

**ANNUAL
FINANCIAL REPORT
OF THE
CITY OF SERGEANT BLUFF, IOWA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

Prepared by the
Finance Department

**CITY OF SERGEANT BLUFF, IOWA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013
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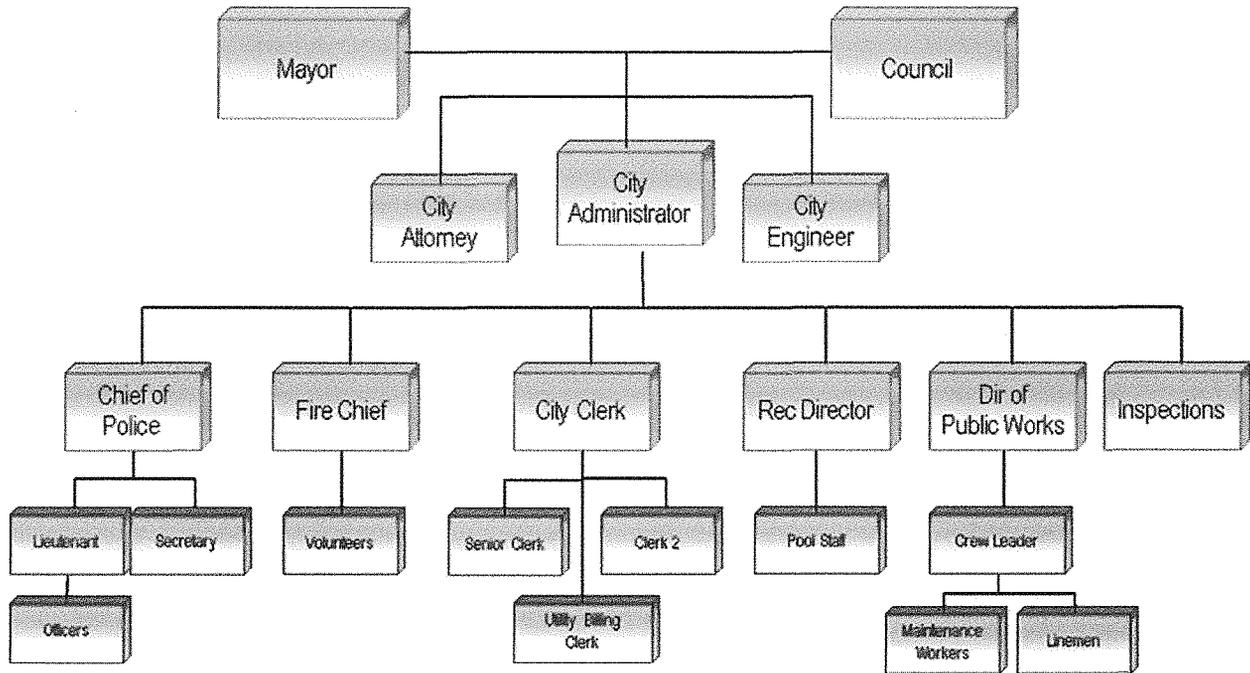
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CITY OF SERGEANT BLUFF, IOWA

Organizational Chart
June 30, 2013



CITY OF SERGEANT BLUFF

List of Principal Officials
June 30, 2013

Title	Name
Mayor	Dale Petersen
Council Member and Mayor Pro-Tem.....	Ron Hanson
Council Member.....	Bill Gaukel
Council Member.....	Nicole Cleveland
Council Member.....	Glenda Moriarty
Council Member.....	Don Wood
City Engineer	Aaron Lincoln
City Attorney	Sarah Kleber
City Administrator.....	Brian Redshaw
City Clerk/Treasurer.....	Renee Fangman
Public Works Director	Mark Huntley
Code Enforcement Officer	Dave Christensen
Chief of Police.....	Dave McFarland
Fire Chief.....	Anthony Gaul
Recreation Director	Brent Brown
Library Director	Leslie Ellerbeck

INDEPENDENT AUDITOR'S REPORT

The Mayor and Members of the
City Council
City of Sergeant Bluff, Iowa

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 SERGEANT BLUFF, IOWA (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as 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 U.S. generally accepted accounting principles; 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 of material misstatement.

An audit includes 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 entity'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 entity'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 that 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 financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sergeant Bluff, Iowa as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As described in Note 15 to the financial statements, in 2013, the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information, and the schedule of funding progress for the retiree health plan on pages 5 through 13 and pages 52 through 55, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We, or another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 16, 2014, on our consideration of the City of Sergeant Bluff'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 Sergeant Bluff's internal control over financial reporting and compliance.


Certified Public Accountants

Le Mars, Iowa
February 16, 2014

Management's Discussion and Analysis

The discussion and analysis of the City of Sergeant Bluff's financial performance for the year ended June 30, 2013 provides a narrative overview of its financial activities. Readers are encouraged to consider the information presented here in conjunction with the City's financial statements, which follow.

Financial Highlights

- The City's assets of approximately \$38.4 million are divided between Governmental Activities (\$16.4 million) and Business-Type Activities (\$22.0 million). Combined assets exceeded liabilities by approximately \$25.8 million. Of this amount, approximately \$4.4 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- At June 30, 2013, the City of Sergeant Bluff's governmental funds reported combined ending fund balances of approximately \$2.3 million.
- The unassigned fund balance for the general fund, at the end of the current fiscal year was approximately \$1,051,000. This represents 35.9 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Sergeant Bluff's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Sergeant Bluff's finances, in a manner similar to a private-sector business. The Statement of Net Position is essentially a balance sheet that combines all funds on a government-wide basis. Changes in net position over time may be an indicator of whether the City's financial position is improving or worsening.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in the net position are reported as soon as the underlying event occurs, giving rise to the change regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Sergeant Bluff that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Sergeant Bluff include general government, public safety, public works, community and

economic development, culture and recreation and debt service. The Business-Type Activities of the City include an electric, water, sewer, solid waste and storm water utility.

The government-wide financial statements can be found on pages 14-16 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Sergeant Bluff, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Sergeant Bluff maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, capital projects fund, and the special revenue – local option sales tax fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements as supplementary information.

The basic governmental fund financial statements can be found on pages 17-22 of this report.

Proprietary Funds. The City of Sergeant Bluff maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Electric, Water, Sewer, Solid Waste, Storm Water, and Solid Waste Utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric, Water and Sewer Utilities.

The basic proprietary fund financial statements can be found on pages 23-30 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties external to the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Sergeant Bluff's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements are reported in a separate statement of fiduciary net position.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-51 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The largest part of the City's net position reflects its net investment in capital assets (land, buildings and improvements, and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following comparative chart shows the changes in net position for the years ended June 30, 2013 and 2012:

	Governmental Activities		Business-Type Activities		Total City	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 4,404,011	\$ 3,948,886	\$ 3,610,886	\$ 5,490,161	\$ 8,014,897	\$ 9,439,047
Capital assets	<u>11,985,142</u>	<u>11,878,375</u>	<u>18,505,168</u>	<u>17,199,163</u>	<u>30,490,310</u>	<u>29,077,538</u>
Total assets	16,389,153	15,827,261	22,023,735	22,689,324	38,412,888	38,516,585
Long-term debt outstanding	2,717,732	3,089,777	6,289,268	6,982,223	9,007,000	10,072,000
Other liabilities	<u>452,965</u>	<u>243,232</u>	<u>1,226,128</u>	<u>952,153</u>	<u>1,679,093</u>	<u>3,028,143</u>
Total liabilities	3,170,697	3,333,009	7,515,396	7,934,376	10,686,093	13,100,143
Unavailable Revenue –						
Subsequent Year Property Tax	<u>1,907,921</u>	<u>1,832,758</u>	-	-	<u>1,907,921</u>	<u>1,832,758</u>
Total Deferred Inflows of Resources	1,907,921	1,832,758	-	-	1,907,921	1,832,758
Net position:						
Net Investment in						
Capital Assets	9,031,525	8,788,598	11,415,900	10,538,908	20,447,425	19,327,506
Restricted	1,002,016	948,600	-	-	1,002,016	948,600
Unrestricted	<u>1,276,994</u>	<u>924,296</u>	<u>3,092,439</u>	<u>4,216,040</u>	<u>4,369,433</u>	<u>5,140,336</u>
Total net position	<u>\$ 11,310,535</u>	<u>\$ 10,661,494</u>	<u>\$ 14,508,339</u>	<u>\$ 14,754,948</u>	<u>\$ 25,818,874</u>	<u>\$ 25,416,442</u>

This summary reflects a 6.1 percent increase in governmental activities net position and a decrease of 1.7 percent in the business-type activities net position.

Total revenue reported in Fiscal Year 2013 was \$8,738,170. The following table breaks down revenues collected for governmental activities and business-type activities for fiscal year 2013 and 2012.

Revenue Source	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program revenues:						
Charges for services	\$ 465,250	\$ 429,456	\$ 4,643,605	\$ 4,575,630	\$ 5,108,855	\$ 5,005,086
Operating grants and contributions	514,577	488,199	-	-	514,577	488,199
Capital Grants and contributions	<u>517,667</u>	<u>26,874</u>	<u>137,524</u>	<u>900,629</u>	<u>655,191</u>	<u>927,503</u>
Total program revenues	<u>1,497,494</u>	<u>944,529</u>	<u>4,781,129</u>	<u>5,476,259</u>	<u>6,278,623</u>	<u>6,420,788</u>
General revenues and interfund transfers:						
Property taxes	1,842,726	1,784,167	-	-	1,842,726	1,784,167
Local option sales tax	508,106	478,366	-	-	508,106	478,366
Hotel/motel tax	23,647	20,352	-	-	23,647	20,352
Interest	26,767	54,755	9,789	15,706	36,556	70,461
Contributed Capital	-	-	1,351	-	1,351	-
Miscellaneous	45,690	39,128	1,471	31,344	47,161	70,472
Interfund transfers	<u>332,282</u>	<u>210,226</u>	<u>(332,282)</u>	<u>(210,226)</u>	<u>-</u>	<u>-</u>
Total general revenues and interfund transfers	<u>2,779,218</u>	<u>2,586,994</u>	<u>(319,671)</u>	<u>(163,176)</u>	<u>2,459,547</u>	<u>2,423,818</u>
	<u>\$ 4,276,712</u>	<u>\$ 3,531,523</u>	<u>\$ 4,461,458</u>	<u>\$ 5,313,083</u>	<u>\$ 8,738,170</u>	<u>\$ 8,844,606</u>

Program revenues totaled \$6,278,623 for fiscal year 2013. Governmental activities provided \$1,497,494 and business-type activities provided \$4,781,129. Revenue collected for charges for services during the year was \$5,108,855, accounting for 81.4 percent of total program revenues.

Revenue for capital grants and contributions increased \$490,793 for governmental activities due to federal grant reimbursements for the South Lewis Boulevard project. Capital grants and contributions decreased by \$763,105 for business-type activities. The IJOBS Drainage Ditch project was completed in early fiscal year 2013 which resulted in a significant decrease in the state grant revenue.

General revenues and transfers for fiscal year 2013 totaled \$2,459,547, with governmental activities providing \$2,779,218, and business-type activities decreasing this amount by \$319,671. Property tax revenues for fiscal year 2013 totaled \$1,842,726, accounting for almost 66.3 percent of general revenues.

