

CITY OF OGDEN

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

JUNE 30, 2016

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City of Ogden

Officials

(Before January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Denny Good	Mayor	Dec 2015
Brian Reimers	Council Member	Dec 2017
David Ohlson	Council Member	Dec 2017
Lori Anderson	Council Member	Dec 2015
Margaret Liston	Council Member	Dec 2015
Sean Thompson	Council Member	Dec 2015
Jennifer Stumbo	Clerk	Indefinite
Lee Johnson	Attorney	Indefinite

(After January 2016)

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Denny Good	Mayor	Dec 2017
Brian Reimers	Council Member	Dec 2017
David Ohlson	Council Member	Dec 2017
Lori Anderson	Council Member	Dec 2019
Margaret Liston	Council Member	Dec 2019
Sean Thompson	Council Member	Dec 2019
Jennifer Stumbo	Clerk	Indefinite
Lee Johnson	Attorney	Indefinite

City of Ogden

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Ogden, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's primary government 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 primary government of the City of Ogden as of June 30, 2016, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

However, the primary government financial statements, because they do not include the financial data of the component unit of the City of Ogden, do not purport to, and do not, present fairly the results of the cash transactions of the funds of the City of Ogden as of and for the year ended June 30, 2016 on the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise the City of Ogden's primary government financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the primary government financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the primary government 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 City has not presented Management's Discussion and Analysis which introduces the primary government financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the primary government financial statements.

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 27-29 and 30-32 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 17, 2016 on our consideration of the City of Ogden's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of 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 Ogden's internal control over financial reporting and compliance.

October 17, 2016
Cline DeVries & Allen, LLP
Ames, Iowa

City of Ogden

Basic Financial Statements

City of Ogden

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2016

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restrictd Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 383,951	7,511	13,503	93,759
Public works	228,744	-	291,397	-
Health and social services	11,900	-	5,000	-
Culture and recreation	182,332	20,820	41,669	90,352
Community and economic development	46,947	650	-	30,487
General government	284,999	6,818	-	-
Debt service	132,799	-	-	-
Capital projects	398,402	-	-	-
Total governmental activities	1,670,074	35,799	351,569	214,598
Business type activities:				
Sewer	363,366	324,707	-	-
Storm water	44,541	35,471	-	-
Total business type activities	407,907	360,178	-	-
Total	\$ 2,077,981	395,977	351,569	214,598
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Employee benefits				
Debt service				
Mobile home tax				
Utility franchise tax				
Local option sales tax				
Unrestricted interest on investments				
Dividend				
Miscellaneous				
Rent				
Sale of capital assets				
Loan proceeds				
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				
Cemetery mausoleum				
Expendable:				
Streets				
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
(269,178)	-	(269,178)
62,653	-	62,653
(6,900)	-	(6,900)
(29,491)	-	(29,491)
(15,810)	-	(15,810)
(278,181)	-	(278,181)
(132,799)	-	(132,799)
(398,402)	-	(398,402)
(1,068,108)	-	(1,068,108)
-	(38,659)	(38,659)
-	(9,070)	(9,070)
-	(47,729)	(47,729)
(1,068,108)	(47,729)	(1,115,837)
443,249	-	443,249
186,060	-	186,060
123,883	-	123,883
683	-	683
5,987	-	5,987
167,925	-	167,925
1,934	818	2,752
37,180	-	37,180
-	-	-
10,292	-	10,292
-	-	-
-	-	-
12,627	(12,627)	-
989,820	(11,809)	978,011
(78,288)	(59,538)	(137,826)
1,458,583	523,456	1,982,039
\$ 1,380,295	463,918	1,844,213
\$ 51,228	-	51,228
17,462	-	17,462
187,106	-	187,106
44,222	28,027	72,249
773,200	-	773,200
307,077	435,891	742,968
\$ 1,380,295	463,918	1,844,213

