

CITY OF IOWA FALLS, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

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City of Iowa Falls, Iowa

List of Principal Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Jerrold Welden	Mayor	Jan 2014
Mark Messa	Mayor Pro-tem	Jan 2014
David Hempe	Council Member	Jan 2014
Roger Nissly	Council Member	Jan 2016
Kurt Knudson	Council Member	Jan 2016
Bruce Thies	Council Member	Jan 2016
Jody Anderson	City Manager	July 2013
Jon Kies	City Clerk/Finance Director	July 2013
Mike Holt	Attorney	July 2013
Ron Kuhfus	Police Chief	July 2013
Rick Gustin	Fire Chief	Indefinite
Terry Tikovitsch	Library Director	Indefinite
Brian Lorenzen	Parks & Recreation Director	Indefinite
Bruce Jeffries	Streets/Sanitation Superintendent	Indefinite
Scott Peden	Water/Wastewater Superintendent	Indefinite
Jolene Liekweg	Deputy City Clerk	Indefinite
Steve Howard	Hospital Board of Trustees, Chairperson	Dec 2016
Diana Ruhl	Hospital Board of Trustees, Vice Chairperson	Dec 2016
Mike Stensland	Hospital Board of Trustees	Dec 2016
Amanda Wood	Hospital Board of Trustees, Secretary	Dec 2014
Francis Fritz	Hospital Board of Trustees, Treasurer	Dec 2014

City of Iowa Falls, Iowa

List of Principal Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(After January 2014)		
Gene Newgaard	Mayor	Jan 2016
Mark Messa	Mayor Pro-tem	Jan 2014
Rob Wohlert	Council Member	Jan 2018
Roger Nissly	Council Member	Jan 2016
Verv Davidson	Council Member	Jan 2018
Bruce Thies	Council Member	Jan 2016
Jody Anderson	City Manager	July 2013
Jon Kies	City Clerk/Finance Director	July 2013
Mike Holt	Attorney	July 2013
Ron Kuhfus	Police Chief	July 2013
Rick Gustin	Fire Chief	Indefinite
Terry Tikovitsch	Library Director	Indefinite
Brian Lorenzen	Parks & Recreation Director	Indefinite
Bruce Jeffries	Streets/Sanitation Superintendent	Indefinite
Scott Peden	Water/Wastewater Superintendent	Indefinite
Jolene Liekweg	Deputy City Clerk	July 2013
Mike Stensland	Hospital Board of Trustees, Chairperson	Dec 2016
Diana Ruhl	Hospital Board of Trustees, Vice- Chairperson	Dec 2016
Steve Howard	Hospital Board of Trustees	Dec 2016
Amanda Wood	Hospital Board of Trustees, Secretary	Dec 2014
Francis Fritz	Hospital Board of Trustees, Treasurer	Dec 2014

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

714 14th Avenue North
Fort Dodge, IA 50501-7098
Phone 515.955.4805 • Fax 515.955.4673

Lowell W. Cornwell, C.P.A.
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.
jjmaher@frontiernet.net

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, except for the Ellsworth Municipal Hospital, the Airport Authority, a discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Iowa Falls, Iowa, as of and for the year ended June 30, 2014, 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 did not audit the financial statements of Ellsworth Municipal Hospital, which is both a major fund and 75%, 59%, and 89% respectively, of the assets, net position and revenues of the business type activities. We also did not audit the financial statements of Ellsworth Municipal Hospital Foundation, which represents 38%, 34%, and 26% respectively, of the assets, net position and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Ellsworth Municipal Hospital and the Ellsworth Municipal Hospital Foundation is based solely upon the report of the other auditors. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units

The financial statements of the Iowa Falls Firefighters Inc. have not been audited, and we were not engaged to audit the Iowa Falls Firefighters Inc.'s financial statements as part of our audit of the City's basic financial statements. Iowa Falls Firefighters Inc. are included in the City's basic financial statements as a discretely presented component unit and represent 2%, 2% and 18% respectively of the assets, net position, and revenues respectively of the City's aggregate discretely presented component units.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of the City of Iowa Falls as of June 30, 2014, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, based on our audit and the report of other auditors, 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 Iowa Falls at June 30, 2014, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 17 and 76 through 80 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 which considers it to be an essential part of the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Iowa Falls' basic financial statements. We previously audited in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 12, 2015 on our consideration of the City of Iowa Falls' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Sample GAAP City's internal control over financial reporting and compliance.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

January 12, 2015

CITY OF IOWA FALLS, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2014

The City of Iowa Falls provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased by 6% or \$341,156 from fiscal year 2013 to fiscal year 2014. Property tax increased approximately \$20,000 while revenues from tax increment financing decreased approximately \$408,000.
- Program expenses of the City's governmental activities increased 19%, or approximately \$1,009,000 from fiscal year 2013 to fiscal year 2014. Capital project and public safety expenses increased approximately \$331,000 and \$155,000 respectively.
- The City's net assets increased by 2%, or approximately \$544,000 from June 30, 2013 to June 30, 2014. Of this amount, the net assets of the governmental activities increased approximately \$612,000 and the net assets of the business-type activities decreased approximately \$68,000.

USING THIS ANNUAL REPORT

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

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

Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the City of Iowa Falls as a whole and present an overall view of the City's finances.

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the City's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Statement of Net Assets and the Statement of Activities report three kinds of activities:

- Governmental activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business-type activities include water, wastewater, hospital and the City's sanitation department. These activities are financed primarily by user charges.
- The Component Unit includes the activities of the City's Municipal Airport Authority, Ellsworth Municipal Hospital Foundation, and Iowa Falls Firefighters, Inc. The City is financially accountable for the Airport, Foundation, and Firefighters, Inc although they are legally separate from the City.

Fund Financial Statements

The City has two kinds of funds:

(1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Tax Increment Financing, Economic Development Loans, Local Option Sales Tax, Road Use and Payroll Tax Levy, 3) the Capital Project Fund and 4) the Debt Service Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balances.

2) Proprietary funds account for the City's Enterprise Funds. These funds report services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the proprietary funds and the business-type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The Enterprise Funds include the Water, Wastewater, Hospital, and Sanitation Funds, each considered to be a major fund of the City. The City is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The financial statements required for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets, and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve as a useful indicator of a government's financial position. The analysis that follows focuses on the changes in the net assets for governmental and business-type activities.

	Net Assets at Year-end					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$9,748,584	9,119,584	21,177,035	33,985,140	30,925,619	43,104,724
Capital assets	19,663,542	18,597,489	36,391,479	24,888,629	56,055,021	43,486,118
Total assets	29,412,126	27,717,073	57,568,514	58,873,769	86,980,640	86,590,842
Long-term liabilities	5,265,617	4,919,430	27,958,291	29,496,780	33,223,908	34,426,210
Other liabilities	4,876,274	4,130,398	5,046,028	4,744,218	9,922,302	8,874,616
Total liabilities	10,141,891	9,059,828	33,004,319	34,240,998	43,146,210	43,300,826
Net assets:						
Invested in capital assets, net						
of related debt	14,723,542	13,962,489	7,561,538	10,025,596	22,285,080	23,988,085
Restricted	4,419,191	3,995,304	5,525,877	21,235,706	9,945,068	25,231,010
Unrestricted	127,502	699,452	11,476,780	-6,628,531	11,604,282	-5,929,079
Total net assets	\$19,270,235	18,657,245	24,564,195	24,632,771	43,834,430	43,290,016

Net assets of governmental activities increased approximately \$613,000, or 3.3%, from fiscal year 2013. Net assets of business-type activities decreased approximately \$68,600 or 0.3% over fiscal year 2013. The largest portion of the City's net assets is invested in capital assets, (e.g., land, infrastructure, buildings, and equipment), less-related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirements, is \$127,502 at the end of this year.

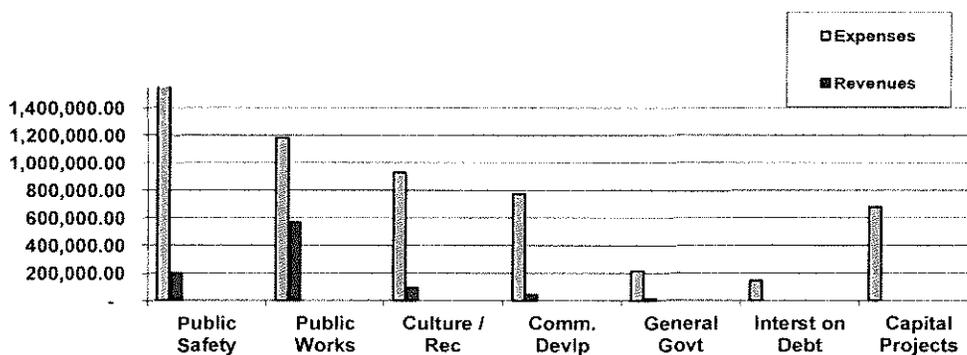
	Changes in Net Assets for the Year Ended June 30, 2014					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Program revenues:						
Charges for services	\$172,432	\$231,741	24,886,882	22,624,019	25,059,314	22,855,760
Operating grants & contributions	572,822	567,057	-	-	572,822	567,057
Capital grants & contributions	176,446	46,377	894,322	3,565,435	1,070,768	3,611,812
General revenues:						
Property tax levied for:						
General purposes	1,855,496	1,837,423	-	-	1,855,496	1,837,423
Debt service	650,785	648,578	-	-	650,785	648,578
Tax increment financing	1,339,944	1,748,609	-	-	1,339,944	1,748,609
Local option sales tax	571,671	541,106	-	-	571,671	541,106
Hotel/motel tax	106,687	102,499	-	-	106,687	102,499
Investment earnings	67,709	54,204	79,905	79,212	147,614	133,416
Miscellaneous	426,229	503,786	1,101,501	1,044,472	1,527,730	1,548,258
Gain on sale of fixed assets	-	-	(64,307)	8,245	(64,307)	8,245
Total revenues	5,940,221	6,281,380	26,898,303	27,321,383	32,838,524	33,602,763
Program expenses:						
Public safety	1,563,281	1,408,030	-	-	1,563,281	1,408,030
Public works	1,181,678	1,087,511	-	-	1,181,678	1,087,511
Culture and recreation	930,076	889,643	-	-	930,076	549,139
Community and economic development	774,121	303,158	-	-	774,121	303,158
General government	215,970	298,108	-	-	215,970	298,108
Interest on long-term debt	145,596	145,339	-	-	145,596	145,339
Other debt costs	3,673	4,537	-	-	3,673	4,537
Capital projects	680,683	348,824	-	-	680,683	689,328
Water	-	-	726,813	696,998	726,813	696,998
Wastewater	-	-	902,798	902,322	902,798	902,322
Hospital	-	-	24,379,672	22,590,937	24,379,672	22,590,937
Sanitation	-	-	785,071	740,538	785,071	740,538
Total expenses	5,495,078	4,485,150	26,794,354	24,930,795	32,289,432	29,415,945
Increase (decrease) in net						
assets before transfers	445,143	1,796,230	103,949	2,390,588	549,092	4,186,818
Transfers	167,847	(112,178)	(172,525)	44,295	(4,678)	(67,883)
Increase (decrease) in net assets	612,990	1,684,052	(68,576)	2,434,883	544,414	4,118,935
Net position beginning of year	18,657,245	16,973,193	24,632,771	22,197,888	43,290,016	39,171,081
Net position end of year	19,270,235	18,657,245	24,564,195	24,632,771	43,834,430	43,290,016

The City of Iowa Falls' net assets of governmental activities increased approximately \$613,000 during the year. Revenues for governmental activities decreased approximately \$341,000 from the prior year, with tax increment financing decreasing approximately \$409,000. The City decreased property tax rates for fiscal year 2014 approximately 8%. This decrease raised the City's property tax revenue approximately \$63,000 in fiscal year 2014 due to increased taxable value.

