.00% | \$ 7,000 | 11,766 | |
| 2017 | 5.00 | 5,005 | 3.00 | 7,000 | 12,005 | |
| 2018 | 5.00 | 5,255 | 3.00 | 8,000 | 13,255 | |
| 2019 | 5.00 | 5,518 | 3.00 | 8,000 | 13,518 | |
| 2020 | 5.00 | 5,793 | 3.00 | 8,000 | 13,793 | |
| 2021 | 5.00 | 6,083 | 3.00 | 9,000 | 15,083 | |
| 2022 | 5.00 | 6,387 | 3.00 | 9,000 | 15,387 | |
| 2023 | 5.00 | 6,707 | 3.00 | 9,000 | 15,707 | |
| 2024 | 5.00 | 7,042 | 3.00 | 9,000 | 16,042 | |
| 2025 | 5.00 | 7,394 | 3.00 | 10,000 | 17,394 | |
| 2026 | 5.00 | 7,764 | 3.00 | 10,000 | 17,764 | |
| 2027 | 5.00 | 8,152 | 3.00 | 10,000 | 18,152 | |
| 2028 | 5.00 | 8,560 | 3.00 | 11,000 | 19,560 | |
| 2029 | 5.00 | 7,367 | 3.00 | 11,000 | 18,367 | |
| 2030 | | - | 3.00 | 11,000 | 11,000 | |
| 2031 | | - | 3.00 | 12,000 | 12,000 | |
| 2032 | | - | 3.00 | 12,000 | 12,000 | |
| Total | | <u>\$ 91,793</u> | | <u>\$ 161,000</u> | <u>252,793</u> | |

See accompanying independent auditor's report.

City of Cincinnati



**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 Cincinnati, 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 April 11, 2017. Our report expressed modified opinions on the financial statements of the governmental activities, the business type activities, the General Fund, the Special Revenue, Road Use Tax and Local Option Sales Tax Funds, the Permanent, Cemetery Perpetual Care Fund, the major Enterprise Funds, including the Water and Sewer Funds and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles, since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Cincinnati's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Cincinnati's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Cincinnati'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, 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 Cincinnati's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) through (E) 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 the accompanying Schedule of Findings as items (F) through (K) to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 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 Cincinnati's Responses to the Findings

The City of Cincinnati's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Cincinnati'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 Cincinnati 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

April 11, 2017

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City’s financial statements.

Condition – Generally, one individual in the City has control over each of the following areas for which no compensating controls exist:

- (1) Cash – handling, reconciling and recording.
- (2) Investing – recordkeeping, investing, custody of investments and reconciling earnings.
- (3) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (4) Disbursements – invoice processing, check writing, mailing, reconciling and recording.
- (5) Payroll – recordkeeping, preparing and distributing.
- (6) Utilities – billing, collecting, depositing and posting.
- (7) Debt – recordkeeping, compliance and debt payment processing.
- (8) Computer system – performing all general accounting functions and controlling all data input and output.
- (9) Compensated absences – maintaining records and balances.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports.

City of Cincinnati

Schedule of Findings

Year ended June 30, 2015

Response – The City has made some adjustments to these procedures and the City Council has become more involved in the City’s finances. The City is still working on updating its written policies and procedures.

Conclusion – Response accepted.

(B) Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City’s financial statements.

Condition – During the audit, we identified material amounts of receipts, disbursements and transfers not posted correctly. Adjustments were subsequently made by the City to properly report the amounts in the City’s financial statements.

Cause – City policies do not require and procedures have not been established to require review of receipt, disbursement and transfer transactions posted.

Effect – Lack of policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions and material adjustments to the City’s financial statements were necessary.

Recommendation – The City should implement procedures to ensure receipts, disbursements and transfers are properly recorded in the City’s financial statements.

Response – The City is working on updating its policies and procedures. The City Council is now more involved in monitoring the finances of the City.

Conclusion – Response accepted.

(C) City Council Oversight

Criteria – The City Council has a fiduciary responsibility to provide oversight of the City’s operations and financial transactions. Oversight is typically defined as the “watchful and responsible care” a governing body exercises in its fiduciary capacity.