Expenses for fiscal year 2013 totaled \$8,216,416. Expenses for governmental activities totaled \$3,563,043, accounting for 43 percent of total expenses. Business-type activity expenses totaled \$4,653,373, for 57 percent of the total. The following table shows total expenses by Function/Program:

<u>Program Level</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Public safety	\$ 1,292,043	\$ 1,181,221	\$ -	\$ -	\$ 1,292,043	\$ 1,181,221
Public works	966,281	966,161	-	-	966,281	996,161
Health and Social Services	9,635	8,884	-	-	9,635	8,884
Culture and recreation	576,908	596,153	-	-	576,908	596,153
Community and economic development	45,237	59,649	-	-	45,237	59,649
General government	593,510	544,631	-	-	593,570	544,631
Debt service	80,727	105,098	-	-	80,727	105,098
Electric utility	-	-	2,612,444	2,634,055	2,612,444	2,634,055
Water utility	-	-	770,579	735,155	770,579	735,155
Sewer utility	-	-	839,817	726,200	839,817	726,200
Solid waste utility	-	-	292,761	288,283	292,761	288,283
Storm water utility	-	-	137,772	103,175	137,772	103,175
Total expenses	<u>\$ 3,564,341</u>	<u>\$ 3,461,797</u>	<u>\$ 4,653,373</u>	<u>\$ 4,486,868</u>	<u>\$ 8,217,714</u>	<u>\$ 7,948,665</u>

Expenses for the public safety function increased for various reasons. The City approved an average pay increase of 2.0% for all employees. Salaries and related benefits also increased due to the addition of another full-time employee for the police department. In addition, the City's expenditures for the Starcomm contract increased by over \$23,000 in fiscal year 2013. This contract is with Woodbury County Disaster and Emergency Services for the management of the Public Service Radio System.

General government expenses increased due to the City upgrading computers for City employees and laptops being purchased for the use by City Council members. The City entered into capital lease agreements with Dell for new laptops and desktop computers. This equipment was below the City's capitalization policy and therefore, have not been capitalized as part of our capital assets as of June 30, 2013. In addition to this increase, legal expenses for the City increased due to the completion of labor-related legal work, ordinances, the purchase of the B St. Ball Fields, and other various items requiring legal guidance.

The following table shows the activities included within each program level:

Public Safety	Individual & Community Protection, Physical Health
Public Works	Roadway Construction, Airport Operations, General Streets, Transportation Services
Culture and Recreation	Education & Culture, Leisure Time Opportunities
Community and Economic Development	Economic Development and Community Beautification
General Government	Administration, Accounting, Support Services
Debt Service	Payment of Interest
Capital Projects	Construction of Capital Facilities
Electric Utility	Operation of Electric Distribution System
Water Utility	Operation of Water Supply Distribution System
Sewer Utility	Operation of Waste Water Treatment Plant/Collection System
Solid Waste Utility	Operation of Garbage and Recycling Collection and Disposal System
Storm Water Utility	Operation of Storm Water Drainage System

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional clarification is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, the City spent \$1,292,043 for Public Safety and received \$202,994 in revenue, leaving a cost to taxpayers of \$1,089,049 to be funded by various methods. The format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Public Safety	Fines, Fees
Public Works	Road Use Tax, Rent
Culture and Recreation	Fees, State Aid
General Government	Licenses, Permits
Capital Projects	Donations, State Grants, Federal Grants

The total cost of governmental activities this year was \$3,564,341. Of these costs, \$465,250 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contributions were \$1,082,958, leaving a Net Expense of \$2,066,847 for Governmental Activities. These expenses were covered with tax revenues, interest, and other general revenues. The Statement of Activities in the financial statements provides further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

<u>Functions/Programs</u>	<u>Net (Expense) Revenue</u>	
	<u>2013</u>	<u>2012</u>
Governmental activities:		
Public safety	\$(1,047,354)	\$(1,005,173)
Public works	(19,173)	(481,342)
Health and Social Services	(9,635)	(8,884)
Culture and recreation	(373,201)	(368,225)
Community and economic development	(34,699)	(33,124)
General government	(540,404)	(515,422)
Debt service	<u>(80,727)</u>	<u>(105,098)</u>
Total net (expense) governmental activities	(2,066,847)	(2,517,268)
General revenues and interfund transfers	<u>2,779,218</u>	<u>2,586,994</u>
Change in net position	<u>\$ 712,371</u>	<u>\$ 69,726</u>

Total resources available during the year to finance governmental operations were \$14,874,876, consisting of net position at July 1, 2012, as restated of \$10,598,164, program revenues of \$1,497,494 and general revenues and transfers of \$2,779,218. Total governmental activities during the year expended \$3,564,341; thus, net position increased by \$712,371 to \$11,310,535.

Business-Type Activities

Business-type activities decreased the City's net position by \$191,915.

The cost of all proprietary activities this year was \$4,653,373. As shown in the Statement of Activities, program revenue was \$4,781,129, resulting in a total Net Revenue of \$127,756.

<u>Business-Type Activities</u>	<u>Net (Expense) Revenue</u>	
	<u>2013</u>	<u>2012</u>
Electric utility	\$ (72,026)	\$ (91,178)
Water utility	67,758	101,127
Sewer utility	105,139	78,765
Solid waste utility	34,094	17,869
Storm water utility	<u>(7,209)</u>	<u>882,808</u>
Total net revenue business-type activities	127,756	989,391
General revenues and interfund transfers	<u>(319,671)</u>	<u>(163,176)</u>
Change in net position	<u>\$ (191,915)</u>	<u>\$ 826,215</u>

Total resources available during the year to finance proprietary fund activities were \$14,858,712 consisting of net position at July 1, 2012, as restated of \$14,700,254, program revenues of \$4,781,129, and general revenues and transfers of (\$319,671). Total proprietary fund activities during the year expended \$4,653,373 thus; net position decreased by \$191,915 to \$14,508,339.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances \$2,408,115. The combined Governmental Fund balance increased \$592,136 from the prior year.

The General Fund is the primary operating fund of the City. During the year, revenues and transfers exceeded expenditures in the General Fund by \$193,311. Debt Service expenditures and exceeded transfers and revenues by \$10,870.

The Capital Projects fund is used to account for the purchase of city infrastructure projects. During 2013, revenues and transfers exceeded expenditures by \$258,469.

The special revenue Local Option Sales Tax fund is used to account for revenues for the tax authorized by referendum and used for capital improvements, equipment and program services. During 2013, revenues exceeded expenditures and transfers by \$156,206.

BUDGETARY HIGHLIGHTS

The following table shows the budget variances by program structure:

<u>Program</u>	<u>Final Budget</u>	<u>Actual (Cash Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Public Safety	\$ 1,209,140	\$ 1,128,505	\$ 80,635
Public Works	433,880	409,238	24,642
Health and Social Services	13,300	9,635	3,665
Culture and Recreation	557,740	584,946	(27,206)
Community and Economic Development	78,000	46,005	31,995
General Government	599,750	587,940	11,810
Capital Projects	1,946,220	619,496	1,326,724
Debt Service	958,938	452,732	506,206
Business-Type/Enterprise	<u>6,180,525</u>	<u>7,054,178</u>	<u>(873,653)</u>
	<u>\$11,977,493</u>	<u>\$10,892,675</u>	<u>\$ 1,084,818</u>

See pages 52-54 for more detail information regarding the City’s budget.

CAPITAL ASSETS

The City’s net investment in capital assets, including land, buildings and improvements, equipment, streets, electric systems, sewer systems, water systems, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The net investment in capital assets as of June 30, 2013, was \$30,490,310, (net of accumulated depreciation). This is an increase of \$1,412,772 from fiscal year 2012. The gross additions to capital assets for fiscal years 2013 and 2012 are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ -	\$ -	\$ -	\$ 186,367	\$ -	\$ 186,367
Infrastructure	-	100,973	-	-	-	100,973
Land Improvements	639,963	-	-	-	639,963	-
Buildings	88,150	5,090	-	-	88,150	5,090
Distribution system	-	-	3,456,218	6,512,172	3,456,218	6,512,172
Equipment	214,557	29,104	465,514	21,525	680,071	50,629
Construction in progress	<u>626,734</u>	<u>270,267</u>	<u>1,406,174</u>	<u>2,711,116</u>	<u>2,032,908</u>	<u>2,981,383</u>
Total	<u>\$ 1,569,404</u>	<u>\$ 405,434</u>	<u>\$ 5,327,906</u>	<u>\$ 9,431,180</u>	<u>\$ 6,897,310</u>	<u>\$ 9,836,614</u>

Construction in progress consisted of costs associated with road construction projects, development of housing subdivisions, and storm water drainage.

See Note 4 to the financial statements for more information on the City’s capital assets.

DEBT ADMINISTRATION

On June 30, 2013 the City had \$6,225,000 of general obligation debt outstanding. During 2013, the City issued \$650,000 of general obligation sewer improvement bonds and made payments of \$770,000 on existing debt. Thus, resulting in a decrease of \$120,000 from the prior year.

On June 30, 2013 the City had \$3,582,000 of outstanding debt from a state revolving loan which was used for water system improvements.

See Note 5 to the financial statements for more information on the City's long-term debt.

ECONOMIC FACTORS

The City of Sergeant Bluff continues to grow in population and industry. The City continues to attract new businesses and housing developments. Expansion in industry has pushed the City to obtain new housing subdivisions. The City of Sergeant Bluff is continuing to show steady residential and commercial property value growth, with residential property encompassing approximately 68% of the taxable property tax value and commercial/industrial uses encompassing 31% of the tax base. Net taxable valuations have increased approximately 4% for regular property valuations and 3% for ag land valuation for the January 1, 2011 property valuations applicable to fiscal year 2013.

The City continues to budget for the use of the General Fund balance and makes it a priority to invest in the City's infrastructure through street projects and utility system improvements and extensions. Future plans for the City may involve expanding housing development to accommodate the large businesses that are planning major expansions and to also complete the infrastructure required for those new housing developments. Efforts have been taken in current and future planning to use excess capital in the General Fund balance to fund one-time capital projects in a process to bring the General Fund closer to a 25% of expenditure level in future years.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Sergeant Bluff's financial position for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Sergeant Bluff, Administration Office, Sergeant Bluff, Iowa.

