

**CITY OF EMMETSBURG, IOWA**  
**INDEPENDENT AUDITORS' REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND RESPONSES**

**JUNE 30, 2014**

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CITY OF EMMETSBURG, IOWA

CITY OFFICIALS

<u>Official Title</u>	<u>Name</u>	<u>Term Expires</u>
<b>(Before January 2014)</b>		
Mayor	Myrna Hedding	January 2, 2016
Mayor Pro Tem	Steve Finer	January 2, 2014
Council member	Brian Campbell	January 2, 2014
Council member	Brian Malm	January 3, 2014
Council member	Bill Burdick, Jr.	January 2, 2016
Council member	Corey Gramowski	January 2, 2016
Council member	Tony Kauten	January 2, 2016
City Clerk	Kimberly Kibbie	
City Attorney	Brian W. Thul	
City Administrator	John Bird	
<b>(After January 2014)</b>		
Mayor	Myrna Hedding	January 2, 2016
Mayor Pro Tem	Brian Campbell	January 2, 2018
Council member	Mike Hermansen	January 2, 2018
Council member	Brian Malm	January 3, 2016
Council member	Bill Burdick, Jr.	January 2, 2016
Council member	Corey Gramowski	January 2, 2018
Council member	Tony Kauten	January 2, 2016
City Clerk	Kimberly Kibbie	
City Attorney	Brian W. Thul	
City Administrator	John Bird	

# Burdorf, Parrott And Associates, P.C.

Certified Public Accountants

Edwin J. Burdorf, CPA  
Patrick J. Parrott, CPA  
www.accountant-city.com/burdorf

3131 Main, P.O. Box 359  
Emmetsburg, Iowa 50536  
Phone: 712-852-3347  
Fax: 712-852-3348

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City  
Council of the City of Emmetsburg, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Emmetsburg, 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 accounting principles generally accepted in the United States of America; 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.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Members American Institute of Certified Public Accountants

## Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-type Activities	Qualified
Aggregate Discretely Presented Component Units	Qualified
General Fund	Qualified
Road Use Tax Fund	Qualified
Debt Service Fund	Unmodified
Special Assessment Fund	Unmodified
Higway 18/Urban Fund	Unmodified
Community Center Fund	Unmodified
Solid waste Fund	Qualified
Nonmajor Cemetery Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

### **Basis for Qualified Opinion on Governmental Activities, the Business-type Activities, Aggregate Discretely Presented Component Units, General Fund, Road Use Tax Fund and Solid Waste Fund.**

The City's capital assets policies, as described in Note 1 D (4) and Note 3 B to the financial statements do not conform to accounting principles generally accepted in the United States of America. In addition, as described in Note 4 E to the financial statements, the City did not implement GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions. Had these accounting principles been implemented, there would be an increase in assets, there might be an increase in liabilities which would lead to an increase or decrease in net position, and an increase in expenses of the governmental activities and aggregate discretely presented component unit. The amount by which these departures would affect the assets, net position and expenses of the governmental activities, the business-type activities and aggregate discretely presented component unit has not been determined.

### **Qualified Opinion**

In our opinion, except for the effects of the matters described in the "basis for qualified opinion on governmental activities, the business-type activities, aggregate discretely presented component units, General Fund, Road Use Tax Fund and Solid Waste Fund " paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, General Fund, Road Use Tax Fund and Solid Waste Fund, of the City of Emmetsburg, Iowa, 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund other than the General Fund and Road Use Tax Fund, and the aggregate remaining fund information and the Nonmajor Cemetery Fund of the City of Emmetsburg, Iowa, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

During the year ended June 30, 2014, the City adopted GASB 65, *Items Previously Reported as Assets and*

*Liabilities.* The adoption of this statement resulted in the reclassification of items previously reported in liabilities as deferred revenues. These items are now reported in deferred inflows of resources as unavailable revenues. Our opinions are not modified with respect to this matter.

## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require management's discussion and analysis and the other required supplementary information listed in the table of contents 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Emmetsburg, Iowa's basic financial statements. The combining and individual nonmajor fund financial statements, and schedule of revenues by source and expenditures by function are presented for purposes of additional analysis and are not a required part of the 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 three years ended June 30, 2013 (which are not presented herein) and expressed qualified opinions on those statements, for the effects on the financial statements, if any, of the omissions described in the basis for qualified opinion on governmental activities, the business-type activities and aggregate discretely presented component units. The other supplementary information, listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other 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 February 2, 2015, on our consideration of the City's 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 the City's internal control over financial reporting and compliance.

*Burdorf, Parrott And Associates, P.C.*

Emmetsburg, Iowa  
February 2, 2015

## **Management's Discussion and Analysis**

Our discussion and analysis of the City of Emmetsburg, Iowa's financial performance provides an overview of the City's financial activities for the year ended June 30, 2014. Please read this information in conjunction with the City's financial statements, which follow.