Condition – Based on our observations and procedures performed, we identified the City Council failed to exercise proper fiduciary oversight.

Cause – The City Council has not developed policies and procedures to exercise proper fiduciary oversight over several matters as identified in the Schedule of Findings.

City of Cincinnati

Schedule of Findings

Year ended June 30, 2015

Effect – Lack of policies and procedures resulted in the City Council not properly reviewing several transactions prior to approval.

Recommendation – Oversight by the City Council is essential and should be an ongoing effort. In the future, the City Council should exercise due care and require and review pertinent information and documentation prior to making decisions affecting the City. Appropriate policies and procedures should be adopted, implemented and monitored to ensure compliance.

Response – The City is working on updating written policies and procedures and the City Council is taking more care with oversight.

Conclusion – Response accepted.

(D) Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by reconciling bank and book balances.

Condition – There is no evidence a complete bank reconciliation is prepared for the City's bank accounts, which resulted in variances between the accounts at June 30, 2015. The resulting variances were not properly investigated and resolved in a timely manner.

Cause – Procedures have not been designed and implemented to ensure all accounts are reconciled and the amounts recorded in the books and bank accounts are complete and accurate to ensure proper accounting for all funds.

Effect – The lack of a complete bank to book reconciliation can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – The City should prepare monthly bank reconciliations and variances between book and bank balances should be investigated and resolved in a timely manner to improve financial accountability and control. In addition, the reconciliations should be reviewed by an independent person and should be documented by the signature or initials of the independent reviewer and the date of review.

Response – The City now has a specific City Council member who prepares and signs the bank reconciliation monthly. The Mayor and City Council are given the reconciliation each month to review.

Conclusion – Response accepted.

(E) Reconciliation of Utility Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to maintaining delinquent account listings, reconciling utility billings, collections and delinquent accounts and comparing utility collections to deposits to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

City of Cincinnati

Schedule of Findings

Year ended June 30, 2015

Condition – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared. Also, utility collections were not reconciled to deposits. In addition, shut-off policies were not strictly enforced and delinquent accounts written off were not approved by the Council.

Cause – Policies have not been established and procedures have not been implemented to maintain delinquent account listings, reconcile utility billings, collections and delinquent accounts and to reconcile utility collections to deposits.

Effect – This condition could result in unrecorded or misstated utility receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

Recommendation – A listing of delinquent accounts should be prepared on a monthly basis. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period and to reconcile collections to deposits. The City Council or a Council-designated independent person should review the reconciliations and monitor delinquencies. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of review. Established shut-off policies and procedures should be followed and delinquent accounts written off should be approved by the City Council.

Response – The City is working on developing written policies and procedures to ensure utility billings, collections and delinquent accounts are reconciled monthly. The City is also reviewing delinquent accounts to ensure they are caught up or the proper shut off procedures are followed.

Conclusion – Response accepted.

(F) Computer System

Criteria – Properly designed policies and procedures pertaining to control activities over the City's computer system and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable, regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Condition – The City does not have written policies for:

- Requiring the use of a user name or password.
- Requiring the maintenance of password privacy and confidentiality.
- Requiring passwords to be changed at least every 60 to 90 days.
- Requiring password history to be maintained to prevent employees from using the same password.
- Usage of the internet.

City of Cincinnati

Schedule of Findings

Year ended June 30, 2015

Also, the City does not have a written disaster recovery plan and does not require the computer system to be backed up regularly.

Cause – Management has not required written policies for the above computer based controls or off site storage for back-up tapes.

Effect – Lack of written policies for computer based systems could result in a loss of data or compromised data, resulting in unreliable financial information. The failure to have a formal disaster recovery plan could result in the City's inability to function in the event of a disaster or continue City business without interruption. Backing up the computer system regularly helps ensure financial and other information is readily available in the case of a disaster or emergency.

Recommendation – The City should develop written policies addressing the above items in order to improve the City's control over its computer systems. A written disaster recovery plan should also be developed and back-up tapes should be stored off site daily in a fireproof vault or safe.

Response – The City is working on getting all of the policies and procedures updated, written, understood and followed.