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 1,145,854	\$ 113,526	\$ 1,259,380
Investments	505,447	2,883,764	3,389,211
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	46,776	468,308	515,084
Taxes	10,633	-	10,633
Subsequent Year Taxes	1,907,921	-	1,907,921
Estimated Unbilled Usage	-	180,876	180,876
Internal Balances	511,604	(511,604)	-
Due from Other Governmental Agencies	189,649	92,409	282,058
Inventories	-	245,222	245,222
Prepaid Assets	86,127	46,066	132,193
Land	393,109	469,777	862,886
Construction in Progress	156,065	211,574	367,639
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	11,435,968	17,823,817	29,259,785
Total Assets	16,389,153	22,023,735	38,412,888
LIABILITIES			
Accounts Payable	86,044	285,032	371,076
Accrued Wages and Related Taxes	35,037	11,262	46,299
Accrued Expenses	542	4,812	5,354
Accrued Interest Payable	6,557	19,703	26,260
Claims Incurred But Not Reported	465	250	715
Customer Deposits	-	69,478	69,478
Unearned Revenue	530	-	530
Noncurrent Liabilities:			
Due within one year:			
Revenue Bonds Payable	-	150,000	150,000
General Obligation Bonds	374,592	420,408	795,000
Notes Payable	20,000	-	20,000
Capital Lease	40,708	-	40,708
Compensated Absences and Benefits	52,133	29,683	81,816
Due in more than one year:			
Revenue Bonds	-	3,432,000	3,432,000
General Obligation Bonds	2,343,140	3,086,860	5,430,000
Notes Payable	60,000	-	60,000
Capital Lease	127,694	-	127,694
Net OPEB Liability	23,255	5,908	29,163
Total Liabilities	3,170,697	7,515,396	10,686,093
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Subsequent Year Property Taxes	1,907,921	-	1,907,921
Total Deferred Inflows of Resources	1,907,921	-	1,907,921
NET POSITION			
Net Investment in Capital Assets	9,031,525	11,415,900	20,447,425
Restricted for:			
Debt Service	143,153	-	143,153
Specific Tax Levy Purposes	19,239	-	19,239
Local Option Sales Tax Purposes	477,749	-	477,749
Street Purposes	142,239	-	142,239
Fire Department Purposes	219,636	-	219,636
Unrestricted	1,276,994	3,092,439	4,369,433
Total Net Position	\$ 11,310,535	\$ 14,508,339	\$ 25,818,874

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 1,292,043	\$ 148,413	\$ 96,276	\$ -
Public Works	966,281	57,174	410,613	517,667
Health and Social Services	9,635	-	-	-
Culture and Recreation	576,908	202,707	1,000	-
Community and Economic Development	45,237	3,850	6,688	-
General Government	593,510	53,106	-	-
Debt Service	80,727	-	-	-
Total governmental activities	<u>3,564,341</u>	<u>465,250</u>	<u>514,577</u>	<u>517,667</u>
Business-Type Activities:				
Electric Utility	2,612,444	2,540,418	-	-
Water Utility	770,579	838,337	-	-
Sewer Utility	839,817	852,547	-	92,409
Solid Waste Utility	292,761	326,855	-	-
Storm Water Utility	137,772	85,448	-	45,115
Total Business-Type Activities:	<u>4,653,373</u>	<u>4,643,605</u>	<u>-</u>	<u>137,524</u>
Total Primary Government	<u>\$ 8,217,714</u>	<u>\$ 5,108,855</u>	<u>\$ 514,577</u>	<u>\$ 655,191</u>

General Revenues:

- Property taxes, levied for general purposes
- Property taxes, levied for tax increment financing debt
- Property taxes, levied for employee benefits
- Property taxes, levied for debt service
- Local option sales tax
- Hotel/Motel Taxes
- Interest
- Contributed Capital
- Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Prior Period Adjustment

Net position - beginning (as restated)

Net position - ending

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-Type Activities	Total
\$ (1,047,354)	\$ -	\$ (1,047,354)
19,173	-	19,173
(9,635)	-	(9,635)
(373,201)	-	(373,201)
(34,699)	-	(34,699)
(540,404)	-	(540,404)
(80,727)	-	(80,727)
<u>(2,066,847)</u>	<u>-</u>	<u>(2,066,847)</u>
-	(72,026)	(72,026)
-	67,758	67,758
-	105,139	105,139
-	34,094	34,094
-	<u>(7,209)</u>	<u>(7,209)</u>
-	127,756	127,756
<u>(2,066,847)</u>	<u>127,756</u>	<u>(1,939,091)</u>
1,104,824	-	1,104,824
114,630	-	114,630
301,549	-	301,549
321,723	-	321,723
508,106	-	508,106
23,647	-	23,647
26,767	9,789	36,556
-	1,351	1,351
45,690	1,471	47,161
332,282	<u>(332,282)</u>	<u>-</u>
<u>2,779,218</u>	<u>(319,671)</u>	<u>2,459,547</u>
712,371	(191,915)	520,456
10,661,494	14,754,948	25,416,442
<u>(63,330)</u>	<u>(54,694)</u>	<u>(118,024)</u>
<u>10,598,164</u>	<u>14,700,254</u>	<u>25,298,418</u>
<u>\$ 11,310,535</u>	<u>\$ 14,508,339</u>	<u>\$ 25,818,874</u>

See Accompanying Note to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
BALANCE SHEET
Governmental Funds
JUNE 30, 2013

	General	Debt Service
Assets		
Cash and Pooled Investments	\$ 45,589	\$ 145,593
Investments	505,447	-
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	25,163	4,117
Taxes	10,633	-
Subsequent Year Taxes	1,155,570	342,287
Due from Other Funds	531,703	-
Due from Other Governmental Agencies	54,974	-
Prepaid Assets	28,361	-
Total Assets	<u>2,357,440</u>	<u>491,997</u>
Liabilities		
Accounts Payable	86,044	-
Accrued Wages	35,037	-
Accrued Expenses	542	-
Claims Incurred But Not Reported	465	-
Due to Other Funds	-	-
Unearned Revenue	530	-
Total Liabilities	<u>122,618</u>	<u>-</u>
Deferred Inflows of Resources		
Unavailable Revenue - Subsequent Year Property Taxes	1,155,570	342,287
Total Deferred Inflows of Resources	<u>1,155,570</u>	<u>342,287</u>
Fund Balances		
Nonspendable:		
Prepaid Items	28,361	-
Restricted for:		
Debt Service	-	149,710
Local Option Sales Tax Purposes	-	-
Street Purposes	-	-
Specific Tax Levy Purposes	-	-
Fire Department Purposes	-	-
Assigned for:		
Capital Projects	-	-
Unassigned	1,050,891	-
Total Fund Balances	<u>1,079,252</u>	<u>149,710</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,357,440</u>	<u>\$ 491,997</u>

See Accompanying Notes to Financial Statements

	Capital Projects	Special Revenue Local Option Sales Tax	Other Governmental Funds	Total Governmental Funds
\$	213,390	\$ 397,690	\$ 343,592	\$ 1,145,854
	-	-	-	505,447
	-	-	17,496	46,776
	-	-	-	10,633
	-	-	410,064	1,907,921
	-	-	-	531,703
	20,000	80,059	34,616	189,649
	-	-	-	28,361
	233,390	477,749	805,768	4,366,344
	-	-	-	86,044
	-	-	-	35,037
	-	-	-	542
	-	-	-	465
	-	-	20,099	20,099
	-	-	-	530
	-	-	20,099	142,717
	-	-	410,064	1,907,921
	-	-	410,064	1,907,921
	-	-	-	28,361
	-	-	-	149,710
	-	477,749	-	477,749
	-	-	142,239	142,239
	-	-	19,239	19,239
	-	-	219,636	219,636
	233,390	-	-	233,390
	-	-	(5,509)	1,045,382
	233,390	477,749	375,605	2,315,706
\$	233,390	\$ 477,749	\$ 805,768	\$ 4,366,344

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds (page 18)		\$ 2,315,706	
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds.		11,985,142	
Accrued expenses from the balance sheet that require current financial resources for governmental activities.		(6,557)	
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.		57,766	
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:			
Compensated Absences	\$ (52,133)		
Note Payable	(80,000)		
Capital Leases	(168,402)		
General Obligations Bonds	(2,717,732)		
Net OPEB Liability	<u>(23,255)</u>	(3,041,522)	
Total Net Position - Governmental Activities (page 14)			<u><u>\$ 11,310,535</u></u>

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2013

	General	Debt Service
Revenue:		
Taxes	\$ 1,104,824	\$ 321,723
Tax increment financing	-	-
Other city taxes	23,647	-
Special Assessments	-	-
Licenses and Permits	52,041	-
Intergovernmental Revenue	94,306	-
Charges for Services	216,958	-
Fines and Forfeits	21,088	-
Contributions	6,688	-
Refunds/Reimbursements	55,906	-
Rental Income	58,627	-
Proceeds from Sale of Assets	2,250	-
Interest	23,081	-
Miscellaneous	45,690	-
Total Revenue	<u>1,705,106</u>	<u>321,723</u>
Expenditures:		
Public Safety	1,060,128	-
Public Works	571,815	-
Health and Social Services	9,635	-
Culture and Recreation	629,766	-
Community and Economic Development	44,910	-
General Government	608,413	-
Capital Projects	-	-
Debt Service	-	452,732
Total Expenditures	<u>2,924,667</u>	<u>452,732</u>
Excess (deficiency) of revenues over expenditures	<u>(1,219,561)</u>	<u>(131,009)</u>
Other financing sources (uses):		
Proceeds from Note Payable	80,000	-
Proceeds from Capital Leases	178,590	-
Transfers In	1,154,282	120,139
Transfers Out	-	-
Total other financing sources (uses)	<u>1,412,872</u>	<u>120,139</u>
Net Change in Fund Balance	193,311	(10,870)
Fund balances (Deficits) - beginning of year	878,387	160,580
Prior Period Adjustment	<u>7,554</u>	<u>-</u>
Fund balances (Deficits) - beginning of year, as restated	<u>885,941</u>	<u>160,580</u>
Fund balances - end of year	<u>\$ 1,079,252</u>	<u>\$ 149,710</u>

See Accompanying Notes to Financial Statements

Capital Projects	Special Revenue Local Option Sales Tax	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 301,549	\$ 1,728,096
-	-	114,630	114,630
-	508,106	-	531,753
1,511	-	-	1,511
-	-	-	52,041
517,667	-	409,847	1,021,820
-	-	55,787	272,745
-	-	-	21,088
-	-	3,737	10,425
-	-	-	55,906
-	-	-	58,627
-	-	-	2,250
-	-	3,686	26,767
-	-	3,331	49,021
519,178	508,106	892,567	3,946,680
-	-	39,817	1,099,945
-	-	-	571,815
-	-	-	9,635
-	-	-	629,766
-	-	-	44,910
-	-	-	608,413
620,609	-	-	620,609
-	-	-	452,732
620,609	-	39,817	4,037,825
(101,431)	508,106	852,750	(91,145)
-	-	-	80,000
-	-	-	178,590
359,900	-	-	1,634,321
-	(351,900)	(950,139)	(1,302,039)
359,900	(351,900)	(950,139)	590,872
258,469	156,206	(97,389)	499,727
(25,079)	321,543	472,994	1,808,425
-	-	-	7,554
(25,079)	321,543	472,994	1,815,979
\$ 233,390	\$ 477,749	\$ 375,605	\$ 2,315,706

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 21) \$ 499,727

Governmental funds report capital outlay, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 929,441	
Depreciation expense	<u>(809,579)</u>	119,862

Governmental funds report the proceeds from the sale of fixed assets as revenue whereas the statement of activities reports the gain on the sale of fixed assets. This is the effect on the change in net position on the statement of activities. (13,095)

Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources (44)

Accrued interest payable that does not require current financial resources (40)

Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in in the long-term compensated absences for the year was: (4,786)

Long-term accrual of other post employment benefits liability in the governmental funds as it does not consume current financial resources. (12,896)

The issuance of indebtedness provides current financial resources to the governmental funds without affecting net position. The statement of activities does not reflect the proceeds from the issuance of long-term debt. The proceeds from the issuance of long-term debt for the year was:

Note Payable	(80,000)	
Capital Leases	<u>(178,590)</u>	(258,590)

The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net position. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was: 382,233

Change in net position of governmental activities (page 16) \$ 712,371

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF NET POSITION
Proprietary Funds
JUNE 30, 2013