### **Financial Highlights**

- Revenues of the City's governmental activities increased \$1,282,376 or 31% from fiscal year 2013 to fiscal year 2014. Property taxes and assessments increased \$52,374 for all activities.
- Program expenses of the City's governmental activities increased \$449,249 or 14% in fiscal year 2014 from fiscal year 2013. Culture and Recreation expense increased \$489,676 and Community and Economic Development increased by \$202,262.
- The City's net position for the primary government increased \$1,796,823 from June 30, 2013 to June 30, 2014. Of this amount, the net position of the governmental activities increased \$1,742,838 and the net position of the business-type activities increased by \$53,985.

### **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 Position and a Statement of Activities. These provide information about the activities of the City as a whole and present an overall view of the City's finances.
- The Fund Financial Statements tell how governmental activities were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's 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.
- Other Supplementary Information provides detailed information about the nonmajor Special Revenue and Capital Projects 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 of Emmetsburg in a better financial position at the end of the fiscal year, compared to last year?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its

activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, 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 Position presents all of the City's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. A person will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position 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.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities include public safety, public works, culture and recreation, community and economic development, general government and interest on debt and debt related fees. Property tax, local option sales taxes, road use taxes, and state and federal grants finance most of these activities.
- Business-type activities include garbage pickup (solid waste) and the City's Cemetery. These activities are financed primarily by user charges.

The Government-wide financial statements can be found on pages 15-16 of this report.

### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law or by bond requirements. However, the City Council establishes many other funds to help it control and manage money for particular purposes (like the Lake Project Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the state for housing rehabilitation for low and moderate income families). The City's two kinds of funds are:

- *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 left at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliation at the bottom of the fund financial statements.

The City maintains 33 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Road Use Tax Fund, Debt Service Fund, Special Assessment Fund, Highway 18/Urban Fund and Community Center Street Fund, all of which are considered to be major funds. Data from the other 27 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements located in the supplementary information section of this report.

The basic Governmental Fund Financial Statements can be found on pages 17-19 of this report.

- Proprietary funds account for the City's Enterprise Funds. When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

The basic Proprietary Fund Financial Statements can be found on pages 20-22 of this report.

## Government-Wide Financial Analysis

Net Position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the change in the net position for governmental and business-type activities. This does not include the component units of gas, water and sanitation.

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and other assets	\$ 6,242,548	5,892,707	611,158	658,761	6,853,706	6,551,468
Capital assets	11,574,488	10,412,777	223,044	99,638	11,797,532	10,512,415
Total assets	<u>17,817,036</u>	<u>16,305,484</u>	<u>834,202</u>	<u>758,399</u>	<u>18,651,238</u>	<u>17,063,883</u>
Liabilities:						
Long-term debt	2,545,227	2,985,828	-	-	2,545,227	2,985,828
Other liabilities	548,271	2,100,366	38,839	17,021	587,110	2,117,387
Total liabilities	<u>3,093,498</u>	<u>5,086,194</u>	<u>38,839</u>	<u>17,021</u>	<u>3,132,337</u>	<u>5,103,215</u>
Deferred Inflows of Resources	1,761,410	-	-	-	1,761,410	-
Net position:						
Net Investment in capital assets	9,105,662	7,426,949	223,044	99,638	9,328,706	7,526,587
Restricted	2,067,709	1,966,477	-	-	2,067,709	1,966,477
Unrestricted	1,788,757	1,825,864	572,319	641,740	2,361,076	2,467,604
Total net position	<u>\$ 12,962,128</u>	<u>11,219,290</u>	<u>795,363</u>	<u>741,378</u>	<u>13,757,491</u>	<u>11,960,668</u>

Net position of governmental activities increased from June 30, 2013 by \$1,796,823 or 15%. This increase was due primarily to the continued strength of the property tax base and casino revenues and donations for community center received by the City. Net position of business-type activities increased from June 30, 2013 by \$53,985 or 7%. This increase was due to solid waste revenues received by the City and gain on disposal of capital assets. The City's net position is primarily invested in cash and capital assets, less related debt. By definition, restricted net position represents resources that are subject to external restrictions, bond covenants, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations, is \$2,361,076 at the end of the year.