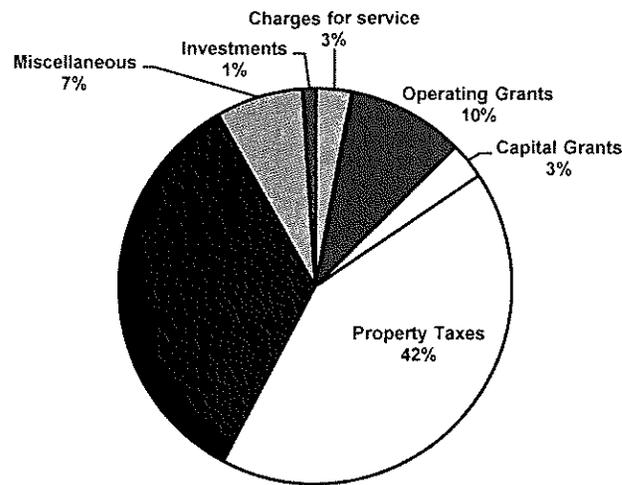
The cost of all governmental activities this year was approximately \$5.5 million compared to approximately \$4.5 million last year. However, as shown on the Statement of Activities on pages 22 and 23, the amount taxpayers ultimately financed for these activities was only \$4.6 million because some of the cost was paid by those directly benefited from the programs (\$172,000) or by other governments and organizations which subsidized certain programs with grants and contributions (\$749,000).

Below are specific graphs which provide comparisons of the governmental activities revenues and functional expenses.

Expenses and Program Revenues – Governmental Activities



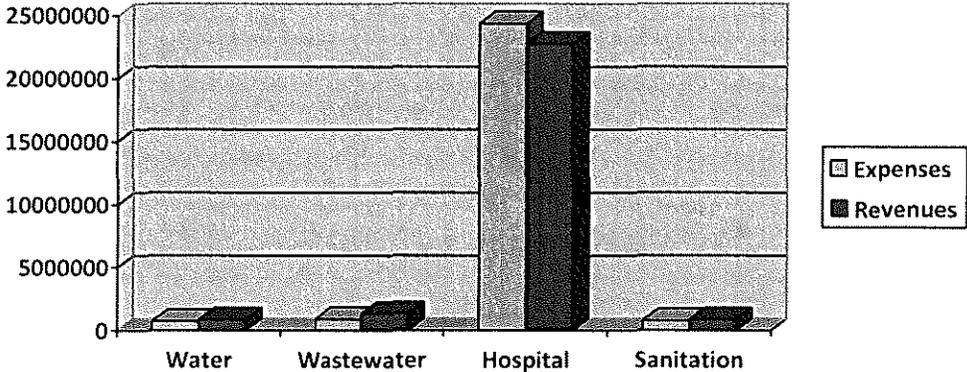
Revenue Sources – Governmental Activities



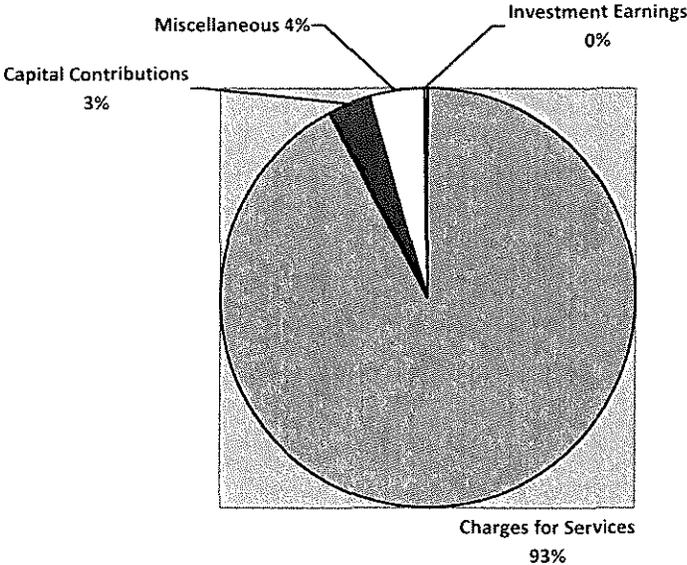
The City of Iowa Falls' net assets for business-type activities decreased approximately \$68,000 during the year. Revenues for business-type activities decreased approximately \$350,000 while total expenses were approximately \$1,863,000 higher than the prior fiscal year.

Below are graphs showing the business-type activities revenue and expense comparisons.

Expenses and Revenues – Business-Type Activities



Revenue Sources – Business-Type Activities



INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As the City of Iowa Falls completed the year, its governmental funds reported a combined fund balance of \$4,795,168, which is less than the \$4,898,051 total fund balance at June 30, 2013. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

The General Fund decreased its fund balance for general operations during 2014 by \$44,400. Revenues decreased 3% over the prior year to \$1,788,421 and expenditures increased 23% to \$2,454,670. The decrease in revenues is mainly due to decreased licenses/permits of \$45,640 respectively.

The Special Revenue, Tax Increment Financing Revenues Fund accounts for revenue from the tax authorized by ordinance in the urban renewal district which is used to pay the principal and interest on indebtedness incurred for urban renewal redevelopment projects. This fund ended the fiscal year 2014 with a \$(1,156,723) deficit balance compared to the prior year ending balance of \$(621,153).

The Special Revenue, Economic Development Loans Fund accounts for economic development loans made to businesses operating in the City and to other City funds. This fund ended fiscal year 2014 with a \$1,722,148 balance compared to the prior year ending balance of \$1,665,555. The increase is primarily due to revenues received from the use of money and property.

The Special Revenue, Payroll Tax Levy Fund is used to account for the property tax levied to finance the payment of employee benefits. This fund ended fiscal year 2014 with a \$196,424 balance compared to the prior year ending balance of \$241,877. Expenses increased 4% from the prior year.

The Capital Project Fund ended fiscal year 2014 with a \$544,677 balance compared to the prior year ending balance of \$419,164. The increase is due to an increase in transfers in and the issuance of bonds for a fire truck.

The debt service fund balance ended fiscal year 2014 with a \$53,640 balance compared to the prior-year ending balance of \$75,079. Property tax revenue increased by \$3,269, principal and interest payments decreased by \$57,144, and transfers in decreased by \$85,755.

Proprietary Fund Highlights

The Water Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal year 2014 with a \$3,734,647 net asset balance compared to the prior-year ending balance of \$3,817,776. Expenses increased 5% from the prior year. This increase was due primarily to a increase in repairs and maintenance costs during 2014.

The Wastewater Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal year 2014 with a \$5,478,410 net

asset balance compared to the prior year ending net asset balance of \$4,942,815. The increase is primarily due to an increase in charges for services during 2014.

The Hospital Fund, which accounts for the operation and maintenance of the Ellsworth Municipal Hospital, ended fiscal year 2014 with a \$14,610,487 net asset balance compared to the prior year ending net asset balance of \$15,197,476. The decrease is primarily due to increase in cost of sales and service and increased depreciation/amortization.

The Sanitation Fund, which accounts for the operation and maintenance of the City's solid waste collection system, ended fiscal year 2014 with a \$740,651 net asset balance compared to the prior year ending net asset balance of \$674,704. Revenues and expenditures remained consistent with prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City of Iowa Falls amended its budget once. The amendment was done in May 2014. The amendment was needed to increase spending authority due to expenses that were not originally budgeted for.

The City's receipts were \$2,417,007 less than budgeted receipts, a variance of 8%. The most significant variance was \$1,818,836 in Charges for Fees and Services..

Total disbursements were \$7,729,050 less than budgeted. Actual disbursements for capital projects and business-type activities were \$2,265,299 and \$25,315,108, respectively, less than budgeted. This was primarily due to some capital projects that were budgeted did not take place.

CAPITAL ASSET AND DEBT ADMINISTRATION

The City's capital assets include land, buildings, and improvements, equipment, streets, sewer systems, and other infrastructure. Capital assets for governmental activities totaled \$19,597,489 (net of accumulated depreciation) at June 30, 2014. Capital assets for business-type activities totaled \$36,391,476 (net of accumulated depreciation/amortization) at June 30, 2014. See Note 4 to the financial statements for more information about the City's capital assets.

The major capital outlays for governmental activities during the year included the Rocksylvana Bridge rehabilitation project, Jones Park Trail, Airport Apron expansion, and the construction of a new hangar at the Airport.

For business-type activities, additions included the South River Street Water Main repair, Wastewater Treatment Plant Clarifier upgrades, Wastewater Treatment Plant Trickling Filter upgrades, and the Pine Street Water Filter repairs.

Construction in progress at June 30, 2014 for governmental activities consists primarily of street projects, trail projects, and airport projects.

Long-Term Debt

At June 30, 2014, the City had \$7,020,000 outstanding general obligation bonds and notes for governmental activities. Total outstanding long-term debt for business-type activities was \$6,935,000 at June 30, 2014.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to five percent (5%) of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$12.8 million. Additional information on the City's long-term debt is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City revenue sources affected by economic activity such as local option sales tax, building permit fees, hotel/motel tax, and road use tax showed slight increases or decreases from the prior year. As the national economy changes, these revenues may also change and have an impact on the city in the near-term to provide services from these funds.

Selected Revenues

	2014	2013	Change
Local Option Tax	570,587	542,476	28,111
Hotel/Motel Tax	106,687	102,596	4,091
Road Use Tax	523,034	501,622	21,412
Building Permits	15,029	20,473	(5,444)

Property taxes

The City continues to enjoy growth in the valuation of taxable property, although that growth has slowed significantly over the past four years. The 2013-2014 budget lowered the overall property tax levy by \$1.50 to a rate of \$18.13 / \$1,000 of property valuation.

This decrease can be attributed mainly to the fact that the City's taxable valuation increased. By decreasing the TIF certification it increases the amount of taxable valuation that the rest of the levies can levy against therefore decreasing the overall levy.

Tax Levy Rate Comparison

	2013-14	2012-13
General Levy	8.10	8.10
Aviation Levy	0.27	0.27
Emergency Levy	0.27	0.27
Debt Service Levy	3.81	3.90
Trust and Agency Levy	5.08	6.25
Tort Liability	0.60	0.84
Total	18.13	19.63

Utility rates.

Rates charged the citizens of Iowa Falls by the water, wastewater and sanitation utilities stayed constant for FY 2013-2014. Rates will continue to be reviewed periodically to be sure that all costs associated with providing utility services to the citizens are covered. Increases may be necessary to cover increasing operating costs for each of the three utilities and to prepare for future infrastructure improvements that are needed.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to present our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information, please contact the Finance Officer, 315 Stevens Street, Iowa Falls, Iowa, 50126.

Basic Financial Statements

City of Iowa Falls, Iowa
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,679,945	8,453,566	13,133,511
Receivables:			
Property tax:			
Delinquent	41,308	-	41,308
Succeeding year	2,537,558	-	2,537,558
Tax increment financing:			
Succeeding year	2,144,479	-	2,144,479
Economic development loans	80,180	-	80,180
Customer accounts and unbilled usage (net of allowances for uncollectible of \$1,151,667)	-	4,119,177	4,119,177
Accounts	72,097	570,960	643,057
Accrued interest	4,383	14,033	18,416
Unconditional promises to give	-	-	-
Due from other governments	130,860	-	130,860
Inventories	-	512,161	512,161
Prepaid expenses	50,695	97,279	147,974
Restricted assets:			
Cash	-	5,482,396	5,482,396
Investment in affiliated organizations	-	1,851,355	1,851,355
Investments	-	-	-
Capital assets (net of accumulated depreciation)	19,663,542	36,391,479	56,055,021
Bond issuance costs	7,079	76,108	83,187
Total assets	<u>29,412,126</u>	<u>57,568,514</u>	<u>86,980,640</u>
Liabilities			
Accounts payable	111,511	1,129,811	1,241,322
Accounts payable construction	-	866,164	866,164
Due to Ellsworth Municipal Hospital	-	-	-
Accrued interest payable	10,116	-	10,116
Salaries and benefits payable	72,610	1,288,409	1,361,019
Third-party payor settlement payable	-	-	-
Other liabilities	-	215,579	215,579
Deferred Revenue:			
Succeeding year property tax	2,537,558	-	2,537,558
Succeeding year tax increment financing	2,144,479	-	2,144,479

Exhibit A

Component Units		
Airport Authority	Ellsworth Municipal Hospital Foundation	Iowa Falls Firefighters Inc.
(41,738)	689,542	113,568
368	-	-
28,756	-	-
-	-	-
-	-	-
-	-	-
48,562	-	-
85	277	-
-	1,016,845	-
-	-	-
-	-	-
2,222	-	-
-	-	-
-	-	-
-	157,353	-
2,822,826	-	-
-	-	-
<u>2,861,081</u>	<u>1,864,017</u>	<u>113,568</u>
105,900	-	-
-	-	-
-	370,678	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
28,756	-	-
-	-	-

City of Iowa Falls, Iowa
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
Liabilities (continued)			
Liabilities payable from restricted assets:			
Revenue bonds/notes payable	-	1,535,558	1,535,558
Accrued and matured interest payable	-	10,507	10,507
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds/notes	615,000	-	615,000
Compensated absences	186,094	70,760	256,854
Portion due or payable after one year:			
General obligation bonds/notes	4,325,000	-	4,325,000
Revenue bonds/notes payable	-	27,746,157	27,746,157
Obligations under capital lease	-	79,663	79,663
Compensated absences	-	3,979	3,979
Net OPEB Liability	139,523	57,732	197,255
Total liabilities	<u>10,141,891</u>	<u>33,004,319</u>	<u>43,146,210</u>
Net Position			
Net investments in capital assets	14,723,542	7,561,538	22,285,080
Restricted for:			
Local option sales tax	1,241,874	-	1,241,874
Economic development loans	1,722,148	-	1,722,148
Carnegie library	645,009	-	645,009
Debt service	53,640	-	53,640
Revenue bond retirement	-	452,500	452,500
Water improvement	-	113,593	113,593
Wastewater capital projects	-	171,247	171,247
Wastewater improvement	-	72,000	72,000
Wastewater replacement	-	454,000	454,000
Capital improvements by donors	-	1,864,935	1,864,935
Capital improvements and equipment	545,151	-	545,151
Bond indentures	-	2,397,602	2,397,602
Other purposes	211,369	-	211,369
Temporarily restricted	-	-	-
Permanently restricted	-	-	-
Unrestricted	127,502	11,476,780	11,604,282
Total net position	<u>\$ 19,270,235</u>	<u>24,564,195</u>	<u>43,834,430</u>

See notes to financial statements.