	Business Type Activities	
	Electric Utility	Water Utility
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ -	\$ 23,564
Investments	2,375,000	497,273
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	236,038	77,801
Estimated Unbilled Usage	107,330	34,383
Advances to Other Funds	800,000	-
Inventories	243,271	1,951
Prepaid Assets	18,221	14,400
Total current assets	<u>3,779,860</u>	<u>649,372</u>
Non-current assets:		
Land	-	231,820
Construction in Progress	122,003	21,250
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	1,189,580	8,359,425
Total non-current assets	<u>1,311,583</u>	<u>8,612,495</u>
Total Assets	<u>5,091,443</u>	<u>9,261,867</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	216,528	2,172
Customer Deposits	45,086	24,392
Accrued Wages	5,760	2,774
Accrued Expenses	2,673	1,480
Accrued Compensated Absences	14,450	7,616
Accrued Interest Payable	-	11,299
Due to Other Funds	399,353	-
Claims Incurred but Not Reported	143	71
Advance from Other Funds	-	-
Revenue Bonds Payable	-	150,000
General Obligation Bonds Payable	-	147,408
Total current liabilities	<u>683,993</u>	<u>347,212</u>
Noncurrent Liabilities:		
Due in more than one year:		
Revenue Bonds	-	3,432,000
General Obligation Bonds	-	181,860
Net OPEB Liability	2,974	1,409
Total non-current liabilities	<u>2,974</u>	<u>3,615,269</u>
Total Liabilities	<u>686,967</u>	<u>3,962,481</u>
NET POSITION		
Net Investment in Capital Assets	1,311,583	4,701,227
Unrestricted	3,092,893	598,159
Total Net Position	<u>\$ 4,404,476</u>	<u>\$ 5,299,386</u>

See Accompanying Notes to Financial Statements

Business Type Activities			
Sewer Utility	Storm Water Utility	Nonmajor Solid Waste Utility	Total
\$ -	\$ 3,871	\$ 86,091	\$ 113,526
11,491	-	-	2,883,764
111,012	9,602	33,855	468,308
27,967	2,437	8,759	180,876
-	-	-	800,000
-	-	-	245,222
13,445	-	-	46,066
<u>256,324</u>	<u>15,910</u>	<u>128,705</u>	<u>4,830,171</u>
51,590	186,367	-	469,777
20,963	47,358	-	211,574
6,703,484	1,571,328	-	17,823,817
6,776,037	1,805,053	-	18,505,168
<u>7,032,361</u>	<u>1,820,963</u>	<u>128,705</u>	<u>23,335,339</u>
34,489	13,086	18,757	285,032
-	-	-	69,478
2,056	672	-	11,262
659	-	-	4,812
6,466	1,151	-	29,683
8,404	-	-	19,703
112,251	-	-	511,604
36	-	-	250
800,000	-	-	800,000
-	-	-	150,000
273,000	-	-	420,408
<u>1,237,361</u>	<u>14,909</u>	<u>18,757</u>	<u>2,302,232</u>
-	-	-	3,432,000
2,905,000	-	-	3,086,860
1,109	416	-	5,908
<u>2,906,109</u>	<u>416</u>	<u>-</u>	<u>6,524,768</u>
<u>4,143,470</u>	<u>15,325</u>	<u>18,757</u>	<u>8,827,000</u>
3,598,037	1,805,053	-	11,415,900
(709,146)	585	109,948	3,092,439
<u>\$ 2,888,891</u>	<u>\$ 1,805,638</u>	<u>\$ 109,948</u>	<u>\$ 14,508,339</u>

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Proprietary Funds
For the Year Ended June 30, 2013

	Business Type Activities	
	Electric Utility	Water Utility
Operating Revenues:		
Charges for Services	\$ 2,540,418	\$ 838,337
Total Operating Revenue	<u>2,540,418</u>	<u>838,337</u>
Operating Expenses:		
Cost of Service	2,520,773	417,319
Depreciation	91,671	218,562
Total Operating Expenses	<u>2,612,444</u>	<u>635,881</u>
Operating Income (Loss)	(72,026)	202,456
Non-Operating Income (Expense):		
Interest Income	9,498	240
Other Non-operating Revenues	1,218	253
Interest Expense	-	(134,698)
Total Non-Operating Income (Expenses)	<u>10,716</u>	<u>(134,205)</u>
Income (Loss) before Transfers and Contributions	(61,310)	68,251
Capital Grant	-	-
Contributed Capital	-	-
Transfers Out	<u>(250,000)</u>	<u>(37,500)</u>
Change in Net Position	(311,310)	30,751
Net Position - Beginning	4,715,786	5,268,635
Prior Period Adjustment	<u>-</u>	<u>-</u>
Net Position - Beginning (As Restated)	<u>4,715,786</u>	<u>5,268,635</u>
Net Position - Ending	<u>\$ 4,404,476</u>	<u>\$ 5,299,386</u>

See Accompanying Notes to Financial Statements

Business Type Activities			
Sewer Utility	Storm Water Utility	Nonmajor Solid Waste Utility	Total
\$ 852,547	\$ 85,448	\$ 326,855	\$ 4,643,605
<u>852,547</u>	<u>85,448</u>	<u>326,855</u>	<u>4,643,605</u>
558,522	88,055	292,761	3,877,430
178,145	49,717	-	538,095
<u>736,667</u>	<u>137,772</u>	<u>292,761</u>	<u>4,415,525</u>
115,880	(52,324)	34,094	228,080
51	-	-	9,789
-	-	-	1,471
(103,150)	-	-	(237,848)
<u>(103,099)</u>	<u>-</u>	<u>-</u>	<u>(226,588)</u>
12,781	(52,324)	34,094	1,492
92,409	45,115	-	137,524
-	1,351	-	1,351
<u>(40,700)</u>	<u>(4,082)</u>	<u>-</u>	<u>(332,282)</u>
64,490	(9,940)	34,094	(191,915)
2,879,095	1,815,578	75,854	14,754,948
<u>(54,694)</u>	<u>-</u>	<u>-</u>	<u>(54,694)</u>
<u>2,824,401</u>	<u>1,815,578</u>	<u>75,854</u>	<u>14,700,254</u>
<u>\$ 2,888,891</u>	<u>\$ 1,805,638</u>	<u>\$ 109,948</u>	<u>\$ 14,508,339</u>

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended June 30, 2013

	Business Type Activities	
	Electric Utility	Water Utility
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 2,542,717	\$ 883,616
Cash Paid to Suppliers for Goods and Services	(2,326,504)	(255,815)
Cash Paid to Employees for Services	(359,233)	(160,165)
Other Receipts	1,218	253
Net Cash Provided (Used) by Operating Activities	<u>(141,802)</u>	<u>467,889</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(498,374)	(21,250)
Proceeds from Grant	-	-
Proceeds from General Obligation Debt Issuance	-	-
Principal Paid on Notes and Bonds	-	(287,955)
Interest & Bond Costs Paid	-	(135,590)
Net Cash (Used) by Capital and Related Financing Activities	<u>(498,374)</u>	<u>(444,795)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating Transfers to Other Funds	(250,000)	(37,500)
Due from Other Governments	20,689	-
Due to Other Funds	399,353	-
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>170,042</u>	<u>(37,500)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investment Securities	-	(241)
Proceeds from Sale of Investment Securities	-	241
Interest and Dividends on Investments	9,498	-
Net Cash Provided by Investing Activities	<u>9,498</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(460,636)	(14,406)
Cash and Cash Equivalents at Beginning of Year	<u>460,636</u>	<u>37,970</u>
Cash and Cash Equivalents at End of Year	<u>\$ -</u>	<u>\$ 23,564</u>

Business Type Activities			
Sewer Utility	Storm Water Utility	Nonmajor Solid Waste Utility	Total
\$ 859,840	\$ 85,961	\$ 331,608	\$ 4,703,742
(784,540)	(82,109)	(295,711)	(3,744,679)
(128,489)	(39,472)	-	(687,359)
-	-	-	1,471
<u>(53,189)</u>	<u>(35,620)</u>	<u>35,897</u>	<u>273,175</u>
(1,092,030)	(231,096)	-	(1,842,750)
-	45,115	-	45,115
650,000	-	-	650,000
(255,000)	-	-	(542,955)
(100,845)	-	-	(236,435)
<u>(797,875)</u>	<u>(185,981)</u>	<u>-</u>	<u>(1,927,025)</u>
(40,700)	(4,082)	-	(332,282)
-	-	-	20,689
112,251	-	-	511,604
<u>71,551</u>	<u>(4,082)</u>	<u>-</u>	<u>200,011</u>
(51)	-	-	(292)
51	-	-	292
-	-	-	9,498
<u>-</u>	<u>-</u>	<u>-</u>	<u>9,498</u>
(779,513)	(225,683)	35,897	(1,444,341)
<u>779,513</u>	<u>229,554</u>	<u>50,194</u>	<u>1,557,867</u>
<u>\$ -</u>	<u>\$ 3,871</u>	<u>\$ 86,091</u>	<u>\$ 113,526</u>

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
COMBINING STATEMENT OF CASH FLOWS - (Continued)
Proprietary Funds
For the Year Ended June 30, 2013

	<u>Business Type Activities</u>	
	<u>Electric Utility</u>	<u>Water Utility</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ (72,026)	\$ 202,456
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	91,671	218,562
Miscellaneous Non-Operating Income	1,218	253
(Increase) Decrease in Assets:		
Accounts Receivable	16,000	31,976
Estimated Unbilled Usage	(22,833)	(4,355)
Prepays	(396)	(739)
Inventories	1,325	67
Increase (Decrease) in Liabilities		
Accounts Payable	(170,567)	(2,351)
Accrued Wages and Compensated Absences	752	1,895
Accrued Expenses	805	987
Net OPEB Liability	2,974	1,409
Claims Incurred but Not Report	143	71
Customer Deposits	9,132	17,658
Total Adjustments	<u>(69,776)</u>	<u>265,433</u>
Net Cash Provided (Used) by Operating Activities	<u>(141,802)</u>	<u>467,889</u>
Non Cash Reconciling Items:		
Capital Contributions	<u>\$ -</u>	<u>\$ -</u>

Business Type Activities			
Sewer Utility	Storm Water Utility	Nonmajor Solid Waste Utility	Total
\$ 115,880	\$ (52,324)	\$ 34,094	\$ 228,080
178,145	49,717	-	538,095
-	-	-	1,471
12,220	807	5,894	66,897
(4,927)	(294)	(1,141)	(33,550)
(637)	-	-	(1,772)
-	-	-	1,392
(356,162)	(34,244)	(2,950)	(566,274)
1,387	302	-	4,336
(240)	-	-	1,552
36	416	-	4,799
1,109	-	-	27,899
(169,069)	16,704	1,803	45,095
(53,189)	(35,620)	35,897	273,175
\$ -	\$ 1,351	\$ -	\$ 1,351

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF FIDUCIARY NET POSITION
Agency Fund
JUNE 30, 2013

ASSETS

Cash and Pooled Investments	<u>\$ 9,729</u>
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LIABILITIES

Accounts Payable	<u>9,729</u>
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NET POSITION

Unrestricted	<u>-</u>
Total Net Position	<u><u>\$ -</u></u>

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2013

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sergeant Bluff, Iowa, is a political subdivision of the State of Iowa located in Woodbury County, and was incorporated in 1854, under the laws of the State of Iowa, later amended in 1974 under the Home Rule City Act. The City operates under a Mayor-Council form of government elected on a nonpartisan basis with an appointed administrator and administers the following programs as authorized by its charter: public safety, public works, culture and recreation, community and economic development, human development, general government, capital projects and debt service. The City also has municipal electric, water, sewer, solid waste and storm water utility systems which are governed by the City Council.