For the year ended June 30, 2014 and 2013, net position changed as follows:

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues						
Charges for services	\$ 89,682	118,374	453,835	474,768	543,517	593,142
Operating grants and contributions	441,663	457,214	-	-	441,663	457,214
Capital grants and contributions	555,154	161,302	-	-	555,154	161,302
General Revenues						
Property taxes and assessments	1,599,561	1,547,187	-	-	1,599,561	1,547,187
TIF revenues	197,388	209,670	-	-	197,388	209,670
Other City taxes	622,649	520,050	-	-	622,649	520,050
Use of money and property	52,393	40,736	1,210	1,242	53,603	41,978
Miscellaneous	1,784,748	1,045,191	7,060	-	1,791,808	1,045,191
Gain on disposal of capital assets	43,362	4,500	36,960	-	80,322	4,500
Total revenues	<u>5,386,600</u>	<u>4,104,224</u>	<u>499,065</u>	<u>476,010</u>	<u>5,885,665</u>	<u>4,580,234</u>
Expenses						
Public safety	660,220	615,173	-	-	660,220	615,173
Public works	1,067,054	1,048,976	-	-	1,067,054	1,048,976
Culture and recreation	1,027,567	537,891	-	-	1,027,567	537,891
Community and economic development	401,751	199,489	-	-	401,751	199,489
General government	397,495	366,003	-	-	397,495	366,003
Debt service	77,167	98,091	-	-	77,167	98,091
Capital outlay not included in assets	-	316,382	-	-	-	316,382
Solid waste	-	-	427,014	416,864	427,014	416,864
Cemetery	-	-	30,574	30,531	30,574	30,531
Total expenses	<u>3,631,254</u>	<u>3,182,005</u>	<u>457,588</u>	<u>447,395</u>	<u>4,088,842</u>	<u>3,629,400</u>
Increase (decrease) in net position before transfers	1,755,346	922,219	41,477	28,615	1,796,823	950,834
Transfers	(12,508)	87,276	12,508	10,299	-	97,575
Increase (decrease) in net position	<u>1,742,838</u>	<u>1,009,495</u>	<u>53,985</u>	<u>38,914</u>	<u>1,796,823</u>	<u>1,048,409</u>
Net position, beginning	11,219,290	10,209,795	741,378	702,464	11,960,668	10,912,259
Net position, ending	<u>\$ 12,962,128</u>	<u>11,219,290</u>	<u>795,363</u>	<u>741,378</u>	<u>13,757,491</u>	<u>11,960,668</u>

Capital outlay not included in assets is not used as a line item in 2014. The amount not included in assets was allocated to the function that the costs are associated with.

The increase in miscellaneous revenues for the governmental activities of \$739,557 was primarily due to contributions for the community center of \$692,708. The increase in capital grants and contributions of \$393,852 was primarily due to a \$123,706 downtown facade grant and \$340,716 grant for the lake.

**INDIVIDUAL MAJOR FUND ANALYSIS**

**Governmental Fund Highlights**

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,702,240. \$94,872 is nonspendable for perpetual cemetery care and inventory. \$2,144,801 is restricted for road use, Wild Rose allocation, Community Center, Dredging Five Island Lake, debt service and other non-major governmental funds. \$508,266 is committed for economic development, hotel motel tax, local option sales tax, community beautification and other donations. \$477,037 is assigned for funds to cover revenue short-falls, capital improvements revolving funds and various set-aside funds. This leaves an unreserved balance of \$477,264.

The governmental fund balance increased by \$28,282 or .77%. The small increase was primarily due to expenditures being nearly equal to revenue in 2014. The significant increase in expenses was in the community center for new construction of \$756,295 compared to \$190,291 in 2013.

The General Fund is the chief operating fund of the City of Emmetsburg. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$571,473. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balances and total fund balances to total fund expenditures. Unassigned fund balance represents 25% of the total General Fund expenditures, while the total fund balance represents 44% of that same amount.

The following fund balances in the other major funds, which comprise the Total Governmental Funds, are listed below:

	FY14 <u>Amount</u>	FY13 <u>Amount</u>	Increase <u>(Decrease)</u>
General Fund	\$ 989,704	859,887	129,817
Road Use Tax Fund	370,510	353,894	16,616
Debt Service Fund	290,169	329,530	(39,361)
Special Assesments Fund	54,784	58,215	(3,431)
Highway18/Urban Fund	(94,209)	-	(94,209)
Community Center Fund	646,523	378,903	267,620
Other Governmental Funds	1,444,759	1,693,529	(248,770)

The Community Center Fund had the largest increase in fund balance for the major funds. This increase was due to donations for the new community center that were not entirely spent at the end of the fiscal year 2014.

The largest decrease in fund balance for the major funds occurred in the Highway 18/Urban Fund was due to expenses incurred with no revenue received at the end of the fiscal year.