City of Iowa Falls, Iowa
Statement of Activities
Year ended June 30, 2014

Functions/Programs:	Program Revenues			
Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Primary Government:				
Governmental activities:				
Public safety	\$ 1,563,281	50,025	17,369	132,379
Public works	1,181,678	40,088	527,397	
Culture and recreation	930,076	67,489	28,056	
Community and economic development	774,121			44,067
General government	215,970	14,830		
Interest on long-term debt	145,596	-	-	-
Other debt costs	3,673	-	-	-
Capital projects	680,683	-	-	-
Total governmental activities	5,495,078	172,432	572,822	176,446
Business type activities:				
Water	726,813	841,968	-	16,958
Wastewater	902,798	1,302,799	-	-
Hospital	24,379,672	21,895,096	-	877,364
Sanitation	785,071	847,019	-	-
Total business type activities	26,794,354	24,886,882	-	894,322
Total primary government	\$ 32,289,432	25,059,314	572,822	1,070,768
Component Units:				
Airport authority	258,719	-	-	402,214
Ellsworth Municipal Hospital Foundation	1,278,484	-	-	206,542
Iowa Falls Firefighters, Inc.	86,124	-	170,174	-
Total component units	\$ 1,623,327	-	170,174	608,756
General Revenues:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Unrestricted investment earnings				
Miscellaneous				
Sale of capital assets				
Transfers				
Total general revenues				
Change in net position				
Net position beginning of year				
Net position end of year				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units		
Governmental Activities	Business Type Activities	Total	Airport Authority	Ellsworth Municipal Hospital Foundation	Iowa Falls Firefighters Inc.
(1,363,508)	-	(1,363,508)	-	-	-
(614,193)	-	(614,193)	-	-	-
(834,531)	-	(834,531)	-	-	-
(730,054)	-	(730,054)	-	-	-
(201,140)	-	(201,140)	-	-	-
(145,596)	-	(145,596)	-	-	-
(3,673)	-	(3,673)	-	-	-
<u>(680,683)</u>	-	<u>(680,683)</u>	-	-	-
<u>(4,573,378)</u>	-	<u>(4,573,378)</u>	-	-	-
-	132,113	132,113	-	-	-
-	400,001	400,001	-	-	-
-	(1,607,212)	(1,607,212)	-	-	-
-	<u>61,948</u>	<u>61,948</u>	-	-	-
-	<u>(1,013,150)</u>	<u>(1,013,150)</u>	-	-	-
<u>(4,573,378)</u>	<u>(1,013,150)</u>	<u>(5,586,528)</u>	-	-	-
-	-	-	143,495	-	-
-	-	-	-	(1,071,942)	-
-	-	-	-	-	84,050
-	-	-	<u>143,495</u>	<u>(1,071,942)</u>	<u>84,050</u>
1,855,496	-	1,855,496	35,584	-	-
650,785	-	650,785	-	-	-
1,339,944	-	1,339,944	-	-	-
571,671	-	571,671	-	-	-
106,687	-	106,687	-	-	-
67,709	79,905	147,614	306	20,853	42
426,229	1,101,501	1,527,730	71,539	21,380	-
-	(64,307)	(64,307)	-	-	-
<u>167,847</u>	<u>(172,525)</u>	<u>(4,678)</u>	<u>4,678</u>	-	-
<u>5,186,368</u>	<u>944,574</u>	<u>6,130,942</u>	<u>112,107</u>	<u>42,233</u>	<u>42</u>
612,990	(68,576)	544,414	255,602	(1,029,709)	84,092
<u>18,657,245</u>	<u>24,632,771</u>	<u>43,290,016</u>	<u>2,470,823</u>	<u>2,523,048</u>	<u>29,476</u>
<u>\$ 19,270,235</u>	<u>24,564,195</u>	<u>43,834,430</u>	<u>2,726,425</u>	<u>1,493,339</u>	<u>113,568</u>

City of Iowa Falls, Iowa
Balance Sheet
Governmental Funds
June 30, 2014

		Special Revenue		
Assets	<u>General</u>	<u>Tax Increment Financing Revenues</u>	<u>Economic Development Loans</u>	<u>Payroll Tax Levy</u>
Cash and cash equivalents	\$ 992,666	-	505,511	198,532
Receivables:				
Property tax:				
Delinquent	12,229	15,288	-	6,929
Succeeding year	972,295	-	-	774,318
Tax increment financing:				
Succeeding year	-	2,144,479	-	-
Economic development loans	-	-	80,180	-
Accounts	59,913	-	-	-
Accrued interest	1,098	-	559	-
Due from other governments	1,269	44,067	-	-
Interfund receivable	-	-	1,216,078	-
Prepaid expenditures	41,450	-	-	-
Total assets	\$ 2,080,920	2,203,834	1,802,328	979,779
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 52,239	-	-	-
Salaries and benefits payable	56,212	-	-	9,036
Deferred revenue:				
Succeeding year property tax	972,295	-	-	774,318
Succeeding year tax increment financing	-	2,144,479	-	-
Other	-	-	80,180	-
Interfund payable	-	1,216,078	-	-
Total liabilities	1,080,746	3,360,557	80,180	783,354

Exhibit C

<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
582,748	46,726	2,353,762	4,679,945
-	6,862	-	41,308
-	790,945	-	2,537,558
-	-	-	-
-	-	-	2,144,479
-	-	-	80,180
-	-	12,184	72,097
403	52	2,271	4,383
-	-	85,524	130,860
-	-	-	1,216,078
-	-	9,245	50,695
<u>583,151</u>	<u>844,585</u>	<u>2,462,986</u>	<u>10,957,583</u>
38,474	-	20,796	111,509
-	-	7,362	72,610
-	790,945	-	2,537,558
-	-	-	2,144,479
-	-	-	80,180
-	-	-	1,216,078
<u>38,474</u>	<u>790,945</u>	<u>28,158</u>	<u>6,162,414</u>

City of Iowa Falls, Iowa
Balance Sheet
Governmental Funds
June 30, 2014

	<u>General</u>	<u>Special Revenue</u>		
		<u>Tax Increment Financing Revenues</u>	<u>Economic Development Loans</u>	<u>Payroll Tax Levy</u>
Liabilities and Fund Balances (continued)				
Fund balances:				
Nonspendable:				
Prepaid expenditures	41,450	-	-	-
Advances to other funds	-	-	1,216,078	-
Restricted for:				
Debt service	-	-	-	-
Streets	-	-	-	-
Employee benefits	-	-	-	196,424
Capital improvements or other city purpose	17,099	-	-	-
Economic development	-	-	506,070	-
Library gifts and memorials	78,310	-	-	-
Park gifts and memorials	16,942	-	-	-
Fire department	4,813	-	-	-
Police department	9,049	-	-	-
Capital improvements and equipment	474	-	-	-
Carnegie library	-	-	-	-
Other purposes	1,963	-	-	-
Unassigned	<u>830,074</u>	<u>(1,156,723)</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,000,174</u>	<u>(1,156,723)</u>	<u>1,722,148</u>	<u>196,424</u>
Total liabilities and fund balances	<u>\$ 2,080,920</u>	<u>2,203,834</u>	<u>1,802,328</u>	<u>979,778</u>

See notes to financial statements.

Exhibit C

<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
-	-	-	41,450
-	-	-	1,216,078
-	53,640	-	53,640
-	-	338,539	338,539
-	-	-	196,424
-	-	1,241,874	1,258,973
-	-	-	506,070
-	-	-	78,310
-	-	-	16,942
-	-	-	4,813
-	-	-	9,049
544,677	-	-	545,151
-	-	645,009	645,009
-	-	209,406	211,369
-	-	-	(326,649)
<u>544,677</u>	<u>53,640</u>	<u>2,434,828</u>	<u>4,795,168</u>
<u>583,151</u>	<u>844,585</u>	<u>2,462,986</u>	<u>10,957,582</u>

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Position

June 30, 2014

Total governmental fund balances (page 27) \$ 4,795,168

*Amounts reported for governmental activities in the
Statement of Net Position are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$33,590,351 and the accumulated depreciation is \$13,926,809 19,663,542

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 80,180

Long-term liabilities, including bonds/notes payable, compensated absences payable, other postemployment benefits payable, and accrued interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (5,275,734)

Other long-term assets are not available to pay current period debt and, therefore, are not included in the governmental funds 7,079

Net position of governmental activities (page 23) \$ 19,270,235

See notes to financial statements.

City of Iowa Falls, Iowa
Statement of Revenues, Expenditures and Changes in Fund Balances
and Changes in Fund Balances (Deficit)
Governmental Funds
Year Ended June 30, 2014

		Special	
	<u>General</u>	Tax Increment Financing <u>Revenues</u>	Economic Development <u>Loans</u>
Revenues:			
Property tax	\$ 1,145,011	-	-
Tax increment financing	-	1,339,945	-
Other city tax	322,013	-	-
Licenses and permits	54,370	-	-
Use of money and property	6,240	-	46,564
Intergovernmental	48,085	44,067	-
Charges for service	72,109	-	-
Miscellaneous	<u>130,593</u>	<u>-</u>	<u>10,038</u>
Total revenues	<u>1,778,421</u>	<u>1,384,012</u>	<u>56,602</u>
Expenditures:			
Operating:			
Public safety	1,692,798	-	-
Public works	25,540	-	-
Culture and recreation	587,743	-	-
Community and economic development	414	195,011	-
General government	148,175	-	-
Debt service	-	-	-
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>2,454,670</u>	<u>195,011</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(676,249)</u>	<u>1,189,001</u>	<u>56,602</u>
	(676,249)	1,189,001	56,602
Other financing sources (uses):			
Issuance of bonds	674,574	-	-
Operating transfers in	248,797	18,928	18,919
Operating transfers out	<u>(291,522)</u>	<u>(1,743,499)</u>	<u>(18,928)</u>
Total other financing sources (uses)	<u>631,849</u>	<u>(1,724,571)</u>	<u>(9)</u>
Net change in fund balances	(44,400)	(535,570)	56,593
Fund balances (deficit) beginning of year	<u>1,044,574</u>	<u>(621,153)</u>	<u>1,665,555</u>
Fund balances (deficit) end of year	<u>\$ 1,000,174</u>	<u>(1,156,723)</u>	<u>1,722,148</u>

See notes to financial statements.