The City's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board. The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

A. REPORTING ENTITY

For financial reporting purposes, the City of Sergeant Bluff, Iowa, 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 that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards or Commissions: Woodbury County Solid Waste Agency Board, Woodbury County E-911 Services Board and Woodbury County Conference Board.

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues,

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2013

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

are reported separately from business type activities, which rely to a significant extent on fees and charges for services. The City's general, special revenue, debt service, and capital projects funds are classified as governmental activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Statement of Net Position presents the City's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories.

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

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

Unrestricted Net Position consist of net position not meeting the definition of the two preceding categories. Unrestricted net position often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues 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 restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

The City does not allocate indirect costs. Certain expenses of the City are accounted for through a cost-reimbursement basis.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year activities.

C. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues or receipts, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria for the

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2013

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

determination of major funds. The City electively added funds, as major funds, which had a specific community focus. The non-major funds are combined into a single column in the fund financial statements.

The City reports the following major governmental funds:

Governmental Fund Types – The governmental fund financial statements are reported using the current financial resources measurement focus. This means that the focus of the governmental funds' measurement is upon the determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the City:

- 1) General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general administration, police and fire protection, maintenance of public streets, economic development, and culture and recreation.
- 2) Debt Service Fund – Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs.
- 3) Capital Projects Fund – The Capital Projects Fund is used to account for the purchase of City infrastructure projects.
- 4) Special Revenue - Local Option Sales Tax Fund – The Special Revenue Local Option Sales Tax Fund is used to account for the revenues for the tax authorized by referendum and used for capital improvements, equipment and company programs and services.

Proprietary Fund Types – The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

- 1) Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges; or (b) where the governing body

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2013

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City maintains several business-type activities. The major enterprise funds are listed as follows:

The Electric Fund is used to account for the operation and maintenance of the City's electrical system.

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

The Storm Sewer Fund is used to account for the operation and maintenance of the City's storm sewer system.

Fiduciary Fund Types – Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements. The City's Agency Fund is used to account for a medical flexible spending account for employees.

D. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end with the exception of expenditure driven grants for which a one-year availability period is used.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2013

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Budgets

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the culture and recreation function and for business-type activities.

F. Cash And Cash Equivalents And Investments

The City is authorized by statute to invest public funds not currently needed for operating expenses in notes, certificates, bonds, prime eligible bankers acceptances, certain high rated commercial paper, perfected repurchase agreements, or other evidences of indebtedness which are obligations of or guaranteed by the United States of America or any of its agencies, or in time deposits or savings accounts in depositories approved by the City Council.

- 1) Cash and Cash Equivalents - Includes investments with original maturities of three months or less.
- 2) Investments - Consist of certificates of deposit with original maturities of more than three months and perfected repurchase agreements. The City reports certificates of deposit and perfected repurchase agreements at cost.

G. Property Tax Receivable

Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City Council to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2013

Note 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012. Any county collections on the 2012-2013 tax levy remitted to the City within 60 days subsequent to June 30, 2013, are recorded as property tax revenue.

H. Short-Term Interfund Receivables/Payables

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2013, balances of interfund amounts payable or receivable have been recorded as “due to other funds” and “due from other funds”, respectively. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

I. Inventories

All inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased and are immaterial and not recorded on the current financial statements.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013 are recorded as prepaid items.

K. Property and Equipment

Assets with an initial individual cost of \$5,000 or more are considered capital assets. Property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at their fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure has been capitalized using historical or estimated historical cost

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2013

Note 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

beginning in 1980 as required by GASB 34. Depreciation on all assets is provided on the straight-line basis over the following estimated lives:

Buildings	20 – 50 Years
Utility Plant	30 – 33 Years
Land Improvements	20 – 50 Years
Machinery & Equipment	5 – 20 Years
Infrastructure	20 – 100 Years

L. Compensated Absences

The City accrues accumulated unpaid vacation costs and related employee benefits when earned (or estimated to be earned) by the employee. The amount estimated to be used in subsequent fiscal years for governmental funds is reported only as a general liability in the government-wide statement of net position and represents a reconciling item between the fund and government-wide presentations. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

M. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item that qualifies for reporting in this category. The governmental activities in the government-wide statements and the governmental funds report unavailable revenues from subsequent year property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

N. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the government-wide financial statements. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2013

Note 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity

Fund equity in the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent either because they are in a nonspendable form or 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 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 other spendable classifications.

Restricted Net Position – In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

P. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services provided and used transactions and reimbursements, are reported as transfers.

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The City's deposits at June 30, 2013, were entirely covered by federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. Chapter 12C 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. There were no differences in investments held during the year from those at June 30, 2013.

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2013

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

At June 30, 2013 the City had the following investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

	Fair Value
Certificates of deposits	\$ 39,211
Repurchase agreements	3,350,000
	\$ 3,389,211

The City's \$3,350,000 investment in repurchase agreements is held in the name of the City and underlying securities (totaling \$4,285,000) are held by an authorized custodian of the City.

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) in 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 uses of the City. The City manages its exposure to declines in the fair value of its investments by limiting maturities to less than one year.

The City's investments consist of certificates of deposits and repurchase agreements with the latest maturity extending to February, 2016.

Credit Risk: The City's investment policy addresses the issue of credit risk. Investments are limited to certain types of investments and by diversifying the investment portfolio.

Custodial Risk: This is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in possession of the outside party. Of the City's investments at June 30, 2013, the City has limited custodial credit risk exposure because all investments of the City must be held for the credit of the City in compliance with Iowa Code Chapter 12B. The counterparty must keep the securities in an account separate and apart from its own.

Note 3 - DUE FROM OTHER GOVERNMENTS

At June 30, 2013, amounts due from other governments were as follows:

Due from the Iowa Department of Transportation for grant funding	\$ 20,000
Due from the U.S. Department of Justice for grant funding	41,695
Due from the State of Iowa for local option sales taxes	80,059
Due from the Iowa Department of Transportation for road use tax allocations	34,616
Due from the Iowa Department of Revenue for Hotel/Motel taxes	5,446
Due from the U.S. Treasury for fuel use tax refund	7,833
Due from the Iowa Homeland Security and Emergency Management Division for grant funding	15,402
Due from the Federal Emergency Management Agency for grant funding	77,007
Total Due from Other Governments	\$ 282,058

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2013

Note 3 - DUE FROM OTHER GOVERNMENTS (CONTINUED)

As of June 30, 2013, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General	Electric	\$ 399,353
General	Sewer	112,251
General	Nonmajor TIF	20,099

These internal balances represent amounts due from/due to other funds to cover deficit cash balances.

As of June 30, 2013, long-term advances were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
Proprietary – Electric	Proprietary – Sewer	\$ 800,000

Note 4 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Primary Government

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 393,109	\$ -	\$ -	\$ 393,109
Construction in Progress	169,294	626,734	639,963	156,065
Total capital assets not being depreciated	562,403	626,734	639,963	549,174
Capital assets being depreciated:				
Buildings and Improvements	2,864,455	88,150	-	2,952,605
Equipment	3,053,048	214,557	131,451	3,136,154
Land Improvements	1,840,580	639,963	-	2,480,543
Infrastructure	14,413,034	-	-	14,413,034
Total capital assets being depreciated	22,171,117	942,670	131,451	22,982,336
Less: Accumulated Depreciation for:				
Buildings and Improvements	553,004	79,097	-	632,101
Equipment	2,139,807	236,757	118,356	2,258,208
Land Improvements	337,230	83,780	-	421,010
Infrastructure	7,825,104	409,945	-	8,235,049
Total Accumulated Depreciation	10,855,145	809,579	118,356	11,546,368
Total capital assets being depreciated, net	11,315,972	133,091	13,095	11,435,968
Governmental activities capital assets, net	\$ 11,878,375	\$ 759,825	\$ 653,058	\$ 11,985,142

Construction in progress at June 30, 2013, for governmental activities, consisted of costs associated with the Warrior Road Project, Port Neal Sidewalks, and 8th Street Utility Replacement Projects.

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2013

Note 4 - CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 469,777	\$ -	\$ -	\$ 469,777
Construction in Progress	2,261,619	1,406,174	3,456,219	211,574
Total capital assets not being depreciated	<u>2,731,396</u>	<u>1,406,174</u>	<u>3,456,219</u>	<u>681,351</u>
Capital assets being depreciated:				
Buildings and Improvements	1,239,221	-	-	1,239,221
Equipment	846,346	465,514	9,538	1,302,322
Distribution System	15,474,379	3,456,218	66,264	18,864,333
Total capital assets being depreciated	<u>17,559,946</u>	<u>3,921,732</u>	<u>75,802</u>	<u>21,405,876</u>
Less: Accumulated Depreciation				
Buildings and Improvements	263,676	31,860	-	295,536
Equipment	498,046	98,878	1,931	594,993
Distribution System	2,330,457	407,357	46,284	2,691,530
Total Accumulated Depreciation	<u>3,092,179</u>	<u>538,095</u>	<u>48,215</u>	<u>3,582,059</u>
Total capital assets being depreciated, net	<u>14,467,767</u>	<u>3,383,637</u>	<u>27,587</u>	<u>17,823,817</u>
Business-type activities capital assets, net	<u>\$ 17,199,163</u>	<u>\$ 4,789,811</u>	<u>\$ 3,483,806</u>	<u>\$ 18,505,168</u>

Construction in progress at June 30, 2013, for the business-type activities, consisted of costs associated with the Kingston Meadows subdivision and Northside Drainage projects.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Public Safety	\$ 204,725
Public Works	554,139
Culture and Recreation	30,007
General Government	20,381
Community and Economic Development	327
Total depreciation expense – governmental activities	<u>\$ 809,579</u>
Business-Type Activities:	
Water	\$ 218,562
Sewer	178,145
Electric	91,671
Storm Water	49,717
Total depreciation expense – business-type activities	<u>\$ 538,095</u>

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2013

Note 4 - CAPITAL ASSETS (CONTINUED)

Reconciliation of Net Investment in Capital Assets:

	Governmental Activities	Business-type Activities
Land	\$ 393,109	\$ 469,777
Construction in Progress	156,065	211,574
Capital Assets (net of accumulated depreciation)	11,435,968	17,823,817
Less: General Obligation Bonds Payable	(2,717,732)	(3,507,268)
Revenue Bonds	-	(3,582,000)
Note Payable	(80,000)	-
Capital Leases	(168,402)	-
Plus: Capital Lease Assets Below Capitalization Policy	12,517	-
Net Investment in Capital Assets	\$ 9,031,525	\$ 11,415,900

Note 5 - LONG-TERM LIABILITIES

The City's computed legal debt limit, as of June 30, 2013, is \$11,315,627 of which \$6,225,000 is committed for outstanding general obligation debt.