The following schedule presents a summary of the governmental fund revenues for the fiscal year ended June 30, 2014 and June 30, 2013:

Revenues	FY14 Amount	Percent of Total	FY13 Amount	Increase (Decrease) from FY13	Percent of Increase (Decrease)
Property taxes and assessments	\$ 1,532,482	28.70%	\$ 1,476,668	\$ 55,814	4.80%
Tax increment financing	197,388	3.70%	209,670	(12,282)	-1.00%
Other city tax	228,189	4.30%	187,857	40,332	3.40%
Licenses and permits	31,339	0.60%	5,700	25,639	2.20%
Use of money and property	52,393	1.00%	40,736	11,657	1.00%
Intergovernmental	1,423,429	26.60%	1,002,777	420,652	36.00%
Charges for services	89,682	1.70%	118,374	(28,692)	-2.50%
Special assessments	32,928	0.60%	89,899	(56,971)	-4.90%
Miscellaneous, including fines	1,753,409	32.80%	1,039,491	713,918	61.00%
	<u>\$ 5,341,239</u>	<u>100.00%</u>	<u>\$ 4,171,172</u>	<u>\$ 1,170,067</u>	<u>100.00%</u>

The most significant increase in revenues was miscellaneous, including fines. The increase was primarily due to the receipt of donations of \$692,708 for the new community center.

The most significant decrease in revenues was in special assessments. The decrease was primarily due to \$56,837 less revenue received by the assessments of the Monroe Street Project..

The following schedule presents a summary of governmental expenditures for the fiscal years ended June 30, 2014 and June 30, 2013.

Expenditures	FY14 Amount	Percent of Total	FY 13 Amount	Increase (Decrease) from FY13	Percent of Increase (Decrease)
Public safety	\$ 894,672	16.90%	\$ 581,341	\$ 313,331	25.00%
Public works	856,245	16.20%	714,777	141,468	11.30%
Culture and recreation	568,122	10.70%	490,815	77,307	6.20%
Community and Economic Development	90,308	1.70%	198,626	(108,318)	-8.60%
General government	390,217	7.40%	365,514	24,703	2.00%
Debt Service	602,852	11.40%	626,548	(23,696)	-1.90%
Capital projects	1,898,033	35.70%	1,069,623	828,410	66.00%
	<u>\$ 5,300,449</u>	<u>100.00%</u>	<u>\$ 4,047,244</u>	<u>\$ 1,253,205</u>	<u>100.00%</u>

The most significant increase in expenditures occurred in the Capital Projects. The increase was due to \$756,295 spent on the new community center. The significant decrease in expenses was in Community and Economic Development in the general fund for economic development. The City no longer has an economic development director. So, there is no longer any expense for the director's salary, benefits, payroll taxes and program costs.

## Proprietary Funds

City of Emmetsburg's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Solid Waste and Cemetery funds at the end of the year amounted to \$641,740. Total net position amounted to \$795,363.

These funds were established for the City operations that are financed and operated in a manner similar to private business enterprises. The cost of providing the services to the general public is recovered, in whole or in part, through user charges.

The City's enterprise operations are comprised of two separate and distinct activities: Solid Waste and the Cemetery funds. Results of operations for these funds for the year ended June 30, 2014 and June 30, 2013 are as follows:

	Solid Waste		Cemetery	
	2014	2013	2014	2013
Operating Revenues	\$ 438,110	452,658	22,785	22,110
Operating Expense	427,014	416,864	30,574	30,531
Non-Operating revenues	37,893	1,059	277	183
Operating transfers in	-	-	12,508	10,229
Changes in Net Position	48,989	36,853	4,996	2,061

## Budgetary Highlights

Over the course of the year, the City Council revised the budget once. The budget amendment decreased total appropriations, however there were also increases in some areas to cover unplanned expenditures/expense and transfers. The budget amendment was on May 12, 2014. At the end of the year, the City did not exceed the amended budgeted amounts in any of its functions.

## Capital Asset and Debt Administration

### Capital Assets

At the end of June 30, 2014, the City had \$11,797,512 net of depreciation invested in capital assets including police and fire equipment, buildings, park facilities, and infrastructure. This does not include the Component Units that had \$10,283,747 invested in net capital assets. Infrastructure prior to July 1, 2003 is not included in the financial statements unless it was considered as construction in progress on July 1, 2003.

A schedule of capital assets, net of depreciation, as of June 30, 2014 and 2013 is as follows.

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Land and improvements	\$ 579,779	580,030	28,308	22,528	608,087	602,558
Machinery, equipment, and vehicles	1,366,048	1,077,548	134,216	14,439	1,500,264	1,091,987
Buildings	949,199	918,538	60,520	62,671	1,009,719	981,209
Infrastructure	7,681,265	7,707,641	-	-	7,681,265	7,707,641
Construction in process	998,177	129,020	-	-	998,177	129,020
	<u>\$ 11,574,468</u>	<u>10,412,777</u>	<u>223,044</u>	<u>99,638</u>	<u>11,797,512</u>	<u>10,512,415</u>

The major capital asset expended during the current fiscal year included the following:

- Community center project cost of 692,708.