Exhibit E

Revenue

Payroll Tax Levy	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
648,022	-	633,848	-	2,426,881
-	-	-	-	1,339,945
22,613	-	16,937	678,359	1,039,922
-	-	-	-	54,370
-	1,912	3,519	9,746	67,981
-	500	-	527,397	620,049
-	-	-	-	72,109
<u>1,911</u>	<u>5,981</u>	<u>-</u>	<u>48,099</u>	<u>196,622</u>
<u>672,546</u>	<u>8,393</u>	<u>654,304</u>	<u>1,263,601</u>	<u>5,817,879</u>
393,329	-	-	-	2,086,127
146,939	-	-	486,901	659,380
142,052	-	-	-	729,795
-	470,121	-	108,573	774,119
35,679	-	-	-	183,854
-	-	1,065,315	-	1,065,315
-	<u>1,814,167</u>	<u>-</u>	<u>-</u>	<u>1,814,167</u>
<u>717,999</u>	<u>2,284,288</u>	<u>1,065,315</u>	<u>595,474</u>	<u>7,312,757</u>
<u>(45,453)</u>	<u>(2,275,895)</u>	<u>(411,011)</u>	<u>668,127</u>	<u>(1,494,878)</u>
(45,453)	(2,275,895)	(411,011)	668,127	(1,494,878)
-	549,574	-	-	1,224,148
-	1,851,834	389,572	128,141	2,656,191
-	-	-	(434,395)	(2,488,344)
-	<u>2,401,408</u>	<u>389,572</u>	<u>(306,254)</u>	<u>1,391,995</u>
(45,453)	125,513	(21,439)	361,873	(102,883)
<u>241,877</u>	<u>419,164</u>	<u>75,079</u>	<u>2,072,955</u>	<u>4,898,051</u>
<u>196,424</u>	<u>544,677</u>	<u>53,640</u>	<u>2,434,828</u>	<u>4,795,168</u>

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances -
Governmental Funds to the Statement of Activities

Year ended June 30, 2014

Net change in fund balances - Total governmental funds (page 30) \$ (102,883)

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	2,039,166	
Depreciation expense	<u>(973,113)</u>	1,066,053

Because some revenues will not be collected for several months after the City's year end, they are not considered available revenues and are deferred in the governmental funds as follows:

Other	<u>(10,038)</u>	(10,038)
-------	-----------------	----------

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Current year debt repayment is as follows:

Principal repayments	920,000	
Amortize bond issuance costs	(4,525)	
Issuance of debt	<u>(1,224,149)</u>	(308,674)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	(15,295)	
Other postemployment benefits	(15,892)	
Accrued interest on long-term debt	<u>(281)</u>	<u>(31,468)</u>

Change in net position of governmental activities (page 23) \$ 612,990

City of Iowa Falls, Iowa

Statement of Net Position

Proprietary Funds

June 30, 2014

	<u>Water</u>	<u>Wastewater</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,314,312	1,773,049
Receivables (net of allowance for uncollectibles):		
Customer accounts and unbilled usage	117,662	176,646
Accrued interest	1,701	2,923
Other	-	-
Inventories	22,296	-
Prepaid expenses	8,223	8,276
Noncurrent assets:		
Restricted assets:		
Cash:		
Revenue debt service reserve account	109,500	343,000
Capital improvements by donors	-	-
Water improvement account	113,593	-
Wastewater capital projects account	-	171,247
Wastewater improvement account	-	72,000
Wastewater replacement account	-	454,000
Investment in affiliated organizations	-	-
Capital assets (net of accumulated depreciation)	2,688,999	5,838,705
Bond issuance costs	10,922	65,186
Total assets	<u>4,387,208</u>	<u>8,905,032</u>

<u>Enterprise</u>		
<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
4,792,275	573,930	8,453,566
3,710,002	114,867	4,119,177
8,774	635	14,033
570,960	-	570,960
489,865	-	512,161
75,202	5,578	97,279
2,551,582	-	3,004,082
1,667,474	-	1,667,474
		113,593
-	-	171,247
-	-	72,000
-	-	454,000
1,851,355	-	1,851,355
27,746,604	117,171	36,391,479
-	-	76,108
<u>43,464,093</u>	<u>812,181</u>	<u>57,568,514</u>

City of Iowa Falls, Iowa
Statement of Net Position

Proprietary Funds

June 30, 2014

	<u>Water</u>	<u>Wastewater</u>
Liabilities		
Current liabilities:		
Accounts payable	21,202	8,879
Accounts payable construction	-	-
Salaries and benefits payable	5,913	6,578
Compensated absences	24,311	24,326
Third-party payor settlement payable	-	-
Other liabilities	-	-
Payable from restricted assets:		
Revenue bonds/notes payable	110,000	290,000
Accrued and matured interest payable	1,611	8,896
Long-term liabilities:		
Revenue bonds/notes payable	470,000	3,065,000
Obligations under capital lease	-	-
Compensated absences	280	3,699
Net OPEB liability	19,244	19,244
Total liabilities	652,561	3,426,622
Net Position		
Net investments in capital assets	2,108,719	2,480,006
Restricted for:		
Revenue bond retirement	109,500	343,000
Water improvement	113,593	-
Wastewater capital projects	-	171,247
Wastewater improvement	-	72,000
Wastewater replacement	-	454,000
Capital improvements by donors	-	-
Bond indentures	-	-
Unrestricted	1,402,835	1,958,157
Total net position	\$ 3,734,647	5,478,410

See notes to financial statements.

Exhibit G

Enterprise		
<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
1,076,949	22,781	1,129,811
866,164	-	866,164
1,268,536	7,382	1,288,409
-	22,123	70,760
-	-	-
215,579	-	215,579
-	-	-
1,135,558	-	1,535,558
-	-	10,507
24,211,157	-	27,746,157
79,663	-	79,663
-	-	3,979
-	19,244	57,732
<u>28,853,606</u>	<u>71,530</u>	<u>33,004,319</u>
2,855,642	117,171	7,561,538
-	-	452,500
-	-	113,593
-	-	171,247
-	-	72,000
-	-	454,000
1,864,935	-	1,864,935
2,397,602	-	2,397,602
<u>7,492,308</u>	<u>623,480</u>	<u>11,476,780</u>
<u>14,610,487</u>	<u>740,651</u>	<u>24,564,195</u>

City of Iowa Falls, Iowa

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

Year ended June 30, 2014

	<u>Water</u>	<u>Wastewater</u>
Operating revenues:		
Charges for service	\$ 841,968	1,302,799
Miscellaneous	<u>15,437</u>	<u>55,131</u>
Total operating revenues	<u>857,405</u>	<u>1,357,930</u>
Operating expenses:		
Business type activities:		
Cost of sales and services	549,715	491,759
Depreciation/amortization	<u>152,499</u>	<u>288,995</u>
Total operating expenses	<u>702,214</u>	<u>780,754</u>
Operating income (loss)	<u>155,191</u>	<u>577,176</u>
Non-operating revenues (expenses):		
Interest income	8,470	13,839
Interest expense	(24,599)	(122,044)
Sale of capital assets	-	-
Contributed capital	16,958	-
Share of net gain/loss of hospital's affiliated organizations	<u>-</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>829</u>	<u>(108,205)</u>
Net income before transfers	156,020	468,971
Operating transfer in	-	119,692
Operating transfer out	<u>(239,149)</u>	<u>(53,068)</u>
Change in net position	(83,129)	535,595
Net position beginning of year	<u>3,817,776</u>	<u>4,942,815</u>
Net position end of year	<u>\$ 3,734,647</u>	<u>5,478,410</u>

See notes to financial statements.

Enterprise		
<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
21,895,096	847,019	24,886,882
<u>611,162</u>	<u>1,374</u>	<u>683,104</u>
<u>22,506,258</u>	<u>848,393</u>	<u>25,569,986</u>
21,705,460	740,812	23,487,746
<u>2,558,175</u>	<u>44,259</u>	<u>3,043,928</u>
<u>24,263,635</u>	<u>785,071</u>	<u>26,531,674</u>
<u>(1,757,377)</u>	<u>63,322</u>	<u>(961,688)</u>
54,971	2,625	79,905
(116,037)	-	(262,680)
(64,307)	-	(64,307)
877,364	-	894,322
<u>418,397</u>	<u>-</u>	<u>418,397</u>
<u>1,170,388</u>	<u>2,625</u>	<u>1,065,637</u>
(586,989)	65,947	103,949
-	-	119,692
<u>-</u>	<u>-</u>	<u>(292,217)</u>
(586,989)	65,947	(68,576)
<u>15,197,476</u>	<u>674,704</u>	<u>24,632,771</u>
<u>14,610,487</u>	<u>740,651</u>	<u>24,564,195</u>

City of Iowa Falls, Iowa

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2014

	<u>Water</u>	<u>Wastewater</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 855,066	1,351,313
Cash received from other revenues	-	-
Cash paid for personal services	(215,156)	(243,773)
Cash paid to suppliers and employees	<u>(330,568)</u>	<u>(243,151)</u>
Net cash provided by (used for) operating activities	<u>309,342</u>	<u>864,389</u>
Cash flows from noncapital financing activities:		
Net Transfers	<u>(239,150)</u>	<u>66,624</u>
Net cash provided by (used for) noncapital financing activities	<u>(239,150)</u>	<u>66,624</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(288,911)	(110,535)
Principal paid on long-term debt	(105,000)	(285,000)
Proceeds from, issuance of long-term debt	-	-
Bond issue costs on long-term debt	-	-
Proceeds from disposition of capital assets	-	-
Interest paid on long-term debt	(24,840)	(122,662)
Capital contribution	<u>-</u>	<u>-</u>
Net cash used for capital and related financing activities	<u>(418,751)</u>	<u>(518,197)</u>
Cash flows from investing activities:		
Interest on investments	9,290	13,747
Increase in investment in affiliated organizations	<u>-</u>	<u>-</u>
Net cash provided by investing activities	<u>9,290</u>	<u>13,747</u>
Net increase (decrease) in cash and cash equivalents	(339,269)	426,563
Cash and cash equivalents beginning of year	<u>1,876,675</u>	<u>2,386,733</u>
Cash and cash equivalents end of year	<u>\$ 1,537,406</u>	<u>2,813,296</u>

Exhibit I

Enterprise		
<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
21,064,169	839,598	24,110,146
427,244	350	427,594
(13,152,725)	(293,053)	(13,904,707)
<u>(7,902,512)</u>	<u>(430,272)</u>	<u>(8,906,503)</u>
<u>436,176</u>	<u>116,623</u>	<u>1,726,530</u>
-	-	<u>(172,526)</u>
-	-	<u>(172,526)</u>
(15,558,600)	-	(15,958,046)
(182,225)	-	(572,225)
-	-	-
-	-	-
-	-	-
(116,037)	-	(263,539)
<u>877,364</u>	<u>-</u>	<u>877,364</u>
<u>(14,979,498)</u>	<u>-</u>	<u>(15,916,446)</u>
59,062	2,601	84,700
<u>(150,740)</u>	<u>-</u>	<u>(150,740)</u>
<u>(91,678)</u>	<u>2,601</u>	<u>(66,040)</u>
(14,635,000)	119,224	(14,428,482)
<u>23,646,331</u>	<u>454,706</u>	<u>28,364,445</u>
<u>9,011,331</u>	<u>573,930</u>	<u>13,935,963</u>

City of Iowa Falls, Iowa

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2014

	<u>Water</u>	<u>Wastewater</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 155,191	577,176
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	152,499	288,995
Bond issuance cost expense	-	-
(Increase) decrease in receivables	(2,339)	(6,618)
(Increase) decrease in inventories, at cost	184	-
(Increase) decrease in prepaid expenses	90	82
Increase (decrease) in accounts payable	(19,900)	(2,603)
Increase (decrease) in accrued expenses	-	-
Increase (decrease) in salaries payable	2,549	2,699
Increase (decrease) in compensated absences	1,919	2,466
Increase (decrease) in OPEB liability	2,191	2,191
Increase (decrease) in third-party payor settlement	-	-
Net cash provided by operating activities	<u>\$ 292,384</u>	<u>864,388</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Position:		
Current assets:		
Cash	\$ 1,314,312	1,773,049
Restricted assets:		
Cash:		
Revenue debt service reserve account	109,500	343,000
Capital improvements by donors	-	-
Water improvement account	113,593	-
Wastewater capital projects account	-	171,247
Wastewater improvement account	-	72,000
Wastewater replacement account	-	454,000
Cash and cash equivalents at year end	<u>\$ 1,537,405</u>	<u>2,813,296</u>
Noncash flows from capital and related financing activities:		
Capital assets included in accounts payable	<u>\$ -</u>	<u>-</u>

See notes to financial statements.