City of Ogden

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

As of and for the year ended June 30, 2016

	General	Local Option Tax	Special Revenue Employee Benefits	Road Use Tax	Capital Projects	Nonmajor	Total
Receipts:							
Property tax	\$ 443,249	-	186,060	-	-	123,883	753,192
Other city tax	6,670	167,925	-	-	-	-	174,595
Licenses and permits	1,818	-	-	-	-	-	1,818
Use of money and property	49,406	-	-	-	-	-	49,406
Intergovernmental	49,909	-	-	252,596	49,580	-	352,085
Charges for service	26,913	-	-	-	-	-	26,913
Miscellaneous	74,104	-	-	-	116,444	30,602	221,150
Total receipts	652,069	167,925	186,060	252,596	166,024	154,485	1,579,159
Disbursements:							
Operating:							
Public safety	313,615	-	-	-	70,336	-	383,951
Public works	64,567	-	-	164,177	-	-	228,744
Health and social services	-	11,900	-	-	-	0	11,900
Culture and recreation	151,980	-	-	-	-	30,352	182,332
Community and economic development	31,947	15,000	-	-	-	-	46,947
General government	284,999	-	-	-	-	-	284,999
Debt service	-	-	-	-	-	132,799	132,799
Capital projects	-	-	-	-	398,402	-	398,402
Total disbursements	847,108	26,900	-	164,177	468,738	163,151	1,670,074
Excess (deficiency) of receipts over (under) disbursements	(195,039)	141,025	186,060	88,419	(302,714)	(8,666)	(90,915)
Other financing sources (uses):							
Transfers in	220,085	-	-	-	79,500	38,077	337,662
Transfers out	-	(90,799)	(182,575)	-	(51,661)	-	(325,035)
Total other financing sources (uses)	220,085	(90,799)	(182,575)	-	27,839	38,077	12,627
Change in cash balances	25,046	50,226	3,485	88,419	(274,875)	29,411	(78,288)
Cash balances beginning of year	282,031	153,821	47,093	98,687	793,450	83,501	1,458,583
Cash balances end of year	\$ 307,077	204,047	50,578	187,106	518,575	112,912	1,380,295
Cash Basis Fund Balances							
Non spendable							
Cemetery perpetual care	\$ -	-	-	-	-	51,228	51,228
Cemetery mausoleum	-	-	-	-	-	17,462	17,462
Restricted for:							
Streets	-	-	-	187,106	-	-	187,106
Debt service	-	-	-	-	-	44,222	44,222
Other purposes	-	204,047	50,578	-	518,575	-	773,200
Unassigned	307,077	-	-	-	-	-	307,077
Total cash basis fund balances	\$ 307,077	204,047	50,578	187,106	518,575	112,912	1,380,295

See notes to financial statements.

City of Ogden

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

As of and for the year ended June 30, 2016

	Enterprise		
	Sewer	Storm Water	Total
Operating receipts:			
Charges for service	\$ 324,707	\$ 35,471	\$ 360,178
Operating disbursements:			
Business type activities	256,498	44,541	301,039
Excess (deficiency) of operating receipts over (under) operating disbursements	68,209	(9,070)	59,139
Non-operating receipts (disbursements):			
Interest on investments	818	-	818
Debt service	(106,868)	-	(106,868)
Net non-operating receipts (disbursements)	(106,050)	-	(106,050)
Excess (deficiency) of receipts over (under) disbursements	(37,841)	(9,070)	(46,911)
Transfers out	(10,967)	(1,660)	(12,627)
Change in cash balances	(48,808)	(10,730)	(59,538)
Cash balances beginning of year	407,996	115,460	523,456
Cash balances end of year	<u>\$ 359,188</u>	<u>\$ 104,730</u>	<u>\$ 463,918</u>
Cash Basis Fund Balances			
Restricted for Debt Service	\$ 28,027	\$ -	\$ 28,027
Unrestricted	331,161	104,730	435,891
Total cash basis fund balances	<u>\$ 359,188</u>	<u>\$ 104,730</u>	<u>\$ 463,918</u>

See notes to financial statements.