The following is a summary of bond transactions of the City for the year ended June 30, 2013:

	Governmental Activities	Business Type Activities	
	General Obligation		
	Bonds and Notes Paid By Debt Service Fund	Bonds Paid By Enterprise Funds	Total
<i>Primary Government:</i>			
Bonds payable			
July 1, 2012	\$ 3,089,777	\$ 3,255,223	\$ 6,345,000
Plus: Issued	-	650,000	650,000
Less: Payments	372,045	397,955	770,000
Bonds Payable			
June 30, 2013	\$ 2,717,732	\$ 3,507,268	\$ 6,225,000
Due within one year	\$ 374,592	\$ 420,408	\$ 795,000

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for the governmental-type activities and the business-type activities.

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2013

Note 5 - LONG-TERM LIABILITIES (CONTINUED)

General obligation bonds outstanding as of June 30, 2013 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2013	Due Within One Year
General Obligation:							
Corporate Purpose	2008	3.9-4.1%	2027	\$ 35,000-\$185,000	\$ 1,170,000	\$ 1,040,000	\$ 35,000
Corporate Purpose and Sewer Refunding	2009	3.9-4.1%	2020	\$145,000-\$365,000	2,715,000	1,695,000	355,000
Corporate Purpose	2010	1.6-3.0%	2017	\$175,000-\$300,000	1,550,000	900,000	295,000
Sewer Improvement	2011	2.0-3.5%	2029	\$100,000-\$150,000	2,040,000	1,940,000	100,000
Sewer Improvement	2012	3.0%	2032	\$5,000-\$175,000	650,000	650,000	10,000
Total General Obligation					\$ 8,125,000	\$ 6,225,000	\$ 795,000

Year Ending June 30	Business Type			Governmental			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 420,408	\$ 112,144	\$ 532,552	\$ 374,592	\$ 77,725	\$ 452,317	\$ 795,000	\$ 189,869	\$ 984,869
2015	436,860	95,598	532,458	373,140	74,623	447,763	810,000	170,221	980,221
2016	265,000	78,002	343,002	320,000	71,059	391,059	585,000	149,061	734,061
2017	245,000	69,403	314,403	300,000	63,023	363,023	545,000	132,426	677,426
2018	120,000	61,722	181,722	315,000	54,002	369,002	435,000	115,724	550,724
2019-2023	625,000	268,532	893,532	815,000	112,998	927,998	1,440,000	381,530	1,821,530
2024-2028	725,000	177,776	902,776	220,000	24,875	244,875	945,000	202,651	1,147,651
2029-2032	670,000	51,750	721,750	-	-	-	670,000	51,750	721,750
Total	\$3,507,268	\$ 914,927	\$ 4,422,195	\$2,717,732	\$ 478,305	\$3,196,037	\$6,225,000	\$1,393,232	\$7,618,232

Revenue Bonds

Details of Revenue Bonds outstanding at June 30, 2013 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Originally Issued	Outstanding June 30, 2013	Due Within One Year
SRF Water Revenue Bond 2010A	01/2010	3.0%	06/2031	Unknown	\$3,867,000	\$ 3,582,000	\$ 150,000

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2014	\$ 150,000	\$ 107,460
2015	154,000	102,960
2016	159,000	98,340
2017	165,000	93,570
2018	170,000	88,620
2019-2023	935,000	363,300
2024-2028	1,100,000	209,450
2029-2030	749,000	45,020
Total	\$ 3,582,000	\$ 1,108,720

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2013

Note 5 - LONG-TERM LIABILITIES (CONTINUED)

Note Payable – B Street Ball Field Property

On May 16, 2013, the City purchased the B Street Ball Field from Sergeant Bluff – Luton Community School District for \$82,500 with \$2,500 due at closing. The remaining balance is to be paid in \$20,000 installments on July 1 along with interest of 3.5% over the next four years.

The following is a schedule of the annual requirements to maturity.

Year Ending June 30,	Principal	Interest
2013	\$ 20,000	\$ 302
2014	20,000	1,800
2015	20,000	1,200
2016	20,000	600
Total	\$ 80,000	\$ 3,902

Capital Leases

On October 30, 2012, the City entered into a three-year lease agreement as lessee for financing the acquisition of a new server. This lease agreement qualifies as capital leases for accounting purposes and, therefore, has been recorded at the present value of its minimum lease payments as of the inception date. The cost of the server was \$32,105 which had accumulated depreciation of \$6,216 as of June 30, 2013. This asset will continue to be depreciated over its useful life of three years.

On February 5, 2013, the City entered into a four-year lease agreement as lessee for financing the acquisition of five new Dell computers for use by the Finance Department. The computers and accessories included in the capital lease agreement individually fall below the City's capitalization policy and therefore, none of these items were capitalized.

On February 15, 2013, the City entered into a four-year lease agreement as lessee for financing the acquisition of seven new Dell Laptops. These laptops purchased for use by members of the City Council. The laptops and accessories included in this capital lease agreement individually fall below the City's capitalization policy and therefore, none of these items were capitalized.

On March 29, 2013, the City entered into a five-year lease agreement as lessee for financing the acquisition of a 2013 Elgin street sweeper for the public works departments. This lease agreement qualifies as capital leases for accounting purposes and, therefore, has been recorded at the present value of its minimum lease payments as of the inception date. The cost of the street sweeper was \$145,000 with accumulated depreciation of \$1,298 as of June 30, 2013. This asset will continue to be depreciated over its useful life of fifteen years.

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2013

Note 5 - LONG-TERM LIABILITIES (CONTINUED)

The following is a schedule of future minimum lease payments under capital lease, together with the net present value of minimum payments as of June 30, 2013.

Year Ending June 30,	Principal	Interest	Total
2013	\$ 40,708	\$ 1,090	\$ 41,798
2014	37,588	3,216	40,804
2015	31,354	2,426	33,780
2016	28,977	1,617	30,594
2017	29,775	819	30,594
Minimum Lease Payments			177,570
Less: Amount Representing Interest			(9,168)
Present Value of Minimum Lease Payment			<u>\$ 168,402</u>

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable					
General Obligation	\$ 3,089,777	\$ -	\$ 372,045	\$ 2,717,732	\$ 374,592
Note Payable	-	80,000	-	80,000	20,000
Capital Leases	-	178,590	10,188	168,402	40,708
Compensated Absences	47,347	52,133	47,347	52,133	52,133
Other Post Employment Benefits	10,359	12,896	-	23,255	-
Governmental Activity Long-Term Liabilities	<u>3,147,483</u>	<u>323,619</u>	<u>429,580</u>	<u>3,041,522</u>	<u>487,433</u>
Business-Type Activities					
Bonds Payable:					
General Obligation	3,255,223	650,000	397,955	3,507,268	420,408
Revenue Bonds	3,727,000	-	145,000	3,582,000	150,000
Compensated Absences	26,229	29,683	26,229	29,683	29,683
Other Post Employment Benefits	-	5,908	-	5,908	-
Business-Type Activity Long-Term Liabilities	<u>\$ 7,008,452</u>	<u>\$ 685,591</u>	<u>\$ 569,184</u>	<u>\$ 7,124,859</u>	<u>\$ 600,091</u>

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2013

Note 6 – TRANSFERS

The following is a summary of transfers between funds:

	General	Debt Service	Capital Projects	Total Transfers Out
LOST	\$ 222,000	\$ -	\$ 129,900	\$ 351,900
Water	37,500	-	-	37,500
Sewer	40,700	-	-	40,700
Electric	250,000	-	-	250,000
Storm Water	4,082	-	-	4,082
Nonmajor Governmental	600,000	120,139	230,000	950,139
Total Transfers In	<u>\$1,154,282</u>	<u>\$ 120,139</u>	<u>\$ 359,900</u>	<u>\$1,634,321</u>

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. To move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due.

Note 7 – RETIREMENT

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

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of annual covered salary. Law enforcement employees are covered by another plan. Contribution requirements are established by state statute. The City contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$123,285, \$105,475 and \$100,281, respectively, equal to the required contributions for each year.

Note 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits. All coverage ceases when the retiree attains 65 or becomes eligible for Medicare except for COBRA continuation if elected.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2013

Note 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) – (Continued)

Annual OPEB Cost and Net OPEB Obligation - The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 33,097
Interest on net OPEB obligation	466
Adjustment to annual required contribution	(636)
Annual OPEB cost	32,927
Contributions made	(14,123)
Increase in net OPEB obligation	18,804
Net OPEB obligation beginning of year	10,359
Net OPEB obligation end of year	\$ 29,163

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the past four fiscal years are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 3,453	0%	\$ 3,453
June 30, 2011	\$ 3,453	0%	\$ 6,906
June 30, 2012	\$ 3,453	0%	\$ 10,359
June 30, 2013	\$ 32,927	42.9%	\$ 29,163

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$195,975, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$195,975. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,160,000 and the ratio of the UAAL to covered payroll was 16.9%. As of June 30, 2013, there were no trust fund assets.

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2013

Note 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) – (Continued)

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2012 actuarial valuation date, the alternative measurement method was used. The projected annual medical trend rate is 7.0%. The ultimate medical trend rate is 5.0%. The medical trend rate is reduced 1.0% each year until reaching the 5.0% ultimate trend rate.

Mortality rates are from the 2004 United States Life Tables. At that time continued participation was assumed to be 50.0%.

Projected claim costs of the medical plan are \$13,144 annually for retirees and \$19,591 for spouses less than age 65. The salary increase rate was assumed to be 3.0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9 - DEFICIT FUND EQUITY

The City has one fund with a deficit equity balance at June 30, 2013. The City intends to finance this deficit from future TIF property tax revenues.

The individual fund deficit was as follows:

Tax Increment Financing.....	\$ 5,509
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Note 10 - RISK MANAGEMENT

The City of Sergeant Bluff 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 deductible and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2013

Note 11 - COMMITMENTS

The City has entered into various contracts totaling \$316,276 for the 8th Street Storm Water Drainage project and Port Neal Safe Routes to School project. As of June 30, 2013, no costs had been incurred against the contracts. The balance of the contracts will be paid as work on the project progresses.

Note 12 - INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued a total of \$9,100,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City. The outstanding balance as of June 30, 2013 was not determinable.

Note 13 - COMMUNITY ECONOMIC BETTERMENT (CEBA) LOAN

On December 15, 1998, the City received \$175,000 from the Iowa Department of Economic Development under a CEBA loan agreement. The City subsequently loaned \$175,000 to a private business. No interest or principal payments are required during the first and second years. At the project completion date, \$1,250 will be forgiven for each new job created and the balance remaining will be amortized over the remaining three years in equal annual payments with 6 percent per annum interest. The City's liability for repayment of this loan is limited to those amounts the City collects through its good faith enforcement of security interest with the business; therefore, the liability for this loan is not included in the Government-Wide Financial Statements.

NOTE 14 – SPLIT FUNDING HEALTH INSURANCE PLAN

The City's Split Funding Health Insurance Fund was established in 2008 to account for the partial self-funding of the City's health insurance plan. The plan is funded by City contributions and is administered through a service agreement with TrueNorth. The agreement is subject to automatic renewal provisions. The City assumes liability for deductible amounts of \$300 to \$1,400 depending on the coverage selected by the employee.

Monthly payments of service fees and plan contributions to the City's Split Funding Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims are paid from the general, water, sewer and electric funds based on a percentage of the number of employees paid out of each fund to the total number of employees covered under the plan.

Claims payable and estimated claims incurred but not reported are recorded as a liability in the general fund.