More detailed information about the City's capital assets is presented in Note 3 to the financial statements.

### Debt

At year-end, the City had \$2,436,191 in outstanding bonds and agreements compared to \$2,950,811 last year. That is a decrease of \$514,620, or 17%.

	Governmental activities	
	2014	2013
General obligation bonds	\$ 2,150,000	2,635,000
Tax increment financing agreement	-	22,846
Risk under loan guarantee	286,191	292,965
Total	<u>\$ 2,436,191</u>	<u>2,950,811</u>

State statutes limit the amount of general obligation debt a government entity may issue to 5% of its total assessed valuation. As of June 30, 2014, the City's legal additional debt margin was \$6,815,775.

More detailed information about the City's long-term debt is presented in Note 3C to the financial statements.

### Economic Factors and Next Year's Budget and Rates

During the state legislative session in 2014, the legislature reduced the taxable valuation of commercial property and created a new class of property for multi-residential. This could affect the City's general operating fund in the future.

The City has been helped by the Hotel/Motel tax and the PA Gaming Corporation allocations made annually to the City that can be used for capital improvements. However, the PA Gaming Corporation allocations cannot be used for ongoing operating expenses or to fund operating deficits.

The tax levy rates per \$1,000 of taxable valuation for fiscal year 2015 are provided below:

General levy	\$	8.10
Liability, property & self insurance		0.69
Instrumental/vocal music levy		0.13
Ag Land		3.00
Emergency levy		0.27
Employee benefit levy		3.34
Debt service levy		0.45
Total	\$	<u>15.98</u>

The tax levy rate per \$1,000 of taxable valuation for Agricultural Land is \$3.00.

### REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Administrator’s Office at 2021 Main, Emmetsburg, Iowa. You can also contact the City Administrator’s Office for a separately issued report on the component units. That report is for the gas, water and sanitation departments known as “Emmetsburg Municipal Utilities”.

*John Bird*  
City Administrator

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 3,435,708	550,555	3,986,263
Investments	2,352	-	2,352
Receivables:			
Property taxes	1,638,759	-	1,638,759
Tax increment financing	130,642	-	130,642
Special assessments	200,614	-	200,614
Accounts and other	31,744	64	31,808
Current portion of notes receivable	-	-	-
Current portion of primary government - Urban Renewal Tax Increment Revenue Bond	-	-	-
Due from primary government	-	-	-
Due from component unit	326,115	36,687	362,802
Due from other governments	455,072	-	455,072
Inventories	21,542	12,661	34,203
Prepays and other assets	-	11,191	11,191
Restricted assets:			
Cash	-	-	-
Notes receivable	-	-	-
Due from primary government - Urban Renewal Tax Increment Revenue Bond	-	-	-
Loan fees (net of \$8,485) amortization)	-	-	-
Capital assets:			
Land and construction in progress	1,553,364	5,871	1,559,235
Other capital assets, net of accumulated depreciation	10,021,124	217,173	10,238,297
Total assets	<u>17,817,036</u>	<u>834,202</u>	<u>18,651,238</u>
<b>LIABILITIES</b>			
Accounts payable	508,971	31,783	540,754
Accrued liabilities	360	3,310	3,670
Interest payable on bonds and other long-term debt	13,138	-	13,138
Due to primary government	-	-	-
Customer deposits	-	-	-
Accrued payroll	25,802	3,746	29,548
Long-term liabilities:			
Due to component unit-Urban Renewal Tax Increment Revenue Bond	9,379	-	9,379
Portion due or payable within one year:			
Bonds and other payables	468,892	-	468,892
Portion due or payable after one year:			
Bonds and other payables	2,004,452	-	2,004,452
Compensated absences	62,504	-	62,504
Total liabilities	<u>3,093,498</u>	<u>38,839</u>	<u>3,132,337</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenues			
Succeeding year property taxes and tax increment	1,761,410	-	1,761,410
<b>NET POSITION</b>			
Net Investment in capital assets	9,105,662	223,044	9,328,706
Restricted:			
Expendable for:			
Capital improvements	1,311,072	-	1,311,072
TIF	10,182	-	10,182
State and grant purposes	370,510	-	370,510
Donor restrictions	12,446	-	12,446
Debt service	290,169	-	290,169
Nonexpendable for:			
Perpetual care	73,330	-	73,330
Unrestricted	1,788,757	572,319	2,361,076
Total net position	<u>\$ 12,962,128</u>	<u>795,363</u>	<u>13,757,491</u>