City of Ogden

City of Ogden

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies

The City of Ogden is a political subdivision of the State of Iowa located in Boone 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, health and social services, culture and recreation, community and economic development and general government services. The City also provides sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Ogden has included all funds, organizations, agencies, boards, commissions and authorities, except for its component unit, the Ogden Municipal Utilities. 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 primary government financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These primary government financial statements present the City of Ogden (the primary government) and exclude the component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. It has not been included in these primary government financial statements which present the primary government only. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from its administrative office.

Component Unit

The Ogden Municipal Utilities (Utilities) was established to operate the City's electric and water facilities. The Utilities are governed by a three member Board of Trustees appointed by the Mayor and approved by the City Council. Title to all property of the Utilities is held in the name of the City. A financial benefit/burden relationship exists between the City and the Utilities in that the City is authorized by statute to issue general obligation debt for a city utility, and may certify taxes for the payment of the debt.

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: Ogden Legacy, Community Services, Boone County Endowment, Genesis Development, FORCE, and the Bright Meadows.

The City Council members also sit on the Rural Fire Services Board. The City has an ongoing financial interest in this Board. (See Note (8))

B. Basis of Presentation

Government-wide Financial Statements - 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 services.

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 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 Local Option Tax Fund is used to account for monies collected thru local option sales tax receipts.

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 for benefits for employees whose salary is paid from the General Fund or the Road Use Tax Account.

Capital Projects:

The Capital Project Funds are used to account for the City's improvement projects.

The City reports the following major proprietary funds:

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system. Also accounted for in this fund are payments of principal and interest on the City's long-term sewer debt.

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

C. Measurement Focus and Basis of Accounting

The City of Ogden maintains its financial records on the basis of cash receipts and disbursements and the primary government 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 primary government 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.

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the health and social services and general government functions.

(2) Cash and Pooled Investments

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

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

The City owns 560 shares of \$25 par value common stock of the Ogden Telephone Company, of which 140 shares (\$100 par value) were acquired by donation and another 420 shares were acquired by stock splits. In 1972, when the stock was donated, there was no market value, therefore it is not included in the cash and investments balance.

Although this type of investment is not permitted by the Code of Iowa, it was acquired by donation, therefore the City is not in violation of Chapter 12 of the Code of Iowa. At this time, the City has decided not to dispose of the stock due to market conditions.

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

Credit risk - The City's investment in the Ogden Telephone Company stock is unrated.

(3) Loans Payable/Revenue Bonds

Annual debt service requirements to maturity for the City's bonds and notes payable and revenue bonds are as follows:

Year Ending June 30,	2015 Fire Truck Loan		Sewer Revenue Bonds		General Obligation Series 2010		Cemetery Land Purchase		2013 Fire Truck Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	26,612	5,146	92,000	16,310	100,000	19,100	17,817	1,277	10,442	857	246,871	42,690
2018	14,115	1,765	95,000	14,700	100,000	17,000	9,176	371	11,015	443	229,306	34,279
2019	14,680	1,199	97,000	13,038	100,000	14,700	9,360	187	-	-	221,040	29,124
2020	15,267	613	100,000	11,340	400,000	30,900	-	-	-	-	515,267	42,853
2021	-	-	103,000	9,590	-	-	-	-	-	-	103,000	9,590
2022-2025	-	-	445,000	19,757	-	-	-	-	-	-	445,000	19,757
Total	\$ 70,674	8,723	932,000	84,735	700,000	81,700	36,353	1,835	21,457	1,300	1,760,484	178,293

Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,000,000 of sewer revenue bonds issued in June 2004. Proceeds from the bonds provided financing for the construction of improvements to the sewer treatment plant. The bonds are payable solely from sewer customer net receipts and are payable through 2025. The total principal and interest remaining to be paid on the bonds is \$932,000 and \$84,735, respectively. For the current year, principal and interest paid was \$89,000 and \$17,868, respectively. Annual principal and interest payments are expected to require less than 75% of net receipts.

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

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account within the Enterprise funds for the purpose of making the bond principal and interest payments when due.
- (c) Once the required transfers to the Sinking fund have been made, all of the remaining net revenues shall be put into a Surplus fund.

The City is not in compliance with the provisions of the Revenue Bond Resolution. Principal and interest was not paid from the Sinking Fund and the City has not met the net revenue requirement.