Conclusion – Response accepted.

(G) Accounting Policies and Procedures Manual

Criteria – Accounting policies and procedures manuals 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.

Condition – The City does not have an accounting policies and procedures manual.

Cause – The City has been unaware of the need for an accounting policies and procedures manual.

Effect – Lack of an accounting policies and procedures manual could result in the City's lack of ability to continue operating effectively and efficiently in the event there is accounting staff turnover.

Recommendation – An accounting policies and procedures manual should be developed for the City.

Response – This is a work in progress to get all of the City's policies and procedures updated, written, understood and followed.

Conclusion – Response accepted.

City of Cincinnati

Schedule of Findings

Year ended June 30, 2015

(H) Credit Cards

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity’s governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and proper supporting documentation.

Condition – The City has credit cards for use by various 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 of credit card charges.

Cause – Adoption of a formal policy to regulate the use of credit cards has not been prioritized by the City Council.

Effect – Lack of written policies and procedures to regulate the use of credit cards could result in unauthorized and unsupported transactions and the opportunity for misappropriation.

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 credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – The City is working on developing a written policy to cover credit card usage.

Conclusion – Response accepted.

(I) Disbursements and Disbursement Allocation

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity’s governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and proper supporting documentation.

Condition – Invoices and other supporting documentation were not always available to support disbursements and supporting documentation was not always cancelled. In addition, disbursements for meal and mileage reimbursements lacked policies stating what was allowable for reimbursement. The City has no formal policy detailing how certain disbursements should be allocated among funds.

Cause – Supporting documentation was not always maintained for each disbursement paid by the City and policies regarding meal and mileage reimbursement have not been established. In addition, the City has not established a written policy providing guidelines for proper and consistent allocation of costs between funds.

City of Cincinnati

Schedule of Findings

Year ended June 30, 2015

Effect – Lack of supporting documentation for all disbursements and lack of policies and procedures for reimbursement of meals and mileage could result in unauthorized and unsupported transactions and the opportunity for misappropriation. In addition, a lack of a policy regarding allocation of costs could result in inconsistent treatment of costs.

Recommendation – All disbursements should be supported by invoices or other supporting documentation and should be cancelled to prevent reuse. The City should establish written policies providing guidelines for reimbursement of meals and mileage as well as for proper and consistent allocation of costs between funds.

Response – As a part of updating the City’s policies and procedures the City will ensure the procedures require support for all disbursements as well as requiring the support is canceled to prevent reuse. The City now has a written policy which sets travel reimbursement rates. In addition, the City will prepare a written financial policy which will cover the issue of consistent allocation of receipts, disbursements and costs to individual funds.

Conclusion – Response accepted.

(J) Payroll

Criteria – An effective internal control system provides for internal controls related to the processing and approval of payroll for employees of the City. Approved salaries and policies regarding overtime, as well as proper review of timesheets and payroll checks can help ensure proper payment of payroll expenses.

Condition – Four payroll checks cleared the bank prior to the check date for the former city clerk. Also, two of twenty timesheets reviewed for the former city clerk and both timesheets reviewed for the maintenance worker showed no sign of supervisory review and approval.

Cause – Policies have not been established and procedures have not been implemented to ensure timesheets and payroll checks are properly reviewed, approved and distributed.

Effect – Lack of policies and procedures for review, approval and distribution of payroll could result in unauthorized payroll and the opportunity for misappropriation.

Recommendation – The City should adopt policies and procedures to ensure timesheets and payroll checks are properly reviewed, approved and distributed.

Response – The City is working on updating its written procedures. The paychecks and timecards should be reviewed and approved before checks are signed. The pay checks require two signatures before distribution to employees.

Conclusion – Response accepted.

City of Cincinnati

Schedule of Findings

Year ended June 30, 2015

(K) Compensated Absences

Criteria – An effective internal control system provides for internal controls related to the processing and approval of payroll for employees of the City. Approved salaries and policies regarding overtime, as well as proper review of payroll checks can help ensure proper payment of payroll expenses.

Condition – Although the City has an established policy on paid holidays, sick leave, personal leave and vacation time, the City has not established a formal policy for payout of each upon resignation. Historically the City has paid out any accrued balances of compensated absences.