Component Units		
Gas Utility	Water Utility	Sanitation Utility
4,725,027	614,251	257,259
-	-	-
-	-	-
-	-	-
96,521	119,793	98,828
4,000	-	-
1,355	1,581	1,581
-	-	-
-	-	-
20,973	-	-
10,829	23,006	27,835
63,031	13,850	-
35,000	-	-
2,814	3,283	3,283
-	19,500	12,415
1,039	67,067	84,542
579,264	4,346,171	5,205,664
<u>5,539,853</u>	<u>5,208,502</u>	<u>5,691,407</u>
49,080	28,647	8,290
16,545	11,166	4,136
133,175	114,360	114,359
63,031	13,850	-
-	-	-
-	-	-
6,822	130,000	95,000
280,681	1,710,000	1,145,000
-	-	-
<u>549,334</u>	<u>2,008,023</u>	<u>1,366,785</u>
-	-	-
292,800	2,573,237	4,050,207
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
4,697,719	627,242	274,415
<u>4,990,519</u>	<u>3,200,479</u>	<u>4,324,622</u>

City of Emmetsburg, Iowa  
Statement of Activities  
For the Year Ended June 30, 2014

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
Public safety	\$ 660,220	12,478	16,154	-
Public works	1,067,054	-	387,979	-
Culture and recreation	1,027,567	75,824	37,530	340,716
Community and economic development	401,751	1,380	-	214,438
General government	397,495	-	-	-
Interest on long-term debt and related fees	77,167	-	-	-
Total governmental activities	<u>3,631,254</u>	<u>89,682</u>	<u>441,663</u>	<u>555,154</u>
Business-type activities:				
Solid Waste	427,014	438,110	-	-
Cemetery	30,574	15,725	-	-
Total business-type activities	<u>457,588</u>	<u>453,835</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 4,088,842</u>	<u>543,517</u>	<u>441,663</u>	<u>555,154</u>
Component units				
Gas Utility	\$ 2,244,743	2,411,874	-	-
Water Utility	813,229	724,203	-	-
Sanitation Utility	831,412	713,982	-	-
Total component units	<u>\$ 3,889,384</u>	<u>3,850,059</u>	<u>-</u>	<u>-</u>
General revenues:				
Property taxes and assessments				
Tax increment financing				
Local option sales tax				
Hotel/motel taxes				
Use of money and property				
Miscellaneous				
Gain on disposal of capital assets				
Utility transfers in lieu of taxes and donation				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Gas Utility	Water Utility	Sanitation Utility
(631,588)	-	(631,588)	-	-	-
(679,075)	-	(679,075)	-	-	-
(573,497)	-	(573,497)	-	-	-
(185,933)	-	(185,933)	-	-	-
(397,495)	-	(397,495)	-	-	-
(77,167)	-	(77,167)	-	-	-
<u>(2,544,755)</u>	<u>-</u>	<u>(2,544,755)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	11,096	11,096	-	-	-
-	(14,849)	(14,849)	-	-	-
-	<u>(3,753)</u>	<u>(3,753)</u>	-	-	-
<u>(2,544,755)</u>	<u>(3,753)</u>	<u>(2,548,508)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	167,131	-	-
-	-	-	-	(89,026)	-
-	-	-	-	-	(117,430)
-	-	-	<u>167,131</u>	<u>(89,026)</u>	<u>(117,430)</u>
\$ 1,599,561	-	1,599,561	-	-	-
197,388	-	197,388	-	-	-
454,741	-	454,741	-	-	-
167,908	-	167,908	-	-	-
52,393	1,210	53,603	8,391	1,379	649
1,611,525	7,060	1,618,585	-	-	-
43,362	36,960	80,322	-	-	-
173,223	-	173,223	-	-	-
(12,508)	12,508	-	4,500	33,124	(37,624)
<u>4,287,593</u>	<u>57,738</u>	<u>4,345,331</u>	<u>12,891</u>	<u>34,503</u>	<u>(36,975)</u>
1,742,838	53,985	1,796,823	180,022	(54,523)	(154,405)
11,219,290	741,378	11,960,668	4,810,497	3,255,002	4,479,027
<u>\$ 12,962,128</u>	<u>795,363</u>	<u>13,757,491</u>	<u>4,990,519</u>	<u>3,200,479</u>	<u>4,324,622</u>