(4) Pension Plan

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

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

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time 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 benefits includes:

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

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

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

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is .25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is .50 percent for each month that the member receives benefits before age 65.

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

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued

benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS’ Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95 percent of covered payroll and the City contributed 8.93 percent of covered payroll for a total rate of 14.88 percent. Protection occupation members contributed 6.56 percent of covered payroll and the City contributed 9.84 percent of covered payroll, for a total rate of 16.40 percent.

The City’s contributions to IPERS for the year ended June 30, 2016 were \$37,250.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$149,187 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the City’s proportion was .003020 percent which was a decrease of .000441 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016 the City’s pension expense, deferred outflows and deferred inflows totaled \$20,717, \$33,144, and \$35,121, respectively.

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

Rate of Inflation (effective June 30, 2014)	3.00% per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table of 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 expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table.

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

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
City's proportionate share of the net pension liability	\$368,949	149,187	(36,170)

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 compensatory 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 compensatory time payable to employees at June 30, 2016, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation and compensatory time	\$23,596

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

Sick leave is payable when used. It is not paid upon termination, retirement or death.

(6) **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.

(7) **Health Insurance**

The City contributes money to a Health Savings Account (HSA) for each employee to pay a portion of each employee's deductible. Employees on the single plan have a \$2,000 deductible and the City contributes \$1,500 to the employee's HSA. Employees on the family plan have a deductible of \$4,000 and the City contributes \$2,500 to the employee's HSA.

(8) **Rural Fire Services Board**

The City, in conjunction with six townships has created the Rural Fire Services Board. The Board was established for the primary purpose of providing fire protection. The Board is composed of the Township Trustees, the City Council members and the Fire Chief.

Township Trustees levy taxes to pay for their portion of the fire protection based on population, annual average number of calls, and assessed value of real estate in the area served. The Townships reimburse the City for their portion of the expenses, including half of the payments for the fire truck; therefore, the City has an ongoing financial interest.

(9) Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Special Revenue: Employee Benefits	<u>\$ 182,575</u>
Debt Service	Special Revenue: Local Option sales tax	<u>\$ 11,299</u>
Capital Projects: Truck	Special Revenue: Local Option sales tax	\$ 20,000
EMS Equipment	Local Option sales tax	5,000
Fire Equipment	Local Option sales tax	15,000
Street Equipment	Local Option sales tax	15,000
Warning Siren	Local Option sales tax	5,000
Police Car	Local Option sales tax	8,500
Cemetery Land	Local Options sales tax	11,000
Rural Fire	General	<u>24,883</u>
		<u>\$ 104,383</u>
Debt Service	Capital Project: Cemetery land	\$ 11,000
	Rural Fire	<u>15,778</u>
		<u>\$ 26,778</u>
General	Business Type: Sewer	\$ 10,967
General	Storm Water	<u>1,660</u>
		<u>\$ 12,627</u>
Total		<u>\$ 337,662</u>

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

(10) Related Party Transactions

The City had no business transactions between the City and City officials during the fiscal year ended June 30, 2016.

(11) Construction Commitments

The City had the following commitment with respect to unfinished capital projects at June 30, 2016:

<u>Project</u>	<u>Remaining Commitment</u>
2016 Sewer Point Repair Project	\$ 1,846
Rail Safety Quiet Zone Improvement Project	12,813
Sanitary Sewer Point Repair Project	77,108
Street Paving Project	160,484

(12) Subsequent Events

The date through which events occurring after June 30, 2016 have been evaluated for possible adjustment to the financial statements or disclosure is October 17, 2016, which is the date of this report.