	Current Year	Prior Year
Claims Payable, beginning of fiscal year	\$ 3,846	\$ -
Claims Incurred	19,895	24,050
Claims Paid	(23,026)	(20,204)
Claims Payable, end of fiscal year	<u>\$ 715</u>	<u>\$ 3,846</u>

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2013

Note 15 – PRIOR PERIOD ADJUSTMENT

In previous years bond issuance costs were deferred and amortized over the term of the bonds. During the year ended June 30, 2013, the City implemented Governmental Accounting Standards Statement No. 65 requiring these costs to be recognized in the period the loan was originated. A prior period adjustment was reported on the financial statements to recognize the effect of the removal of the unamortized bond issuance costs. The prior period adjustment decreased the beginning balance of net position for business-type activities and, specifically the sewer fund, by \$54,694 as well as governmental activities by \$55,776.

It was also determined that hotel/motel revenue of \$7,554 received for fiscal year 2012 was improperly recorded as revenue in the general fund for fiscal year 2013. Consequently, governmental activities beginning net position has been increased by \$7,554. The net effect of both adjustments results in a decrease in net position of \$118,024.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SERGEANT BLUFF, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS)- GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTAL INFORMATION
For the Year Ended June 30, 2013

	Actual Amounts			Budgeted Amounts		Variance With Final Budget Positive (Negative)
	Governmental Funds	Proprietary Funds	Total Actual	Original	Final	
Revenue:						
Property Taxes	\$ 1,711,938	\$ -	\$ 1,711,938	\$ 1,712,619	\$ 1,712,619	\$ (681)
Tax increment financing	100,040	-	100,040	120,139	120,139	(20,099)
Other city tax	535,997	-	535,997	422,555	422,555	113,442
Special Assessments	1,511	-	1,511	-	-	1,511
Licenses and permits	99,564	-	99,564	22,100	22,100	77,464
Intergovernmental revenue	1,024,743	65,804	1,090,547	1,064,600	1,064,600	25,947
Charges for services	187,171	4,703,742	4,890,913	5,043,535	5,043,535	(152,622)
Use of money and property	84,631	-	84,631	60,000	60,000	24,631
Interest	26,766	9,789	36,555	-	-	36,555
Miscellaneous	62,001	1,472	63,473	31,150	31,150	32,323
Total Revenue	<u>3,834,362</u>	<u>4,780,807</u>	<u>8,615,169</u>	<u>8,476,698</u>	<u>8,476,698</u>	<u>138,471</u>
Expenditures:						
Public safety	1,128,505	-	1,128,505	1,209,140	1,209,140	80,635
Public works	409,238	-	409,238	433,880	433,880	24,642
Health and Social Services	9,635	-	9,635	13,300	13,300	3,665
Culture and recreation	584,946	-	584,946	557,740	557,740	(27,206)
Community and economic development	46,005	-	46,005	78,000	78,000	31,995
General government	587,940	-	587,940	599,750	599,750	11,810
Capital projects	619,496	-	619,496	979,900	1,946,220	1,326,724
Debt service	452,732	-	452,732	958,938	958,938	506,206
Business type activities	-	7,054,178	7,054,178	6,024,525	6,180,525	(873,653)
Total Expenditures	<u>3,838,497</u>	<u>7,054,178</u>	<u>10,892,675</u>	<u>10,855,173</u>	<u>11,977,493</u>	<u>1,084,818</u>
Excess (deficiency) of revenues over expenditures	<u>(4,135)</u>	<u>(2,273,371)</u>	<u>(2,277,506)</u>	<u>(2,378,475)</u>	<u>(3,500,795)</u>	<u>1,223,289</u>
Other financing sources (uses):						
Proceeds from sale of fixed asset	2,250	-	2,250	-	-	2,250
Proceeds from issuance of debt	-	650,000	650,000	666,600	666,600	(16,600)
Interfund Transfers In	1,634,321	-	1,634,321	2,206,993	2,206,993	(572,672)
Interfund Transfers Out	(1,302,039)	(332,282)	(1,634,321)	(2,206,993)	(2,206,993)	572,672
Total other financing sources (uses)	<u>334,532</u>	<u>317,718</u>	<u>652,250</u>	<u>666,600</u>	<u>666,600</u>	<u>(14,350)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>330,397</u>	<u>(1,955,653)</u>	<u>(1,625,256)</u>	<u>\$ (1,711,875)</u>	<u>\$ (2,834,195)</u>	<u>\$ 1,208,939</u>
Fund balances-beginning of year	<u>1,832,508</u>	<u>4,441,339</u>	<u>6,273,847</u>			
Fund balances- end of year	<u>\$ 2,162,905</u>	<u>\$ 2,485,686</u>	<u>\$ 4,648,591</u>			

CITY OF SERGEANT BLUFF, IOWA
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTAL INFORMATION
For the Year Ended June 30, 2013

	Governmental Funds			Proprietary Funds Enterprise		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Accrual Basis
	Revenues	\$ 3,834,362	\$ 112,318	\$ 3,946,680	\$ 4,780,807	\$ (125,942)
Expenditures/expenses	3,838,497	199,328	4,037,825	7,054,178	(2,400,805)	4,653,373
Net	(4,135)	(87,010)	(91,145)	(2,273,371)	2,274,863	1,492
Other financing sources, net	334,532	256,340	590,872	317,718	(511,125)	(193,407)
	330,397	169,330	499,727	(1,955,653)	1,763,738	(191,915)
Beginning fund balances/net position	1,832,508	(24,083)	1,808,425	4,441,339	10,258,915	14,700,254
Prior Period Adjustment	-	-	7,554	-	-	-
Beginning fund balance/net position - restated	1,832,508	(24,083)	1,815,979	4,441,339	10,258,915	14,700,254
Ending fund balances/net position	\$ 2,162,905	\$ 145,247	\$ 2,315,706	\$ 2,485,686	\$ 12,022,653	\$ 14,508,339

CITY OF SERGEANT BLUFF, IOWA
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2013

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Agency Funds, and appropriates the amount deemed necessary for each of the different City offices and departments. The budgets may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 9 major classes of expenditures known as functions, not by fund. These 9 functions are: public safety, public works, community and economic development, health and social services, culture and recreation, 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, 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. Legal budgetary control is also based upon the appropriation to each office or department.

During the year, there was one budget amendment which increased budgeted expenditures for the Capital Projects function, as well as, expenditures for proprietary funds. This increase was required due to local flooding of Warrior Road resulting in additional capital outlay expenditures and the replacement of a lift station not previously budgeted for by the City. The City also increased other financing sources due to additional general obligation debt issued to cover the costs of the emergency Warrior Road project. The budget amendment is reflected in the final budgeted amounts.

During the fiscal year ended June 30, 2013, disbursements exceeded the amounts budgeted in the culture and recreation function and for business-type activities.

CITY OF SERGEANT BLUFF, IOWA
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
For the Year Ended June 30, 2013

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009 *	\$ -	\$ 16,092	\$ 16,092	0.00%	\$ 1,180,879	1.4%
2011	July 1, 2009	\$ -	\$ 16,092	\$ 16,092	0.00%	\$ 1,180,879	1.4%
2012	July 1, 2009	\$ -	\$ 16,092	\$ 16,092	0.00%	\$ 1,180,879	1.4%
2013	July 1, 2012	\$ -	\$ 195,975	\$ 195,975	0.00%	\$ 1,160,283	16.9%

* Fiscal 2010 was the first year for calculating the Post Employment Benefit Obligation so information from previous years is not available.

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and Net OPEB Obligation, funding status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

CITY OF SERGEANT BLUFF, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
JUNE 30, 2013

	<u>Special Revenue</u>	
	<u>Employee</u>	<u>Tax</u>
	<u>Benefits</u>	<u>Increment</u>
		<u>Financing</u>
Assets		
Cash and Pooled Investments	\$ 16,333	\$ -
Receivables (Net, where applicable, of for uncollectibles)		
Accounts	2,906	14,590
Subsequent Year Taxes	299,188	110,876
Due from Other Governmental Agencies	-	-
Total Assets	<u>318,427</u>	<u>125,466</u>
Liabilities		
Due to Other Funds	-	20,099
Total Liabilities	<u>-</u>	<u>20,099</u>
Deferred Inflows of Resources		
Unavailable Revenue - Subsequent Year Property Taxes	299,188	110,876
Total Deferred Inflows of Resources	<u>299,188</u>	<u>110,876</u>
Fund Balances		
Restricted for:		
Street Purposes	-	-
Specific Tax Levy Purposes	19,239	-
Fire Department Purposes	-	-
Unassigned	-	(5,509)
Total Fund Balances	<u>19,239</u>	<u>(5,509)</u>
Total Liabilities, Deferred Inflows of Resources and		
Fund Balances	<u>\$ 19,239</u>	<u>\$ 14,590</u>

<u>Special Revenue</u>			
<u>Volunteer Fire Dept</u>	<u>Road Use Tax</u>		<u>Total Nonmajor Governmental Funds</u>
\$ 219,636	\$ 107,623		\$ 343,592
-	-		17,496
-	-		410,064
-	34,616		34,616
<u>219,636</u>	<u>142,239</u>		<u>805,768</u>
-	-		20,099
-	-		20,099
-	-		410,064
-	-		410,064
-	142,239		142,239
-	-		19,239
219,636	-		219,636
-	-		(5,509)
<u>219,636</u>	<u>142,239</u>		<u>375,605</u>
\$ 219,636	\$ 142,239		\$ 805,768

CITY OF SERGEANT BLUFF, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
JUNE 30, 2013

	<u>Special Revenue</u>	
	<u>Employee Benefits</u>	<u>Tax Increment Financing</u>
Revenue:		
Taxes	\$ 301,549	\$ -
Tax increment financing		114,630
Intergovernmental Revenue	-	-
Charges for Services	-	-
Contributions	-	-
Interest	-	-
Miscellaneous	-	-
Total Revenue	<u>301,549</u>	<u>114,630</u>
Expenditures:		
Public Safety	-	-
Total Expenditures	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>301,549</u>	<u>114,630</u>
Other financing sources (uses):		
Transfers Out	(300,000)	(120,139)
Total other financing sources (uses)	<u>(300,000)</u>	<u>(120,139)</u>
Net Change in Fund Balance	1,549	(5,509)
Fund balances - beginning of year	<u>17,690</u>	<u>-</u>
Fund balances - end of year	<u>\$ 19,239</u>	<u>\$ (5,509)</u>

<u>Special Revenue</u>			
<u>Volunteer Fire Dept</u>	<u>Road Use Tax</u>		<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -		\$ 301,549
-	-		114,630
-	409,847		409,847
55,787	-		55,787
3,737	-		3,737
3,686	-		3,686
3,331	-		3,331
<u>66,541</u>	<u>409,847</u>		<u>892,567</u>
39,817	-		39,817
<u>39,817</u>	<u>-</u>		<u>39,817</u>
26,724	409,847		852,750
-	(530,000)		(950,139)
-	<u>(530,000)</u>		<u>(950,139)</u>
26,724	(120,153)		(97,389)
192,912	262,392		472,994
<u>\$ 219,636</u>	<u>\$ 142,239</u>		<u>\$ 375,605</u>