Exhibit I

Enterprise		
<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
(1,757,377)	63,322	(961,688)
2,558,175	44,259	3,043,928
-	-	-
(832,702)	(8,445)	(850,104)
(54,220)	-	(54,036)
(8,816)	(34)	(8,678)
558,663	7,667	543,827
154,596	-	154,596
-	3,049	8,297
-	4,614	8,999
-	2,191	6,573
<u>(182,143)</u>	<u>-</u>	<u>(182,143)</u>
<u>436,176</u>	<u>116,623</u>	<u>1,709,571</u>
4,792,275	573,930	8,453,566
2,551,582	-	3,004,082
1,667,474	-	1,667,474
-	-	113,593
-	-	171,247
-	-	72,000
-	-	454,000
<u>9,011,331</u>	<u>573,930</u>	<u>13,935,962</u>
<u>1,656,146</u>	<u>-</u>	<u>1,656,146</u>

City of Iowa Falls, Iowa
Notes to Financial Statements
June 30, 2014

(1) Summary of Significant Accounting Policies

The City of Iowa Falls is a political subdivision of the State of Iowa located in Hardin County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council-Manager form of government with the Mayor and Council Members elected on a non-partisan basis. The City of Iowa Falls provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. It also operates the airport and provides water, sewer and sanitation utilities.

The financial statements of the City of Iowa Falls have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the City of Iowa Falls 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.

Based on the foregoing criteria, the Ellsworth Municipal Hospital is considered to be part of the primary government and, therefore, the financial information is included in the City's financial statements. The financial activities of the Hospital are reflected in this report as an Enterprise Fund.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2014

These financial statements present the City of Iowa Falls (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Units

The Iowa Falls Municipal Airport Authority (Authority) was established pursuant to Chapter 330A of the Code of Iowa to operate the City's airport facility. The Authority is governed by a five member board appointed by the Iowa Falls City Council. The board members serve at the pleasure of the City Council. The City annually provides significant operating subsidies to the Authority. In accordance with criteria set by the Governmental Accounting Standards Board, the Authority meets the definition of a component unit which should be discretely presented.

The Ellsworth Municipal Hospital Foundation (the Foundation) is a legally separate, tax-exempt component unit of the Hospital. It is organized under the provisions of the Internal Revenue Service Code Section 501(c)(3). The Foundation's financial statements have been included as a discretely presented component unit. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the Hospital in support of its operations and programs. The Hospital does not appoint a voting majority to of the Foundation's Board of Trustees or in any way impose its will over the Foundation. However, the Foundation is included as a discretely presented component unit due to the nature of the significance of its relationship to the Hospital. Complete financial statements for this foundation can be obtained from its respective administrative office in Iowa Falls, Iowa.

Iowa Falls Firefighters Association, Inc. is a legally separate, tax-exempt entity that acts primarily as a fund-raising organization to supplement the resources that are available to the City for fire equipment. These financial statements are prepared on the cash basis of accounting and have not been audited. Therefore, there is a qualified opinion on the discretely presented component units.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2014

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Hardin County Assessor's Conference Board, Region Six Planning Commission, Region Six Housing Authority, Hardin County Sanitary Solid Waste Disposal Commission, Hardin County Emergency Management Commission, Hardin County E911 Service Board, Mid Iowa Drug Task Force and the NE Iowa Hazardous Materials Response Group.

B. Basis of Presentation

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 and its component units. 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, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Position presents the City's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

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

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

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

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2014

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 that are 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.

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

The City reports the following major governmental funds:

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

Special Revenue:

The Tax Increment Financing Fund is used to account for revenues from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal projects.

The Economic Development Loans Fund is used to account for economic development loans made to businesses operating in the City and to other City funds.

The Payroll Tax Levy Fund is used to account for the property tax levied to finance the payment of employee benefits.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2014

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major Proprietary Funds:

Enterprise:

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

The Wastewater Fund is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Hospital Fund is used to account for the operation and maintenance of Ellsworth Municipal Hospital.

The Sanitation Fund is used to account for the operation and maintenance of the City's solid waste collection system.

C. 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.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2014

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.

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 first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation/amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2014

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most City funds are pooled and invested in interest-bearing cash accounts or certificates of deposit. Interest on the pooled cash investments is recognized as revenue when earned and allocated to the funds on a systematic basis, or as provided by law. Cash investments are separately held by the Hospital Fund, for which interest is also recognized as revenue when earned. Investments consist of non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, 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 the tax asking is certified by the City to the County Board of Supervisors. Current year property tax and tax increment financing revenue receivable represent taxes collected by the County but not remitted to the City at June 30, 2014 and unpaid taxes. The succeeding year property tax and tax increment financing revenues receivable represent taxes certified by the City 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 is required to certify its budget to the County Auditor by March 15 of 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 and tax increment financing revenues receivable have been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2014

Property tax and tax increment financing revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2013.

Customer Accounts and Unbilled Usage – Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due from and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2014, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in / first out method. Inventories in the Enterprise Funds consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Restricted Assets – Funds set aside for payment of Enterprise Fund revenue bonds/ notes are classified as restricted assets since their use is restricted by applicable bond/note indentures. Other restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2014

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 1980 (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the city) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position and in the Proprietary Funds Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land, buildings and improvements	\$ 15,000
Equipment and vehicles	5,000
Infrastructure	25,000

Capital assets of the City is depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40-50 years
Improvements other than buildings	20-50 years
Vehicles	10-15 years
Equipment	3-30 years
Infrastructure	15-20 years

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2014

Bond Issuance Costs – Bond issuance costs associated with general obligation and revenue bonds are deferred and amortized over the term of the bonds using the bond outstanding method which approximates the interest method.

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of unspent grant proceeds, the succeeding year property tax receivable, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax and tax increment financing revenues receivable that will not be recognized as revenue until the year for which they are levied.

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Position and the proprietary fund Statement of Net Position.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2014

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2014

(2) Cash, Cash Equivalents and Pooled Investments

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

(3) Allowances or Collection Losses

Allowances have been made for estimated collection losses on the following receivable amounts:

	Gross Receivables	Allowance For Collection Losses	Net Receivables
Customer accounts, Hospital Fund	\$ <u>4,861,669</u>	<u>1,151,667</u>	<u>3,710,002</u>

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2014

(4) Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

<u>Primary Government</u>	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 885,920	-	-	885,920
Construction in progress - infrastructure	5,047,356	582,705	(5,276,267)	353,794
Construction in progress - other	<u>1,131,801</u>	<u>551,633</u>	<u>(1,074,164)</u>	<u>609,270</u>
Total capital assets not being depreciated	<u>7,065,077</u>	<u>1,134,338</u>	<u>(6,350,431)</u>	<u>1,848,984</u>
Capital assets being depreciated:				
Buildings	5,870,406	-	-	5,870,406
Improvements other than buildings	3,542,566	1,074,163	-	4,616,729
Equipment and vehicles	3,829,509	904,829	-	4,734,338
Infrastructure, street network	<u>11,243,626</u>	<u>5,276,268</u>	<u>-</u>	<u>16,519,894</u>
Total capital assets being depreciated	<u>24,486,107</u>	<u>7,255,260</u>	<u>-</u>	<u>31,741,367</u>
Less accumulated depreciation for:				
Buildings	1,557,950	118,759	-	1,676,709
Improvements other than buildings	2,122,270	171,176	-	2,293,446
Equipment and vehicles	2,720,960	233,080	-	2,954,040
Infrastructure, street network	<u>6,552,515</u>	<u>450,099</u>	<u>-</u>	<u>7,002,614</u>
Total accumulated depreciation	<u>12,953,695</u>	<u>973,114</u>	<u>-</u>	<u>13,926,809</u>
Total capital assets being depreciated, net	<u>11,532,412</u>	<u>6,282,146</u>	<u>-</u>	<u>17,814,558</u>
Governmental activities capital assets, net	<u>\$ 18,597,489</u>	<u>7,416,484</u>	<u>(6,350,431)</u>	<u>19,663,542</u>

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2014

<u>Business type activities</u>	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 733,257	-	(74,782)	658,475
Construction in progress	<u>13,041,236</u>	<u>14,984,260</u>	<u>(27,744,435)</u>	<u>281,061</u>
Total capital assets not being depreciated	<u>13,774,493</u>	<u>14,984,260</u>	<u>(27,819,217)</u>	<u>939,536</u>
Capital assets being depreciated:				
Buildings	5,845,895	19,639,645	-	25,485,540
Improvements other than buildings	796,060	-	-	796,060
Equipment and vehicles	13,185,795	3,095,024	(4,200,860)	12,079,959
Infrastructure, water and sewer network	<u>13,499,454</u>	<u>200,718</u>	<u>-</u>	<u>13,700,172</u>
Total capital assets being depreciated	<u>33,327,204</u>	<u>22,935,387</u>	<u>(4,200,860)</u>	<u>52,061,731</u>
Less accumulated depreciation for:				
Buildings	4,667,517	1,233,880	(4,363,552)	1,537,845
Improvements other than buildings	936,965	48,226	(74,782)	910,409
Equipment and vehicles	10,852,298	1,407,892	(4,200,860)	8,059,330
Infrastructure, water and sewer network	<u>5,756,291</u>	<u>345,916</u>	<u>-</u>	<u>6,102,207</u>
Total accumulated depreciation	<u>22,213,071</u>	<u>3,035,914</u>	<u>(8,639,194)</u>	<u>16,609,791</u>
Total capital assets being depreciated, net	<u>11,114,133</u>	<u>19,899,473</u>	<u>4,438,334</u>	<u>35,451,940</u>
Business type activities capital assets, net	<u>\$ 24,888,626</u>	<u>34,883,733</u>	<u>(23,380,883)</u>	<u>36,391,476</u>

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

Governmental activities:	
Public safety	\$ 162,053
Public works	539,827
Culture and recreation	240,807
General government	<u>30,427</u>
Total depreciation expense – governmental activities	<u>\$ 973,114</u>

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2014

Business type activities:	
Water	\$ 150,483
Wastewater	282,999
Hospital	2,558,173
Sanitation	<u>44,259</u>
Total depreciation expense – business type activities	<u>\$ 3,035,914</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<u>Discretely presented component unit</u>				
Capital assets not being depreciated:				
Land	\$ 684,822	-	-	684,822
Construction in progress	<u>54,549</u>	<u>505,721</u>	-	<u>560,270</u>
Total capital assets not being depreciated	<u>739,371</u>	<u>505,721</u>	-	<u>1,245,092</u>
Capital assets being depreciated:				
Buildings	546,368	-	-	546,368
Improvements other than buildings	80,574	-	-	80,574
Equipment and vehicles	184,381	-	-	184,381
Infrastructure, runway network	<u>2,578,178</u>	-	-	<u>2,578,178</u>
Total capital assets being depreciated	<u>3,389,501</u>	-	-	<u>3,389,501</u>
Less accumulated depreciation for:				
Buildings	251,431	19,893	-	271,324
Improvements other than buildings	76,553	1,172	-	77,725
Equipment and vehicles	180,131	1,087	-	181,218
Infrastructure, runway network	<u>1,156,654</u>	<u>124,846</u>	-	<u>1,281,500</u>
Total accumulated depreciation	<u>1,664,769</u>	<u>146,998</u>	-	<u>1,811,767</u>
Total capital assets being depreciated, net	<u>1,724,732</u>	<u>(146,998)</u>	-	<u>1,577,734</u>
Business type activities capital assets, net	<u>\$ 2,464,103</u>	<u>358,723</u>	-	<u>2,822,826</u>
Total depreciation expense - discretely presented component unit				<u>\$ 146,998</u>

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2014

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds/notes:					
General and corporate purpose	\$ 4,635,000	1,225,000	920,000	4,940,000	615,000
Compensated absences	170,799	186,094	170,799	186,094	186,094
Net OPEB liability	<u>123,631</u>	<u>15,892</u>	<u>---</u>	<u>139,523</u>	<u>---</u>
Total	<u>\$ 4,929,430</u>	<u>1,426,986</u>	<u>1,090,799</u>	<u>5,265,617</u>	<u>801,094</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Business type activities:					
Revenue bonds/notes:					
Water	\$ 685,000	---	105,000	580,000	110,000
Wastewater	3,640,000	---	285,000	3,355,000	290,000
Hospital	25,127,571	---	122,168	25,005,403	1,105,403
Net unamortized premium on bonds	311,157	---	---	311,157	---
Capital lease	169,875	---	60,057	109,818	30,155
Compensated absences	65,740	74,739	65,740	74,739	70,760
Net OPEB liability	<u>51,159</u>	<u>6,573</u>	<u>---</u>	<u>57,732</u>	<u>---</u>
Total	<u>\$ 30,050,502</u>	<u>81,312</u>	<u>637,965</u>	<u>29,493,849</u>	<u>1,606,318</u>

The government-wide Statement of Net Position includes \$1,535,558 of the long-term liabilities due within one year for business type activities in "liabilities payable from restricted assets."