Other Information

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

Other Information

Year ended June 30, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 753,192	-	753,192
Other city tax	174,595	-	174,595
Licenses and permits	1,818	-	1,818
Use of money and property	49,406	818	50,224
Intergovernmental	352,085	-	352,085
Charges for service	26,913	360,178	387,091
Miscellaneous	221,150	-	221,150
Total receipts	<u>1,579,159</u>	<u>360,996</u>	<u>1,940,155</u>
Disbursements:			
Public safety	383,951	-	383,951
Public works	228,744	-	228,744
Health and social services	11,900	-	11,900
Culture and recreation	182,332	-	182,332
Community and economic development	46,947	-	46,947
General government	284,999	-	284,999
Debt service	132,799	-	132,799
Capital projects	398,402	-	398,402
Business type activities	-	407,907	407,907
Total disbursements	<u>1,670,074</u>	<u>407,907</u>	<u>2,077,981</u>
Excess (deficiency) of receipts over (under) disbursements	(90,915)	(46,911)	(137,826)
Other financing sources, net	<u>12,627</u>	<u>(12,627)</u>	-
Excess (deficiency) of receipts and other financing sources over disbursements	(78,288)	(59,538)	(137,826)
Balances beginning of year	<u>1,458,583</u>	<u>523,456</u>	<u>1,982,039</u>
Balances end of year	<u>\$ 1,380,295</u>	<u>463,918</u>	<u>1,844,213</u>

See accompanying independent Auditor's report.

Budgeted Amounts		Final to
Original	Final	Total Variance
735,771	735,771	17,421
158,844	158,844	15,751
1,100	1,100	718
53,500	53,500	(3,276)
479,671	479,671	(127,586)
366,750	366,750	20,341
228,150	228,150	(7,000)
2,023,786	2,023,786	(83,631)
344,173	424,509	40,558
268,877	268,877	40,133
11,400	11,400	(500)
200,508	200,508	18,176
391,500	392,500	345,553
251,245	271,245	(13,754)
159,577	159,577	26,778
320,912	428,576	30,174
364,234	793,134	385,227
2,312,426	2,950,326	872,345
(288,640)	(926,540)	788,714
70,339	499,239	(499,239)
(218,301)	(427,301)	289,475
3,046,944	3,046,944	(1,064,905)
2,828,643	2,619,643	(775,430)

City of Ogden

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2016

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. 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, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Permanent Funds and 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 \$637,900. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the health and social services and general government functions.

City of Ogden

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

**Iowa Public Employees' Retirement System
For the Last Two Years*
(In Thousands)**

Other Information

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.003019683%	0.002578880%
City's proportionate share of the net pension liability	\$ 149	\$ 102
City's covered-employee payroll	\$ 401	\$ 413
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	37.16%	24.70%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

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

See accompanying independent Auditor's report.

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 which information is available.

City of Ogden

Schedule of City's Contributions

Iowa Public Employees' Retirement System
For the Last Three Fiscal Years
(In Thousands)

Other Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 37	\$ 39	\$ 35
Contributions in relation to the statutorily required contributions	<u>37</u>	<u>39</u>	<u>35</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>
City's covered-employee payroll	\$ 401	\$ 413	\$ 375
Contributions as a percentage of covered-employee payroll	9.23%	9.44%	9.33%

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 which information is available.

City of Ogden

Notes to Other Information – Pension Liability

Year ended June 30, 2016

Changes of benefit terms:

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

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

Changes of assumptions:

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

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

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

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of termination 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 the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

Supplementary Information

City of Ogden

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

As of and for the year ended June 30, 2016

	Debt Service	Special Revenue Wellness Center	Permanent		Total
			Cemetery Perpetual Care	Cemetery Mausoleum	
Receipts:					
Property tax	123,883	-	-	-	123,883
Use of money and property	-	-	-	-	-
Miscellaneous	-	30,352	250	-	30,602
Total receipts	<u>123,883</u>	<u>30,352</u>	<u>250</u>	<u>-</u>	<u>154,485</u>
Disbursements:					
Culture and recreation	-	30,352	-	-	30,352
Debt Service	132,799	-	-	-	132,799
Total disbursements	<u>132,799</u>	<u>30,352</u>	<u>-</u>	<u>-</u>	<u>163,151</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(8,916)</u>	<u>-</u>	<u>250</u>	<u>-</u>	<u>(8,666)</u>
Other financing sources (uses):					
Operating transfers in	38,077	-	-	-	38,077
Operating transfers out	-	-	-	-	-
Total other financing (uses)	<u>38,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,077</u>
Change in cash balances	29,161	-	250	-	29,411
Cash balances beginning of year	<u>15,061</u>	<u>-</u>	<u>50,978</u>	<u>17,462</u>	<u>83,501</u>
Cash balances end of year	<u>44,222</u>	<u>-</u>	<u>51,228</u>	<u>17,462</u>	<u>112,912</u>
Cash Basis Fund Balances					
Non spendable					
Cemetery perpetual care	-	-	51,228	-	51,228
Cemetery mausoleum	-	-	-	17,462	17,462
Restricted for:					
Debt	44,222	-	-	-	44,222
Other purposes	-	-	-	-	-
Unassigned	-	-	-	-	-
Total cash basis fund balances	<u>44,222</u>	<u>-</u>	<u>51,228</u>	<u>17,462</u>	<u>112,912</u>