Cause – Policies have not been established to determine what accrued compensated absence time, if any, shall be paid out upon resignation. In addition, the City Council does not review compensated absence balances on a regular basis.

Effect – The lack of a policy regarding compensated absences payouts could result in inaccurate payouts.

Recommendation – The City should adopt a formal policy regarding payout of compensated absences upon resignation. In addition, the City Council should review compensated absence balances to determine their accuracy.

Response – The City is working on updating the policy regarding payout of accrued leave. Before an employee is given a payout the payout has to be reviewed and approved by the Mayor and a City Council member.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Cincinnati

Schedule of Findings

Year ended June 30, 2015

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements in the general government function exceeded the amount budgeted prior to the budget amendment. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

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

Conclusion – Response accepted.

- (2) Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

| <u>Paid to</u> | <u>Purpose</u> | <u>Amount</u> |
|-----------------------------|----------------------------------|---------------|
| Cole Cooper Collegiate Fund | Memorial | \$50 |
| Wal-Mart | Get well card and stuffed animal | 9 |
| Wal-Mart | Sympathy card | 4 |

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

Response – The City is working on all of its policies and procedures. We are now under the understanding if we as a City would like to donate we should hold a benefit or seek donations rather than fund it out of the City’s funds.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- (4) Business Transactions – No business transactions between City and City officials or employees were noted.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

City of Cincinnati

Schedule of Findings

Year ended June 30, 2015

- (6) City Council Minutes – Except as noted below, no transactions were found that we believe should have been approved in the City Council minutes but were not.

For 15 of 22 disbursements tested, there was no evidence the City Council approved the disbursements as they were not included in the approved disbursement listing or published in the newspaper.

Although minutes of City Council proceedings were published and disbursements were included, the publication did not include disbursements by fund for two of three meetings tested.

Five transfers between funds were not approved in the City Council minutes.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and should ensure minutes published include a complete list of claims and disbursements by fund as required. In addition, all transfers should be approved by the City Council and documented in the minutes record.

Response – The City will work to gain a better understanding of the Code of Iowa to help ensure we are in compliance. The City is also in the process of developing policies and procedures and will make sure staff understand and follow them.

Conclusion – Response accepted.

- (7) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should adopt a written investment policy in order to be in compliance with the provisions of Chapter 12B.10B of the Code of Iowa.

Response – The City will work to develop an investment policy in accordance in Chapter 12B.10B of the Code of Iowa.

Conclusion – Response accepted.

- (8) Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

- (9) Financial Condition – The General Fund and Special Revenue, Insurance Fund had deficit balances of \$2,455 and \$4,620, respectively, at June 30, 2015.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – The City will investigate various alternatives and work to bring these funds back to a sound financial position.

Conclusion – Response accepted.

City of Cincinnati

Schedule of Findings

Year ended June 30, 2015

(10) Other Information Required by the Farmers Home Administration Sewer Bond Resolution

| Insurer | Description | Amount | Expiration Date |
|--|----------------------------------|------------|-----------------|
| Iowa Communities Assurance Pool | Property | \$ 864,406 | Feb. 15, 2016 |
| | General liability | 2,000,000 | Feb. 15, 2016 |
| | Auto liability | 2,000,000 | Feb. 15, 2016 |
| | Wrongful acts official liability | 2,000,000 | Feb. 15, 2016 |
| | Law enforcement liability | 2,000,000 | Feb. 15, 2016 |
| | Auto physical damage | 105,300 | Feb. 15, 2016 |
| | Crime | 5,000 | Feb. 15, 2016 |
| Iowa Municipalities Workers Compensation Association | Workers' Compensation | 1,000,000 | Jul 1, 2015 |

Statistical Information

| Description | Amount |
|--|--------|
| Sewer customers served at June 30, 2015 | \$ 188 |
| Sewer rates in effect at June 30, 2015: | |
| First 1,000 gallons or less per month | 29.36 |
| All over 1,000 gallons, per month, per 1,000 gallons | 11.91 |

City of Cincinnati

Staff

This audit was performed by:

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