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2014

Bonded Debt

General obligation bonds/notes:

Four issues of unmatured general obligation bonds/notes, totaling \$4,940,000, are outstanding at June 30, 2014. General obligation bonds/notes bear interest with rates ranging from 2.00% to 4.15% and mature in varying annual amounts ranging from \$55,000 to \$485,000, with the final maturities due in the year ending June 30, 2024.

Revenue bonds/notes:

Six issues of unmatured revenue bonds/notes, totaling \$28,940,403, are outstanding at June 30, 2014. These bonds/notes bear interest at rates of .555% to 5.05% and mature in varying annual amounts ranging from \$21,000 to \$1,220,000, with the final maturities due in the year ending June 30, 2032.

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay \$3,430,000 and \$1,300,000 in sewer revenue notes issued in December 2009 and September 2011, respectively. Proceeds from the notes provided financing for the construction of improvements to the wastewater treatment plant. The notes are payable solely from wastewater customer net revenues and are payable through 2024 and 2026. Annual principal and interest payments on the notes are expected to require less than 90 percent of net revenues. The total principal and interest remaining to be paid on the notes is \$3,355,000 and \$697,913. For the current year, principal and interest paid and total customer net revenues (operating revenues plus depreciation/amortization expense) were \$399,165 and \$866,171, respectively.

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$1,095,000 in water revenue notes issued in December 2009. Proceeds from the notes provided financing for the construction of improvements to the water plant and transmission system. The notes are payable solely from water customer net revenues and are payable through 2019. Annual principal and interest payments on the notes are expected to require less than 90 percent of net revenues. The total principal and interest remaining to be paid on the notes is \$641,851. For the current year, principal and interest paid and total customer net revenues (operating revenues plus depreciation/amortization expense) were \$127,224 and \$307,690 respectively.

City of Iowa Falls, Iowa
Notes to Financial Statements
June 30, 2014

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

- (a) The bonds/notes will only be redeemed from the future earnings of the enterprise activity and the bond/note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water, wastewater and hospital bond and interest sinking accounts for the purpose of making the bond/note principal and interest payments when due.
- (c) Additional monthly transfers shall be made to separate water, wastewater and hospital debt service reserve accounts until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying bond/note principal and interest payments due when insufficient money is available in the sinking accounts.
- (d) Additional monthly transfers of \$2,000 to the wastewater improvement and replacement accounts shall be made until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.
- (e) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bonds/notes falling due in the same year.

During the year ended June 30, 2014, the City was in compliance with the wastewater and water revenue bond/note provisions.

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2014

Details of bond/notes payable at June 30, 2014 are as follows:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2014</u>
Governmental activities:						
General obligation bonds/notes:						
Corporate purpose	Oct 1, 2004	2.00-4.00%	Jun 1, 2017	65,000-90,000	900,000	\$ 260,000
Corporate purpose	Oct 15, 2006	3.90-4.15%	Jun 1, 2017	20,000-90,000	640,000	175,000
Corporate purpose	Sep 22, 2011	2.00-2.80%	Jun 1, 2023	310,000-485,000	4,200,000	3,280,000
Corporate purpose	1-Aug-13	2.00-3.00%	Jun 1, 2024	110000-135000	1,225,000	<u>1,225,000</u>
Total governmental activities						<u>\$ 4,940,000</u>
	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2014</u>
Business type activities:						
Revenue bonds/notes:						
Wastewater revenue capital loan notes,						
series 2009	Dec 8, 2009	1.10-4.125%	Jun 1, 2024	160,000-300,000	3,430,000	\$ 2,055,000
series 2012A	Apr 30, 2012	1.45-2.9%	Jun 1, 2026	100,000-235,000	1,300,000	1,300,000
Water revenue capital loan notes,						
series 2009	Dec 8, 2009	1.05-3.625%	Jun 1, 2019	100,000-125,000	1,095,000	580,000
Hospital revenue bond,						
series 2012	Oct 1, 2012	.555-5.00	Jun 1, 2032	57,500-1,405,000	25,000,000	25,000,000
Hospital revenue note	Dec 1, 2010	5.050%	Dec 1, 2013	17000-36000	111,917	1,916
Hospital USDA Loan	Jun 30, 2009	2.49%	Jun 1, 2017	40,000-96,000	412,037	<u>3,487</u>
Total business type activities						<u>\$ 28,940,403</u>

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2014

A summary of the annual bond/note principal and interest requirements to maturity by type of bond/note is as follows:

Year Ending	General Obligation		
	Principal	Interest	Total
June 30,			
2015	\$ 725,000	121,394	846,394
2016	745,000	104,236	849,236
2017	575,000	86,461	661,461
2018	435,000	71,871	506,871
2019-2023	<u>2,460,000</u>	<u>213,776</u>	<u>2,673,776</u>
	<u>\$ 4,940,000</u>	<u>597,738</u>	<u>5,537,738</u>

Year Ending	Revenue		
	Principal	Interest	Total
June 30,			
2015	1,505,403	871,486	2,376,889
2016	1,540,000	833,941	2,373,941
2017	1,535,000	787,102	2,322,102
2018	1,575,000	744,946	2,319,946
2019-2023	9,315,000	3,271,292	12,586,292
2024-2028	8,290,000	1,289,530	9,579,530
2029-2032	<u>5,180,000</u>	<u>218,473</u>	<u>5,398,473</u>
	<u>\$ 28,940,403</u>	<u>8,016,770</u>	<u>36,957,173</u>

As of June 30, 2014, the general obligation debt issued by the City did not exceed its legal debt margin computed as follows:

Actual valuation	\$ 256,348,377
Debt limit – 5% of total actual valuation	12,817,419
Debt applicable to debt limit:	
General obligation bonded debt outstanding	<u>4,940,000</u>
Legal debt margin	<u>\$ 7,877,419</u>

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2014

(6) Leases

The Hospital, through the City of Iowa Falls, leases certain equipment under a capital lease arrangement. The lease has a term of five years with an effective interest rate of 5.18%, and requires monthly payments of \$6,716.

A new lease was entered into in fiscal year 2013 for ultrasound equipment and has a lease term of five years, with an effective rate of 5.15% and requires monthly payments of \$2,750.

The total cost of the leased equipment under the capital lease obligation is \$354,948. Amortization of the equipment was \$60,057 and accumulated amortization was \$202,488 for the year ended June 30, 2014.

Obligations Under Capital Lease

The aggregate future principal and interest payment requirements for the next four years for the capital leases are as follows:

Year Ending <u>June 30,</u>	Capital Lease		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 30,155	4,893	35,048
2016	29,589	3,411	33,000
2017	31,150	1,850	33,000
2018	18,924	326	19,250
Total	<u>\$ 109,818</u>	<u>10,480</u>	<u>120,298</u>

Operating Leases - Equipment

The Hospital, through the City of Iowa Falls, leases certain equipment under operating lease arrangement. Future operating lease obligations relating to equipment through 2018 are as follows:

Year Ending <u>June 30,</u>	Operating <u>Leases</u>
2015	\$ 173,472
2016	170,472
2017	140,156
2018	137,400
Total	<u>\$ 621,500</u>

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2014

Operating Leases – Rental Agreements

The Hospital has entered into a rental agreement effective March 2009 and ending March 2024. The rental agreement is for the clinic building in Ackley, and includes a requirement to pay annual property taxes. The following schedule represents the commitment for future rent payments:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2015	\$ 139,394
2016	139,394
2017	139,394
2018	139,394
2019	139,394
2020-2024	<u>696,970</u>
Total Rent Payments	<u>\$ 1,393,940</u>

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Capital Projects	
	Special Revenue:	
	Local Option Sales Tax	\$153,325
	Hotel/Motel	1,148
	Enterprise:	
	Water	41,256
	Sewer	<u>53,068</u>
		<u>\$248,797</u>

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2014

Special Revenue:	Special Revenue:	
TIF	Economic Development Loans	<u>18,928</u>
Economic Development Loans	Special Revenue:	
	TIF	<u>18,919</u>
Road Use Tax	General	<u>10,386</u>
Carnegie-Ellsworth Maintenance	General	<u>2,230</u>
Local Option Sales Tax	General	<u>115,525</u>
Capital Projects:	General	158,703
	Special Revenue:	
	TIF	9,193
	Hotel/Motel	5,500
	Economic Development Loans	1,480,544
	Local Option Sales Tax	
	Enterprise:	
	Water	<u>197,894</u>
		<u>1,851,834</u>
Debt Service:	Special Revenue:	
Debt Service	Tax Increment Financing	115,150
	Local Option Sales Tax	<u>274,422</u>
		<u>389,572</u>
Enterprise:	Special Revenue:	
Wastewater	TIF	<u>119,692</u>
Component Unit - Airport	General	<u>4,678</u>
Total		<u>\$ 2,780,561</u>

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

City of Iowa Falls, Iowa
Notes to Financial Statements
June 30, 2014

(8) Interfund Assets/Liabilities

Interfund Receivable/Payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue:	Special Revenue:	
Economic Development Loans	Tax Increment Financing Revenues	\$ 1,216,078

These balances result from interfund loans or advances to finance projects. Repayments will be made from future revenues.

(9) Economic Development Loans Receivable

The City has two long-term loans receivable totaling \$80,180 as of June 30, 2014 due from businesses located in Iowa Falls. The loans were financed with the proceeds of two U.S. Department of Housing and Urban Development Action Grants and one Community Development Block Grant.

The first loan of \$34,000 as of June 30, 2014 requires annual interest payments of 3%. The principle amount due each year is reviewed annually. The loan is secured by assignment contract and mortgage.

The second loan of \$46,180 as of June 30, 2014 requires monthly payments of \$966, including interest at 3% until September 1, 2018. The loan is secured by assignment contract and mortgage.

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2014

(10) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$158,682, \$154,474, and \$146,615, respectively, equal to the required contributions for each year.

(11) Other Post-Employment Benefits (OPEB)

Plan description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 38 active and 1 retired member in the plan. Participants must be age 55 or older at retirement.

The City provides for a voluntary early retirement program. Qualification requires 15 years of consecutive employment with the City. The plan provides for payment of 20% of unused sick leave, plus 100% of the employee's unused vacation, plus the payment of one year of single health insurance coverage. The unused sick leave and unused vacation is not included in the valuation. The one year of paid health insurance is included in the valuation.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

City of Iowa Falls, Iowa
Notes to Financial Statements
June 30, 2014

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.

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 which, 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, 2014, the amount actually contributed to the plan and changes in the City’s net OPEB obligation:

Annual required contribution	\$ 29,134
Interest on net OPEB obligation	4,370
Adjustment to annual required contribution	<u>(9,712)</u>
Annual OPEB cost	23,792
Contributions made	<u>(1,325)</u>
Increase in net OPEB obligation	22,467
Net OPEB obligation beginning of year	<u>174,789</u>
Net OPEB obligation end of year	<u>\$ 197,256</u>

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 using the alternative measurement method by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the City contributed \$1,325 to the medical plan.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2014

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 56,311	0.0%	\$ 152,725
2013	23,122	4.6%	174,790
2014	23,792	5.6%	197,256

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$236,110, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$236,110. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,648,000 and the ratio of the UAAL to covered payroll was 14%. As of June 30, 2014, there were no trust fund assets.

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 assumption 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 includes 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 that are 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.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2014

As of the July 1, 2012 actuarial valuation date, the Frozen Entry Age Actuarial Cost Method was used. A method, under which the excess of the Actuarial Present Value of Projected Benefits of the group included in an Actuarial Valuation, over the sum of the Actuarial Value of Assets plus the Unfunded Frozen Actuarial Accrued Liability, is allocated on a level basis over the earnings or service of the group between the valuation date and the assumed exit. This allocation is performed for the group as a whole, not a sum of individual allocations. The Frozen Actuarial Accrued Liability is determined using the Entry Age Actuarial Cost Method. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. Pay-as-you-go is the method of financing. There is no vesting of OPEB benefits before retirement and only after retirement if plan benefits are elected and continued. Actuarial Gains/ (Losses) will reduce (increase) Normal costs and the Unfunded Actuarial Liability. This is a Closed Group Method that uses the Level Dollar Cost Method (benefits are not related to salary). The actuarial assumptions include a 2.5% discount rate based on the City's funding policy. The health cost trend rate is 6% per year.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000 (2/3 Female, 1/3 Male). Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report and applying the termination factors used in the IPERS Actuarial Report.