See accompanying independent Auditor's report.

City of Ogden
Schedule of Indebtedness
Year ended June 30, 2016

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation:			
Series 2010	September 2010	1.30-4.00	\$ 1,315,000
Revenue Bonds:			
Sewer	June 2004	3.00%	\$ 2,000,000
Other Debt:			
Fire Truck Loan	March 2013	3.95%	\$ 153,051
Fire Truck Loan	June 2015	3.95%	70,674
Cemetery Land Purchase	July 2014	2.00%	45,000

See accompanying independent Auditor's report.

Schedule 2

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 800,000	-	100,000	700,000	21,000	-
\$ 1,021,000	-	89,000	932,000	17,868	-
\$ 31,493	-	10,036	21,457	1,263	-
70,674	-	-	70,674	-	-
36,353	-	-	36,353	-	-
\$ 138,520	-	10,036	128,484	1,263	-
\$ 1,959,520	-	199,036	1,760,484	40,131	-

City of Ogden
Bond and Note Maturities
Year ended June 30, 2016

Year Ending June 30,	General Obligation	
	Loans Payable	
	Series 2010	
	Issued September 2010	
	Interest	
	Rate	Amount
2017	3.02%	100,000
2018	3.21%	100,000
2019	3.42%	100,000
2020	3.61%	100,000
2021	4.00%	100,000
2022	4.00%	100,000
2023	4.00%	100,000
		<u>\$ 700,000</u>

Year Ending June 30,	Sewer	
	Revenue Bonds	
	Issued Jun 1, 2004	
	Interest	
	Rates	Amount
2017	3.00%	92,000
2018	3.00%	95,000
2019	3.00%	97,000
2020	3.00%	100,000
2021	3.00%	103,000
2022	3.00%	106,000
2023	3.00%	110,000
2024	3.00%	113,000
2025	3.00%	116,000
		<u>\$ 932,000</u>

Year Ending June 30,	Fire Truck	
	Loan	
	Issued March, 2013	
	Interest	
	Rates	Amount
2017	3.95%	10,442
2018	3.95%	11,015
2019		-
2020		-
2021		-
2022		-
2023		-
2024		-
2025		-
		<u>\$ 21,457</u>

See accompanying independent Auditor's report.

Year Ending June 30,	Cemetery Land Purchase	
	Issued July 2014	
	Interest	
	Rates	Amount
2017	2.00%	17,816
2018	2.00%	9,176
2019	2.00%	9,361
2020	2.00%	-
		<u>\$ 36,353</u>

Year Ending June 30,	Fire Truck Loan	
	Issued June 2015	
	Interest	
	Rates	Amount
2017	3.95%	26,612
2018	3.95%	14,115
2019	3.95%	14,680
2020	3.95%	15,267
		<u>\$ 70,674</u>