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Agency Funds
For the Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<u>FLEX</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 5,758	\$ 7,041	\$ 3,070	\$ 9,729
Total Assets	<u>5,758</u>	<u>7,041</u>	<u>3,070</u>	<u>9,729</u>
<u>Liabilities</u>				
Accounts Payable	5,758	7,041	3,070	9,729
Total Liabilities	<u>\$ 5,758</u>	<u>\$ 7,041</u>	<u>\$ 3,070</u>	<u>\$ 9,729</u>

CITY OF SERGEANT BLUFF
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
For the Last Ten Years Ended June 30

	Modified Accrual Basis				
	2013	2012	2011	2010	2009
Revenues:					
Property tax	\$ 1,728,096	\$ 1,661,947	\$ 1,619,049	\$ 1,624,757	\$ 1,561,438
Tax increment financing revenue	114,630	122,220	114,309	87,956	22,371
Other city tax	531,753	498,718	389,905	390,381	368,402
Licenses and permits	52,041	26,813	22,477	19,186	18,185
Intergovernmental	1,021,820	472,882	660,307	1,706,953	740,150
Charges for service	272,745	232,440	210,568	205,860	195,840
Proceeds from Sale of Assets	2,250	-	-	2,165	29,065
Use of money and property	85,394	107,103	117,393	113,200	80,622
Special assessments	1,511	1,600	6,519	3,970	-
Miscellaneous	136,440	197,574	130,540	158,523	144,973
Total	<u>\$ 3,946,680</u>	<u>\$ 3,321,297</u>	<u>\$ 3,271,067</u>	<u>\$ 4,312,951</u>	<u>\$ 3,161,046</u>
Expenditures:					
Operating:					
Public safety	\$ 1,099,945	\$ 1,012,941	\$ 1,103,491	\$ 1,386,082	\$ 1,101,673
Public works	571,815	424,370	358,414	428,516	452,415
Health and social services	9,635	8,884	10,200	2,400	-
Culture and recreation	629,766	578,167	554,559	463,002	356,831
Community and economic development	44,910	59,322	65,496	55,457	35,330
General government	608,413	540,359	552,778	481,894	311,718
Debt service	452,732	446,028	863,623	1,436,444	639,818
Capital projects	620,609	142,998	894,030	1,830,471	1,362,548
Total	<u>\$ 4,037,825</u>	<u>\$ 3,213,069</u>	<u>\$ 4,402,591</u>	<u>\$ 6,084,266</u>	<u>\$ 4,260,333</u>

Modified Accrual Basis				
2008	2007	2006	2005	2004
\$ 1,429,954	\$ 1,161,191	\$ 1,063,633	\$ 984,838	\$ 1,004,173
-	139,332	64,969	-	47,201
380,639	380,152	340,121	327,599	35,768
30,285	36,208	48,673	39,175	44,407
363,853	295,843	383,978	316,846	-
220,694	197,471	117,432	141,887	87,743
-	-	-	-	-
76,477	54,395	46,288	51,173	685,145
65,801	25,334	6,567	1,094	148,640
134,355	123,657	90,720	374,214	97,194
<u>\$ 2,702,058</u>	<u>\$ 2,413,583</u>	<u>\$ 2,162,381</u>	<u>\$ 2,236,826</u>	<u>\$ 2,150,271</u>
\$ 918,523	\$ 920,527	\$ 934,948	\$ 1,131,396	\$ 955,098
314,352	297,768	242,232	225,671	236,940
-	-	-	-	-
325,725	268,710	136,670	260,106	295,518
33,609	124,156	62,889	93,899	94,772
453,175	339,113	281,676	266,095	325,995
645,238	559,782	902,415	559,441	618,256
598,026	503,037	549,773	1,037,788	497,679
<u>\$ 3,288,648</u>	<u>\$ 3,013,093</u>	<u>\$ 3,110,603</u>	<u>\$ 3,574,396</u>	<u>\$ 3,024,258</u>

CITY OF SERGEANT BLUFF, IOWA
Schedule of Expenditures of Federal Awards (Cash Basis)
Year Ended June 30, 2013

	CFDA Number	Project/Contract Number	Program Disbursements
Direct:			
U.S. DEPARTMENT OF JUSTICE			
Bulletproof Vest Partnership Program	16.607		\$ 2,904
Public Safety Partnership and Community Policing Grants - ARRA	16.710	#2012UMWX0063	40,459
Indirect:			
U.S. DEPARTMENT OF TRANSPORTATION:			
Passed through the Iowa Department of Transportation:			
Surface Transportation Program	20.205	STP-U-6890(607)	400,000 *
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through the Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1998-DR-IA	77,007
Total Expenditures of Federal Awards			\$ 520,370

* Total expenditures from this program exceeds the 50% of the total Federal Awards and is considered to be a major program.

Note 1 - **Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Sergeant Bluff, Iowa, and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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 City Council
City of Sergeant Bluff, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America 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 Sergeant Bluff, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Sergeant Bluff, Iowa's basic financial statements and have issued our report thereon dated February 16, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Sergeant Bluff, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are 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 Sergeant Bluff, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Sergeant Bluff, Iowa'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 certain deficiencies in internal control that 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 that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items II-A-13 and II-B-13 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sergeant Bluff, Iowa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Sergeant Bluff, Iowa's Response to Findings

The City of Sergeant Bluff, Iowa's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Sergeant Bluff, Iowa's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Certified Public Accountants

Le Mars, Iowa
February 16, 2014



21 1st Avenue NW
P.O. Box 1010
Le Mars, IA 51031
Phone (712) 546-7801
Fax (712) 546-6543

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the City Council
City of Sergeant Bluff, Iowa

Report on Compliance for Each Major Federal Program

We have audited the CITY OF SERGEANT BLUFF, IOWA's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. City of Sergeant Bluff, Iowa's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Sergeant Bluff, Iowa complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

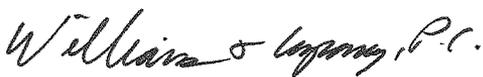
The management of the City of Sergeant Bluff, Iowa is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Sergeant Bluff, Iowa's internal control over compliance with the types of requirements that could have a direct and material effect on

each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Sergeant Bluff, Iowa's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item III-A-13 to be a material weakness.

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


Certified Public Accountants

Le Mars, Iowa
February 16, 2014

CITY OF SERGEANT BLUFF, IOWA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Part I: Summary of the Independent Auditors' Results

- (a) An unmodified opinion was issued on the financial statements.
- (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 noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings, which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follow:
 - CFDA Number 20.205 – Surface Transportation Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Sergeant Bluff did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

Instances of Non-Compliance:

No matters were noted.

Material Weaknesses:

II-A-13 Financial Reporting

Observation - During the audit, we identified material amounts of receivables, payables and capital asset additions not identified by the City. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the City's financial statements.

Response – We will double check these in the future to avoid any missing receivables, payables and capital assets.

CITY OF SERGEANT BLUFF, IOWA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Part II: Findings Related to the Financial Statements (Continued):

Conclusion – Response accepted.

II-B-13 Segregation of Duties

Observation - During the audit, it was noted that the individual who creates the utility bills also enters the rates and makes all the adjustments to the utility billing software. It was also noted that the individual that prepares the payroll checks also has the ability to make rate changes in the payroll master file and distributes the signed payroll checks. These incompatible duties gives those individuals the ability to perpetrate and conceal errors or fraud.

Recommendation - The City should implement a system of segregation of responsibility and review and monitoring functions for the payroll and the utility billing functions.

Response - The city is aware of the nature of the weakness and the necessity to establish more effective controls. Procedures will be reviewed and changes will be implemented as deemed necessary and practical.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Non-Compliance:

No matters were noted.

Material Weakness:

III-A-13 Financial Reporting/SEFA Administration

Observation – During the audit, we identified material amounts of receivables, payables, and capital asset additions not recorded in the City's financial statements. In addition, the Schedule of Expenditures of Federal Awards was not accurately completed. All federal expenditures were not included on the Schedule of Expenditures of Federal Awards.

Recommendation – The City should implement procedures to ensure all receivables, payables, and capital asset additions are identified and included in the City's financial statements. The City should designate an individual with the skill and knowledge to accurately prepare the Schedule of Expenditures of Federal Awards and implement a review process to ensure the accuracy of the Schedule.

Response – The City understands the nature of the weakness and will double check these items in the future to avoid missing any receivables, payables or capital asset transactions. Additionally, the City will designate a responsible individual to prepare the Schedule of Expenditures of Federal Awards.

CITY OF SERGEANT BLUFF, IOWA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Part III: Findings and Questioned Costs for Federal Awards (Continued):

Conclusion – Response accepted.

Part IV: Other Findings Related to Statutory Reporting:

IV-A-13 - Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the culture and recreation function, and for business-type activities.

IV-B-13 - Questionable Expenditures - We noted no questionable expenditures during our audit.

IV-C-13 - Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-13 - Business Transactions – No business transactions between the City and City employees were noted.

IV-E-13 - Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. However, we recommend that the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-13 - Cash and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

IV-G-13 - Financial Report – The Annual Financial Report was not filed by December 1 as required by Chapter 384.22 of the Code of Iowa.

Recommendation – The City should file the annual financial report by December 1 as required by the Code of Iowa.

Response – We will file the annual financial report by December 1 each year.

Conclusion – Response accepted.

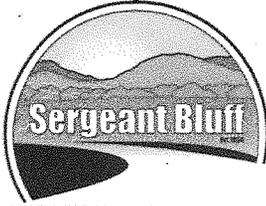
IV-H-13 - Council Minutes – We noted no transactions requiring approval which had not been approved by Council.

IV-I-13 - Revenue Bonds – No violations of revenue bond resolutions were noted.

IV-J-13 - Publications – The City properly published annual gross salaries in accordance with Chapter 372.13 of the Code of Iowa and an Attorney General's opinion dated April 12, 1978.

IV-K-13 - Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of management on or before December 1.

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City of
Sergeant Bluff, IA

401 Fourth Street

Sergeant Bluff, IA 51054

(712) 943-4244

**Schedule of Findings and Questioned Costs
Corrective Action Plan
June 30, 2013**

Environmental Protection Agency

The City of Sergeant Bluff, Iowa, respectfully submits the following corrective action plan for the year ended June 30, 2013.

The audit was performed by Williams & Company, P.C., P.O. Box 1010, Le Mars, Iowa, for the fiscal year ended June 30, 2013.

The finding from the June 30, 2013 Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

MATERIAL WEAKNESS:

III-A-13 Financial Reporting/SEFA Administration

Observation – During the audit, we identified material amounts of receivables, payables, and capital asset additions not recorded in the City's financial statements. In addition, the Schedule of Expenditures of Federal Awards was not accurately completed. All federal expenditures were not included on the Schedule of Expenditures of Federal Awards.

Recommendation – The City should implement procedures to ensure all receivables, payables, and capital asset additions are identified and included in the City's financial statements. The City should designate an individual with the skill and knowledge to accurately prepare the Schedule of Expenditures of Federal Awards and implement a review process to ensure the accuracy of the Schedule.

Response – The City understands the nature of the weakness and will double check these items in the future to avoid missing any receivables, payables or capital asset transactions. Additionally, the City will designate a responsible individual to prepare the Schedule of Expenditures of Federal Awards.

Conclusion – Response accepted.

If the Department of Transportation or the Environmental Protection Agency has questions regarding this plan, please call Jon Winkel at 712-943-4244.

Sincerely yours,

CITY OF SERGEANT BLUFF, IOWA

Jon Winkel, Mayor