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

	General Fund	Special Revenue	Debt Service	
		Road Use Tax Fund	Debt Service Fund	Special Assessment Fund
<b>ASSETS</b>				
Cash	\$ 956,350	429,883	80,239	54,203
Investments	-	-	-	-
Receivables:				
Property taxes	1,121,951	-	59,100	-
Tax increment financing	-	-	-	-
Special assessments	-	-	-	200,614
Accounts	-	-	-	-
Other	889	-	-	-
Due from Component Unit	31,793	-	209,322	-
Due from other governments	54,971	30,121	-	581
Inventories	21,542	-	-	-
Total assets	<u>\$ 2,187,496</u>	<u>460,004</u>	<u>348,661</u>	<u>255,398</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts and contracts payable	\$ 54,422	84,751	-	-
Accrued liabilities	360	-	-	-
Accrued payroll	21,059	4,743	-	-
Total liabilities	<u>75,841</u>	<u>89,494</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues:				
Succeeding year property taxes and tax increments	1,121,951	-	58,492	-
Special assessments	-	-	-	200,614
Local option sales tax	-	-	-	-
Total deferred inflows of resources	<u>1,121,951</u>	<u>-</u>	<u>58,492</u>	<u>200,614</u>
<b>FUND BALANCES</b>				
Nonspendable	21,542	-	-	-
Restricted	-	370,510	290,169	54,784
Committed	178,384	-	-	-
Assigned	218,305	-	-	-
Unassigned	571,473	-	-	-
Total fund balances	<u>989,704</u>	<u>370,510</u>	<u>290,169</u>	<u>54,784</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,187,496</u>	<u>460,004</u>	<u>348,661</u>	<u>255,398</u>

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$4,502,195

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows or resources in

Accrued interest payable, is not due and payable in the current period and, therefore, is not reported in the funds.

Accrued compensated absences are not due and payable in the current period and therefore, are not reported in the funds.

Urban Renewal Tax Increment Revenue Bond payable to Emmetsburg Municipal Utilities is not reported in the fund statements.

Bonds payable and contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds, net of unamortized (premium) and discount of \$(37,399).

Net position of governmental activities

Capital Projects			
Highway 18/ Urban Fund	Community Center Fund	Other Governmental Funds	Total Governmental Funds
-	720,094	1,194,939	3,435,708
-	-	2,352	2,352
-	-	457,708	1,638,759
-	-	130,642	130,642
-	-	-	200,614
-	-	-	-
-	-	30,855	31,744
-	82,000	3,000	326,115
-	67,817	301,582	455,072
-	-	-	21,542
-	<u>869,911</u>	<u>2,121,078</u>	<u>6,242,548</u>

94,209	223,388	52,201	508,971
-	-	-	360
-	-	-	25,802
<u>94,209</u>	<u>223,388</u>	<u>52,201</u>	<u>535,133</u>

-	-	580,967	1,761,410
-	-	-	200,614
-	-	43,151	43,151
-	-	<u>624,118</u>	<u>2,005,175</u>

-	-	73,330	94,872
-	646,523	782,815	2,144,801
-	-	329,882	508,266
-	-	258,732	477,037
(94,209)	-	-	477,264
<u>(94,209)</u>	<u>646,523</u>	<u>1,444,759</u>	<u>3,702,240</u>
-	<u>869,911</u>	<u>2,121,078</u>	

11,574,488

the funds.

243,765

(13,138)

(62,504)

(13,897)

(2,468,826)

\$ 12,962,128

City of Emmetsburg, Iowa  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2014

	Special Revenue		Debt Service	
	General Fund	Road Use Tax Fund	Debt Service Fund	Special Assessment Fund
Revenues:				
Property taxes and assessments	\$ 999,626	-	53,915	-
Tax increment financing	-	-	-	-
Other city taxes	217,140	-	1,067	-
Licenses and permits	31,339	-	-	-
Use of money and property	42,062	-	193	141
Intergovernmental	48,857	387,979	-	-
Charges for services	88,302	-	-	-
Special Assessments	-	-	-	32,928
Fines and forfeitures	13,619	-	-	-
Miscellaneous	163,428	-	-	-
Utility transfers in lieu of taxes and donations	80,589	-	7,634	-
Total revenues	<u>1,684,962</u>	<u>387,979</u>	<u>62,809</u>	<u>33,069</u>
Expenditures:				
Current:				
Public safety	894,672	-	-	-
Public works	326,907	529,338	-	-
Culture and recreation	545,502	-	-	-
Community and economic development	76,098	-	-	-
General government	390,217	-	-	-
Debt service	-	-	602,852	-
Capital projects	-	-	-	-
Total expenditures	<u>2,233,396</u>	<u>529,338</u>	<u>602,852</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(548,434)</u>	<u>(141,359)</u>	<u>(540,043)</u>	<u>33,069</u>
Other financing sources (uses):				
Transfers in	801,644	174,475	500,682	-
Transfers out	(123,393)	(16,500)	-	(36,500)
Total other financing sources (uses)	<u>678,251</u>	<u>157,975</u>	<u>500,682</u>	<u>(36,500)</u>
Net change in fund balances	129,817	16,616	(39,361)	(3,431)
Fund balances, beginning	822,839	337,599	329,530	58,215
Prior period adjustment	37,048	16,295	-	-
Fund balances, ending	<u>\$ 989,704</u>	<u>370,510</u>	<u>290,169</u>	<u>54,784</u>