City of Ogden

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

For the Last Ten Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Receipts:										
Property tax	\$ 753,192	\$ 732,003	\$ 699,000	\$ 702,128	\$ 709,542	\$ 695,970	\$ 584,866	\$ 522,705	\$ 542,778	\$ 513,041
Other city tax	174,595	175,723	164,512	162,200	154,968	145,657	141,946	150,412	147,074	144,706
Licenses and permits	1,818	1,874	1,878	1,703	2,535	2,078	1,768	1,530	5,835	1,973
Use of money and property	49,406	50,719	48,271	55,885	187,847	102,266	67,514	70,972	66,632	71,988
Intergovernmental	352,085	280,561	337,507	549,013	500,936	795,988	379,435	223,110	281,280	344,258
Charges for service	26,913	17,847	25,283	14,652	14,437	16,919	29,853	23,370	25,934	24,312
Special assessments	-	-	-	-	575	1,167	5,898	-	-	-
Miscellaneous	221,150	307,304	491,949	406,304	144,031	96,650	124,689	200,018	104,908	116,923
Total	\$ 1,579,159	\$ 1,566,031	\$ 1,768,400	\$ 1,891,885	\$ 1,714,871	\$ 1,856,695	\$ 1,335,969	\$ 1,192,117	\$ 1,174,441	\$ 1,217,201
Disbursements:										
Operating:										
Public safety	\$ 383,951	\$ 324,304	\$ 291,575	\$ 578,720	\$ 291,778	\$ 285,367	\$ 313,392	\$ 315,532	\$ 295,791	\$ 266,310
Public works	228,744	323,210	189,743	279,674	252,628	254,100	192,507	282,287	286,326	264,942
Health and social services	11,900	12,242	7,150	6,400	8,250	5,400	5,400	14,350	15,850	16,450
Culture and recreation	182,332	151,914	143,877	217,430	159,162	168,044	222,888	222,061	248,162	225,460
Community and economic development	46,947	40,658	108,093	38,033	27,072	39,936	5,516	27,883	68,173	142,569
General government	284,999	269,397	251,040	234,087	226,051	187,816	143,911	149,455	167,770	144,145
Debt service	132,799	143,946	241,337	146,366	148,518	170,216	37,921	39,992	70,355	74,012
Capital projects	398,402	507,344	687,995	371,905	346,772	1,567,280	255,247	40,715	14,295	147,238
Total	\$ 1,670,074	\$ 1,773,015	\$ 1,920,810	\$ 1,872,615	\$ 1,460,231	\$ 2,678,159	\$ 1,176,782	\$ 1,092,275	\$ 1,166,722	\$ 1,281,126

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**

**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 primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Ogden, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 17, 2016. Our report expressed unmodified opinions on the primary government 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 Ogden's internal control over financial reporting to determine the auditing 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 Ogden's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Ogden'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.

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 Ogden's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described as items II-A-16 and II-B-16 in the accompanying Schedule of Findings 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.

Compliance and Other Matters

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

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

City of Ogden's Response to Findings

City of Ogden's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. City of Ogden'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 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 Ogden during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

October 17, 2016
Cline DeVries & Allen, LLP
Ames, Iowa

City of Ogden

Schedule of Findings

Year ended June 30, 2016

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 comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) 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.

City of Ogden
Schedule of Findings

Year ended June 30, 2016

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-16 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. The following functions are all performed by the same person:

- (1) Payroll - preparing and distributing checks.
- (2) Disbursements - preparing, distributing and posting.
- (3) Receipts - collecting, depositing, journalizing and posting.
- (4) Financial records - preparing Council minutes and financial reporting.

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 and the above functions should be segregated.

Response - We will review our procedures.

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

II-B-16 Financial Reporting - Several property tax payments received from the County were classified incorrectly when they were posted to the general ledger. Adjustments were subsequently made by the City to properly report these amounts in the City's financial statements.

The Clerk's report was corrected by the City during the fiscal year to properly separate out the Sewer Sinking Fund and Sewer Surplus Fund. However, when these were separated from the Sewer Fund, the beginning balances were not also separated out. This resulted in the Sewer Fund being overstated and the Sewer Sinking and Sewer Surplus funds being understated on the Clerk's reports. Adjustments were subsequently made to correct this error.

Several receipts were not recorded in the City's receipt journal. They were recorded in the general ledger, on the Clerk's Report and they were deposited in the bank.