Projected claim costs of the medical plan are \$446 per month for retirees less than age 65. The UAAL is being amortized on a 30 year level dollar funding of the Actuarial Unfunded Liabilities. The actual plan funding method is pay-as-you-go which amortizes last year's loss into next year's normal cost.

(12) Industrial Development Revenue Bonds

The City has issued a total of \$1,300,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$1,081,160 is outstanding at June 30, 2014. 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.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2014

(13) Related Party Transactions

The City had business transactions between the City and City officials totaling \$168,099 during the year ended June 30, 2014.

(14) Joint Financing Agreement

The City is a member of the Hardin County Solid Waste Disposal Commission. The Hardin County Solid Waste Disposal Commission entered into a 28E agreement with the Butler County Solid Waste Commission and the Wright County Area Landfill Authority which established the Rural Iowa Waste Management Association (Association).

(15) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for

City of Iowa Falls, Iowa
Notes to Financial Statements
June 30, 2014

property risks estimated for the fiscal year plus all or any portion of any deficiency in capital. Any year-ending operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2014 were \$99,993.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a series of casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2014, no liability has been recorded in the City's financial statements. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2014

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$225,000 respectively. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(16) Hospital Related Organizations

Master Affiliation Agreement

The Hospital has a Master Affiliation Agreement with Mercy Medical Center – North Iowa (MMC-NI) to provide hospital, physician, and other health care services in Iowa Falls and the North Central Iowa region. As a part of this Master Affiliation Agreement, the Hospital entered into a professional services agreement with MMC-NI whereby MMC-NI provides professional medical services for the Hospital. Amounts paid to MMC-NI for the provision of these services amounted to \$329,471 for the year ended June 30, 2014.

The Hospital has a contractual arrangement with MMC-NI, under which MMC-NI provides an administrator, director of nursing, management consultation, and other services to Ellsworth Municipal Hospital. The arrangement does not alter the authority or responsibility of the Board of Trustees of Ellsworth Municipal Hospital. Expenses for the administrative and management services received were \$380,307 for the year ended June 30, 2014.

Due to MMC-NI

As of June 30, 2014, the Hospital records reflect a due to MMC-NI of \$158,543, which is recorded in Accounts Payable for the various services related to these agreements.

City of Iowa Falls, Iowa
Notes to Financial Statements
June 30, 2014

(17) Construction Commitments

As of June 30, 2014, the City had the following commitments with respect to unfinished capital projects:

	<u>Remaining Construction Commitment</u>
Rocksylvania Ave.	\$ 180,000
Airport Apron & Hangar	99,000
Jones Park Trail and Rainbow Ridge	76,000
Pine Street Water Tank Repairs	4,700
Pine Street Water Filter Repairs	121,000
Wastewater Clarifier Tank Repair	13,000
Wastewater Trickling Filter Tank Repair	1,300

(18) Commitments and Contingencies

Hospital Risk Management

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There has been no significant reduction in insurance coverage from the previous year in any of the Hospital's policies. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Malpractice Insurance

The Hospital has insurance coverage to provide protection for professional liability losses on a claims-made basis. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured.

City of Iowa Falls, Iowa
Notes to Financial Statements
June 30, 2014

Self-Funded Employee Health Insurance Plan

Starting in January of 2013, the Hospital elected to self-insure their employee health insurance program. The Hospital entered into an agreement with an insurance company to provide stop-loss insurance to limit the losses on individual claims and to provide claims processing and other administrative duties. Claims are accrued as incurred. The amounts charged to expense include administrative fees, stop-loss insurance premiums, claims paid, and accruals for claims incurred but not paid at the end of the year.

(19) Deficit Fund Balance / Net Position

The Tax Increment Financing Revenues Fund had a deficit fund balance of \$1,156,723 at June 30, 2014. This deficit will be eliminated upon certification of debt with the county auditor and collection of property taxes in future years.

(20) Subsequent Events

The City has evaluated subsequent events through January 12, 2015, the date which the financial statements were available to be issued.

The City has approved some major improvements, including a streetscape project for approximately \$5.15M. The City intends to fund these projects from issuance of bonds for \$4M, grant award of \$500,000 and cash on hand.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2014

(21) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions- an Amendment of GASB No.27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including the additional not disclosures and required supplementary information. In addition, the statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Required Supplementary Information

City of Iowa Falls, Iowa
 Budgetary Comparison Schedule of
 Receipts/Revenues, Disbursements/Expenses and Changes in Balances/Net Position -
 Budget and Actual
 All Governmental Funds and Proprietary Funds and the Airport Authority
 Discretely Presented Component Unit
 Required Supplementary Information
 Year ended June 30, 2014

	Funds Budgeted on Cash Basis - Actual				
	Governmental Fund Types	Proprietary Fund Type -		Component Unit - Airport Authority	Total
		(excluding Hospital)	Enterprise		
Receipts/Revenues:					
Property tax	\$ 2,435,225	-	34,483		2,469,708
Tax increment financing	1,332,737	-	-		1,332,737
Other city tax	1,029,247	-	1,200		1,030,447
Licenses and permits	45,680	-	-		45,680
Use of money and property	41,687	25,639	61,288		128,614
Intergovernmental	625,443	-	354,647		980,090
Charges for service	136,137	3,045,144	-		3,539,261
Miscellaneous	<u>118,762</u>	<u>350</u>	<u>9,740</u>		<u>128,852</u>
Total receipts/revenues	<u>5,764,918</u>	<u>3,071,133</u>	<u>461,358</u>		<u>9,655,389</u>
Disbursements/Expenses:					
Public safety	2,074,855	-	-		2,074,855
Public works	651,919	-	115,665		767,584
Culture and recreation	733,678	-	-		733,678
Community and economic development	718,628	-	-		718,628
General government	192,202	-	-		192,202
Debt service	1,065,316	-	-		1,065,316
Capital projects	1,852,095	-	413,204		2,265,299
Business type activities	-	<u>2,692,089</u>	-		<u>935,436</u>
Total disbursements/expenses	<u>7,288,693</u>	<u>2,692,089</u>	<u>528,869</u>		<u>10,509,651</u>
Excess (deficiency) of receipts/revenues over (under) disbursements/expenses	(1,523,775)	379,044	(67,511)		(854,262)
Other financing sources, net	<u>1,391,996</u>	<u>(172,526)</u>	<u>4,678</u>		<u>1,224,148</u>
Excess (deficiency) of receipts/revenues and other and other financing uses	(131,779)	206,518	(62,833)		369,886
Balances/net position beginning of year	<u>4,811,724</u>	<u>4,718,113</u>	<u>21,095</u>		<u>9,550,932</u>
Balances/net position end of year	<u>\$ 4,679,945</u>	<u>4,924,631</u>	<u>(41,738)</u>		<u>9,920,818</u>

See accompanying independent auditor's report.

Funds Budgeted
on GAAP Basis -

<u>Actual</u>				
Proprietary	Total	Budgeted Amounts		Final to
<u>Fund Type</u>	<u>Actual</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>
<u>Hospital</u>				<u>Variance</u>
-	2,469,708	2,454,322	2,454,322	15,386
-	1,332,737	1,417,211	1,417,211	(84,474)
-	1,030,447	827,643	977,643	52,804
-	45,680	33,300	44,150	1,530
54,971	128,614	116,001	129,501	(887)
-	980,090	1,313,634	1,467,634	(487,544)
22,506,258	26,045,519	24,845,855	27,864,355	(1,818,836)
-	<u>128,852</u>	<u>223,838</u>	<u>223,838</u>	<u>(94,986)</u>
<u>22,561,229</u>	<u>32,161,647</u>	<u>31,231,804</u>	<u>34,578,654</u>	<u>(2,417,007)</u>
-	2,074,855	2,345,681	2,388,981	314,126
-	767,584	816,207	874,507	106,923
-	733,678	777,467	838,917	105,239
-	718,628	380,628	814,778	96,150
-	192,202	204,230	286,680	94,478
-	1,065,316	1,038,524	1,065,524	208
-	2,265,299	5,700,235	5,700,235	3,434,936
<u>24,379,672</u>	<u>25,315,108</u>	<u>26,853,198</u>	<u>28,892,098</u>	<u>3,576,990</u>
<u>24,379,672</u>	<u>33,132,670</u>	<u>38,116,170</u>	<u>40,861,720</u>	<u>7,729,050</u>
(1,818,443)	(971,023)	(6,884,366)	(6,283,066)	5,312,043
<u>1,231,454</u>	<u>1,224,148</u>	<u>4,350,000</u>	<u>4,350,000</u>	<u>(3,125,852)</u>
(586,989)	253,125	(2,534,366)	(1,933,066)	2,186,191
<u>15,197,476</u>	<u>24,748,408</u>	<u>17,778,556</u>	<u>17,778,556</u>	<u>6,969,852</u>
<u>14,610,487</u>	<u>25,001,533</u>	<u>15,244,190</u>	<u>15,845,490</u>	<u>9,156,043</u>

City of Iowa Falls, Iowa

Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2014

	Governmental Funds			Proprietary Funds		
				Enterprise (Excluding Hospital)		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 5,764,918	52,961	5,817,879	3,071,133	34,487	3,105,620
Expenses/Expenditures	<u>(7,288,693)</u>	<u>(24,064)</u>	<u>(7,312,757)</u>	<u>(2,692,089)</u>	<u>277,407</u>	<u>(2,414,682)</u>
Net	(1,523,775)	28,897	(1,494,878)	379,044	311,894	690,938
Other financing sources (uses)	1,391,996	(1)	1,391,995	(172,526)	1	(172,525)
Beginning fund balances/net position	<u>4,811,724</u>	<u>86,327</u>	<u>4,898,051</u>	<u>4,718,113</u>	<u>4,717,182</u>	<u>9,435,295</u>
Ending fund balances/net position	<u>\$ 4,679,945</u>	<u>115,223</u>	<u>4,795,168</u>	<u>4,924,631</u>	<u>5,029,077</u>	<u>9,953,708</u>

	Discretely Presented Airport Authority Component Unit		
	Cash	Accrual	Accrual
	Basis	Adjust- ments	Basis
Revenues	\$ 461,358	48,285	509,643
Expenses/Expenditures	<u>(528,869)</u>	<u>270,150</u>	<u>(258,719)</u>
Net	(67,511)	318,435	250,924
Other financing sources (uses)	4,678		4,678
Beginning fund balance	<u>21,095</u>	<u>2,449,728</u>	<u>2,470,823</u>
Ending fund balance	<u>\$ (41,738)</u>	<u>2,768,163</u>	<u>2,726,425</u>

See accompanying independent auditor's report.

City of Iowa Falls, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2014

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. The annual budget 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 nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,745,550, revenues by \$3,346,850, other financing sources by \$1,107,000 and transfers out by \$1,107,000. The budget amendments are reflected in the final budgeted amounts.

The City of Iowa Falls prepares its budget on the cash basis except for hospital operations which are budgeted in accordance with U.S. generally accepted accounting principles. The Budgetary Comparison Schedule is a comparison of the cash basis receipts and disbursements and revenues and expenses of the Hospital Fund with the budget adopted and amended by the City Council.

City of Iowa Falls, Iowa
Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)
Required Supplementary Information

Year Ended <u>June 30,</u>	Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b - a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>(b-a/c)</u>
2010	July 1, 2009	-	\$ 401	\$ 401	0%	\$ 1,600	25%
2011	July 1, 2009	-	409	409	0%	1,590	26%
2012	July 1, 2012	-	417	417	0%	1,675	25%
2013	July 1, 2012	-	240	240	0%	1,639	15%
2014	July 1, 2012	-	236	236	0%	1,648	14%

See note 12 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

City of Iowa Falls, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Special	
	Hotel <u>Motel Tax</u>	Local Option <u>Sales Tax</u>
Assets		
Cash and cash equivalents	\$ 212,233	1,195,440
Receivables:		
Accounts	-	-
Accrued interest	235	1,323
Due from other governments	-	45,111
Prepaid expenditures	-	-
Total assets	212,468	1,241,874
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	3,062	-
Salaries and benefits payable	-	-
Total liabilities	3,062	-
Fund balances:		
Restricted for:		
Streets	-	-
Capital improvements or other city purpose	-	1,241,874
Carnegie library	-	-
Other purposes	209,406	-
Total fund balances	209,406	1,241,874
Total liabilities and fund balances	\$ 212,468	1,241,874

See accompanying independent auditor's report.