Recommendation – The City should implement procedures to ensure tax receipts are posted to the proper accounts in the future. They should also add a procedure to total the receipts register each month so that the total can be matched to the general ledger and the Clerk's Report on a monthly basis.

Response – We will implement the proper procedures to ensure this does not happen in the future.

Conclusion – Response accepted.

- II-C-16 **Accrued Vacation/Compensatory Time** - The City's personnel policies state that only one week of vacation time can be carried over at an employee's anniversary date. Anything above that is to be forfeited. The spreadsheet used to track this unused time does not reflect any adjustments for this on employee anniversary dates. Also, the policy states that the maximum compensatory time that can be accumulated is 120 hours. There is at least one employee whose hours exceeded the maximum at June 30, 2016.

Recommendation – The City should implement procedures to ensure the spreadsheet being used to track the hours is being calculated in accordance with the personnel policy manual.

Response – We are in the process of updating our personnel policies with the assistance of a human resources consulting firm. Once this has been completed, we will make sure our system to track the unused hours complies with our policies.

Conclusion – Response accepted.

- II-D-16 **Invoices** – Invoices are not canceled to prevent re-use.

Recommendation – Once the City has paid an invoice, they should stamp it "paid" or clearly mark it to identify that it has been paid.

Response – We will do so.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Ogden

Schedule of Findings

Year ended June 30, 2016

Part III: Other Findings Related to Required Statutory Reporting:

- III-A-16 **Certified Budget** - Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the health and social services and general government functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - Although the budget was amended, it should have been amended in a sufficient amount to prevent disbursements from exceeding budgeted amounts.

Response - We will do so in the future.

Conclusion - Response accepted.

- III-B-16 **Questionable Disbursements** - We noted disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979. The City spent \$385 on the purchase of flowers or plants for funerals during the fiscal year.

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 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 - We will comply with this recommendation.

Conclusion - Response accepted.

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

- III-D-16 **Business Transactions** - No business transactions between the City and City officials were noted.

City of Ogden

Schedule of Findings

Year ended June 30, 2016

III-E-16 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-16 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

Although the Council meeting summaries were signed by the Mayor, several of the minutes summaries throughout the fiscal year were not signed by the City Clerk. Ch. 380.7 of the Code of Iowa requires the minutes to be properly signed for each meeting.

Recommendation - The City should comply with Ch. 380.7 of the Code of Iowa.

Response - We will do so.

Conclusion - Response accepted.

III-G-16 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

III-H-16 Telephone Company Stock - The City owns 560 shares of \$100 par value common stock of the Ogden Telephone Company, of which 140 shares were acquired by donation and another 420 shares were acquired by stock splits.

Although this type of investment is not permitted by the Code of Iowa, it was acquired by donation; therefore the City is not in violation of Chapter 12 of the Code of Iowa. The stock is not readily marketable, and thus no market value of the shares is determinable.

III-I-16 Revenue Bonds - Principal and interest on the Sewer Revenue Bonds was paid from the Sewer Fund rather than the Sewer Sinking Fund as required by the bond resolution.

The City is not in compliance with the net revenue requirement of the bond resolution which requires that net revenues of the Sewer fund be at least 110% of the amount of annual principal and interest payments coming due on the Sewer Revenue Bonds.

Recommendation - The City should comply with all of the requirements in the bond resolution.

Response - We will do so in the future.

Conclusion - Response accepted.

City of Ogden

Schedule of Findings

Year ended June 30, 2016

- III-J-16 **Payroll** – One former employee’s personnel file could not be located, As a result of this, we were unable to determine if the amounts withheld for the health savings account, AFLAC, federal income tax and Iowa income tax were accurate. Also, the City could not locate the authorizations for withholding AFLAC from two other employees.

An employee was reimbursed \$108 for the purchase of jeans, a t-shirt and a sweatshirt. This clothing does not meet the definition of a “uniform” or special purpose clothing and therefore should be included on the employee’s paycheck as taxable wages.

Recommendation – The City should establish procedures for the safe keeping of employee personnel files and withholding authorizations. The City should also follow IRS rules relating to employee clothing allowances.

Response – We will do so.

Conclusion – Response accepted.