Revenue			
<u>Road Use Tax</u>	<u>Carnegie- Ellsworth Endowment</u>	<u>Carnegie- Ellsworth Maintenance</u>	<u>Total</u>
301,364	559,654	85,071	2,353,762
12,184	-	-	12,184
-	-	713	2,271
40,413	-	-	85,524
<u>7,572</u>	<u>-</u>	<u>1,673</u>	<u>9,245</u>
<u>361,533</u>	<u>559,654</u>	<u>87,457</u>	<u>2,462,986</u>
15,632	-	2,102	20,796
<u>7,362</u>	<u>-</u>	<u>-</u>	<u>7,362</u>
<u>22,994</u>	<u>-</u>	<u>2,102</u>	<u>28,158</u>
338,539	-	-	338,539
-	-	-	1,241,874
-	559,654	85,355	645,009
<u>-</u>	<u>-</u>	<u>-</u>	<u>209,406</u>
<u>338,539</u>	<u>559,654</u>	<u>85,355</u>	<u>2,434,828</u>
<u>361,533</u>	<u>559,654</u>	<u>87,457</u>	<u>2,462,986</u>

City of Iowa Falls, Iowa

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances

Nonmajor Governmental Funds

Year ended June 30, 2014

	Special	
	Hotel/Motel Tax	Local Option Sales Tax
Revenues:		
Other city tax	\$ 106,688	571,671
Use of money and property	1,077	5,285
Intergovernmental	-	-
Miscellaneous	-	2,857
Total revenues	<u>107,765</u>	<u>579,813</u>
Expenditures:		
Operating:		
Public works	-	-
Community and economic development	<u>88,552</u>	<u>-</u>
Total expenditures	<u>88,552</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>19,213</u>	<u>579,813</u>
Other financing sources (uses):		
Operating transfers in	-	115,525
Operating transfers out	<u>(6,648)</u>	<u>(427,747)</u>
Total other financing sources (uses)	<u>(6,648)</u>	<u>(312,222)</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures and other financing uses	12,565	267,591
Fund balances beginning of year	<u>196,841</u>	<u>974,283</u>
Fund balances end of year	<u>\$ 209,406</u>	<u>1,241,874</u>

See accompanying independent auditor's report.

Revenue			
Road Use Tax	Carnegie- Ellsworth Endowment	Carnegie- Ellsworth Maintenance	Total
-	-	-	678,359
-	-	3,384	9,746
527,397	-	-	527,397
<u>45,242</u>	-	-	<u>48,099</u>
<u>572,639</u>	-	<u>3,384</u>	<u>1,263,601</u>
486,901	-	-	486,901
-	-	<u>20,021</u>	<u>108,573</u>
<u>486,901</u>	-	<u>20,021</u>	<u>595,474</u>
<u>85,738</u>	-	<u>(16,637)</u>	<u>668,127</u>
10,386	-	2,230	128,141
-	-	-	<u>(434,395)</u>
<u>10386</u>	-	<u>2,230</u>	<u>(306,254)</u>
96,124	-	(14,407)	361,873
<u>242,415</u>	<u>559,654</u>	<u>99,762</u>	<u>2,072,955</u>
<u>338,539</u>	<u>559,654</u>	<u>85,355</u>	<u>2,434,828</u>

City of Iowa Falls, Iowa

Schedule of Revenues by Source and Expenditures by Function

All Governmental Funds

For the Last Ten Years

	2014	2013	2012	2011
Revenues:				
Property tax	\$ 2,426,881	2,396,548	1,986,724	1,928,646
Tax increment financing revenue	1,339,945	1,748,609	960,915	441,646
Other city tax	1,039,922	979,160	833,287	731,085
Licenses and permits	54,370	100,010	56,793	46,799
Use of money and property	67,981	55,154	63,530	60,933
Intergovernmental	620,049	687,670	879,830	863,857
Charges for service	72,109	68,909	87,141	85,584
Miscellaneous	<u>196,622</u>	<u>252,813</u>	<u>318,716</u>	<u>244,129</u>
Total	<u>\$ 5,817,879</u>	<u>6,288,873</u>	<u>5,186,936</u>	<u>4,402,679</u>
Expenditures:				
Operating:				
Public safety	\$ 2,086,127	1,568,034	1,408,965	1,281,195
Public works	659,380	746,453	755,107	710,419
Culture and recreation	729,795	698,879	713,906	782,271
Community and economic development	774,119	299,929	285,051	286,026
General government	183,854	261,890	190,301	184,816
Debt service	1,065,315	1,122,459	1,434,937	561,732
Capital projects	<u>1,814,167</u>	<u>4,064,000</u>	<u>3,218,539</u>	<u>487,736</u>
Total	<u>\$ 7,312,757</u>	<u>8,761,644</u>	<u>8,006,806</u>	<u>4,294,195</u>

See accompanying independent auditor's report.

Schedule 3

2010	2009	2008	2007	2006	2005
1,786,806	1,564,704	1,494,982	1,400,514	1,362,623	1,435,121
1,251,064	2,149,640	1,917,546	1,811,571	1,286,764	1,142,363
709,606	788,128	713,382	754,511	666,026	605,179
44,259	84,228	72,499	62,128	52,250	86,381
65,412	102,790	199,157	243,822	217,700	156,051
618,056	1,552,601	1,184,468	776,088	819,551	761,667
97,980	98,364	119,465	146,950	137,101	136,768
<u>549,903</u>	<u>244,965</u>	<u>303,519</u>	<u>209,422</u>	<u>373,608</u>	<u>368,117</u>
<u>5,123,086</u>	<u>6,585,420</u>	<u>6,005,018</u>	<u>5,405,007</u>	<u>4,915,623</u>	<u>4,691,647</u>
1,408,415	1,431,502	1,296,586	1,315,999	1,234,754	1,207,781
809,690	677,405	597,857	650,685	565,837	443,900
820,002	708,467	671,157	705,734	578,525	618,940
301,995	197,772	99,582	153,248	136,666	116,335
138,214	128,093	152,263	116,442	123,957	175,021
669,493	868,687	2,193,492	845,465	800,951	775,946
<u>1,037,531</u>	<u>2,570,404</u>	<u>1,589,517</u>	<u>1,599,999</u>	<u>1,924,758</u>	<u>2,341,908</u>
<u>5,185,340</u>	<u>6,582,330</u>	<u>6,600,454</u>	<u>5,387,572</u>	<u>5,365,448</u>	<u>5,679,831</u>

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

714 14th Avenue North
Fort Dodge, IA 50501-7098
Phone 515.955.4805 • Fax 515.955.4673

Lowell W. Cornwell, C.P.A.
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.
jjmaher@frontiernet.net

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, except for Ellsworth Municipal Hospital, the Airport Authority discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Iowa Falls, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 12, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Iowa Falls' internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Iowa Falls' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Iowa Falls' internal control.

A deficiency in internal control exists when the design or operation of the 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 City of Iowa Fall's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the Schedule of Findings as item I-A-14, to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit on the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Iowa Falls' Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Cornwell, Frideres, Maher & Associates, P.L.C.
Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

January 12, 2015

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2014

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP). The City of Iowa Falls does not have an internal control system designed to provide for the preparation of the financial statements, including accompanying footnotes and statements of cash flows, as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in and Audit*, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with generally accepted accounting principles can be considered costly and ineffective. However, it is the responsibility of the City’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the time necessary to remain current on GAAP and GASB reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2014

Part II: Other Findings Related to Statutory Reporting:

- II-A-14 Certified Budget – Disbursements during the year ended June 30, 2014 did not exceed the amount budgeted.
- II-B-14 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-14 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-14 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Steve Henry, Fire Secretary/ Treasurer, Owner of Iowa Falls Glass	Repairs	\$ 144
Rick Gustin, Fire Chief Owner of Iowa Falls Heating & A/C	Construction	167,955

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the Fire Secretary/Treasurer do not appear to represent conflicts of interest since total transactions with the individual were less than \$1,500 during the fiscal year. The transactions with the Fire Chief do not appear to represent conflicts of interest since they were entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

- II-E-14 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2014

- II-F-14 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-14 Revenue Bonds and Notes – No instances of non-compliance with the revenue note provisions were noted.
- II-H-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- II-I-14 Financial Condition – The Tax Increment Financing Revenues Fund had a deficit balance of \$1,156,723 at June 30, 2014.

Recommendation – The City should investigate alternatives to return this fund to a sound financial position.

Response – See footnote #20 in notes to the financial statements for an explanation of how the City intends to eliminate this deficit.

Conclusion – Response accepted.

- II-J-14 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, 2013.

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2014

II-K-14 Other Information Required by Bond Resolution

Insurance – The following insurance policies were in force at June 30, 2014:

<u>Insurer</u>	<u>Description</u>	<u>Amount</u>	<u>Expiration Date</u>
Iowa Communities			
Assurance Pool (ICAP)	Property coverage	\$ 24,918,554	Apr 1, 2015
ICAP	Liability coverage: Per Occurrence	10,000,000	Apr 1, 2015
	Medical expense	10,000	Apr 1, 2015
ICAP	Miscellaneous Property:		
	Unscheduled	638,926	Apr 1, 2015
	Scheduled	828,519	Apr 1, 2015
ICAP	Automobile coverage:		
	Liability	10,000,000	Apr 1, 2015
	Auto medical	5,000	Apr 1, 2015
	Uninsured motorist	50,000	Apr 1, 2015
	Underinsured motorist	50,000	Apr 1, 2015
	Comprehensive/collision	Lesser of cash value or cost of repair	Apr 1, 2015
Iowa Municipalities			
Workers' Compensation Association (IMWCA)	Worker's compensation:		
	Bodily injury by accident	1,000,000	July 1, 2015
	Bodily injury by disease	1,000,000	July 1, 2015
	Policy limit	1,000,000	July 1, 2015

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2014

ICAP	Public Official Wrongful Acts:		
	Per Occurrence	10,000,000	Apr 1, 2015
	Law Enforcement Liability:		
	Per Occurrence	10,000,000	Apr 1, 2015
Commerce and Industry Insurance Company	Airport liability:		
	Completed Ops Agg Limit	1,000,000	Jul 1, 2014
	Personal injury and advertising	1,000,000	Jul 1, 2014
	Malpractice	1,000,000	Jul 1, 2014
	Each Occurrence	1,000,000	Jul 1, 2014
	Fire damage	50,000	Jul 1, 2014
	Medical expense limit	5,000	Jul 1, 2014
	Hangarkeepers-one aircraft	200,000	Jul 1, 2014
	Hangarkeepers-one occurrence	200,000	Jul 1, 2014
Darwin Select Insurance Company	Airport public officials		
	Professional Liability	1,000,000	Jul 1, 2014
	Employment Practices Liab.	1,000,000	Jul 1, 2014
	Policy Aggregate	1,000,000	Jul 1, 2014
	Supplementary Payments	50,000	Jul 1, 2014
	Supplementary Payments Agg.	50,000	Jul 1, 2014
IMT Insurance Company	Form P-Public employees' Dishonesty Coverage	\$25,000	Continuous Until canceled
	<i>Includes \$225,000 excess coverage on City Clerk/Finance Director, City Manager, Deputy Clerk, Payroll Clerk, Accounting Clerk, & Mayor. Includes Faithful Performance of Duties.</i>		
PMMIC	Pollution liability:		
	Underground tanks	1,000,000	Nov 17, 2014

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2014

Statistical Information:

<u>Description</u>	<u>Amount</u>
Customers served at June 30, 2014 – Water	\$ 2,326
Customers served at June 30, 2014– Sewer	2,295

Water rates in effect at June 30, 2014:

Per month:

First 1,000 gallons - \$3.93 minimum charge

Over 1,001 gallons- \$3.14 per 1,000 gallons

Sewer rates in effect at June 30, 2014:

Minimum charge per month of \$8.25 plus \$6.15 per 1,000 gallons of water used

Customers outside of city limits have an additional charge of \$1.91 per 1,000 gallons of water used.

Users who contribute wastewater, the strength of which is greater than normal domestic wastewater, and users who contribute more than an average of fifty thousand gallons per day during the entire current billing period, are charged the following rates for the excess concentration:

Flow in excess of fifty thousand gallons per day	\$0.59 per 1000 gallons
Biochemical oxygen demand	\$0.19 per pound
Suspended solids	\$0.13 per pound
NH ₃ -N	\$0.48 per pound