Capital Projects			
Highway 18/ Urban Fund	Community Center Fund	Other Governmental Funds	Total Governmental Funds
-	-	478,941	1,532,482
-	-	197,388	197,388
-	-	9,982	228,189
-	-	-	31,339
-	1,390	8,607	52,393
-	67,817	918,776	1,423,429
-	-	1,380	89,682
-	-	-	32,928
-	-	-	13,619
-	692,708	710,431	1,566,567
-	82,000	3,000	173,223
-	<u>843,915</u>	<u>2,328,505</u>	<u>5,341,239</u>
-	-	-	894,672
-	-	-	856,245
-	-	22,620	568,122
-	-	14,210	90,308
-	-	-	390,217
-	-	-	602,852
141,313	756,295	1,000,425	1,898,033
<u>141,313</u>	<u>756,295</u>	<u>1,037,255</u>	<u>5,300,449</u>
<u>(141,313)</u>	<u>87,620</u>	<u>1,291,250</u>	<u>40,790</u>
47,104	180,000	295,803	1,999,708
-	-	(1,835,823)	(2,012,216)
<u>47,104</u>	<u>180,000</u>	<u>(1,540,020)</u>	<u>(12,508)</u>
(94,209)	267,620	(248,770)	28,282
-	378,903	1,693,529	3,620,615
-	-	-	53,343
<u>(94,209)</u>	<u>646,523</u>	<u>1,444,759</u>	<u>3,702,240</u>

**City of Emmetsburg, Iowa**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances -**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2014**

Net change in fund balances - total governmental \$ 28,282

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:

Net acquisition of capital assets	1,662,615
Depreciation expense	(506,824)

The net effect of trade-ins, increase of net assets:

Gain on trade in capital assets	43,362
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Because some revenues will not be collected for several months after the City's year end, they are not considered available revenue and are deferred inflows of resources in the governmental funds, as follows:

Local option sales tax	28,129
Special assessments	(26,130)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position

Repaid Bonds, tax increment and guaranteed loans	514,401
Component Unit-Urban Renewal bonds paid	4,407
Accrued interest	4,475
Amortization of premium on refunding notes	6,360
Amortization of discount on general obligation bonds	(3,978)

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	(9,160)
Change in inventory	(3,101)

Change in net position of governmental activities \$ 1,742,838

**City of Emmetsburg, Iowa**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

	Business-type Activities- Enterprise Funds		
	Solid Waste	Nonmajor Cemetery	Total
<b>ASSETS</b>			
Current assets:			
Cash	\$ 515,494	35,061	550,555
Other receivables	-	64	64
Inventories	12,661	-	12,661
Prepaid insurance	10,099	1,092	11,191
Due from component unit	36,687	-	36,687
Total current assets	<u>574,941</u>	<u>36,217</u>	<u>611,158</u>
Capital assets:			
Land and improvements	-	36,376	36,376
Buildings	28,508	52,882	81,390
Equipment and vehicles	282,207	3,738	285,945
Accumulated depreciation	(159,942)	(20,725)	(180,667)
Total capital assets	<u>150,773</u>	<u>72,271</u>	<u>223,044</u>
Total assets	<u>725,714</u>	<u>108,488</u>	<u>834,202</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	24,501	7,282	31,783
Other payables	3,270	40	3,310
Compensated absences - due within one year	3,746	-	3,746
Total current liabilities	<u>31,517</u>	<u>7,322</u>	<u>38,839</u>
<b>NET POSITION</b>			
Net Investment in capital assets	150,773	72,271	223,044
Unrestricted	543,424	28,895	572,319
Total net position	<u>\$ 694,197</u>	<u>101,166</u>	<u>795,363</u>

**City of Emmetsburg, Iowa**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2014**

	Business-type Activities- Enterprise Funds		
	Solid Waste	Nonmajor Cemetery	Total
Operating revenues:			
Charges for services	\$ 438,110	15,725	453,835
Other	-	7,060	7,060
Total operating revenues	<u>438,110</u>	<u>22,785</u>	<u>460,895</u>
Operating expenses:			
Personal services	185,068	3,339	188,407
Contractual services	180,222	20,227	200,449
Supplies and equipment	38,733	4,734	43,467
Depreciation	22,991	2,274	25,265
Total operating expenses	<u>427,014</u>	<u>30,574</u>	<u>457,588</u>
Operating income (loss)	<u>11,096</u>	<u>(7,789)</u>	<u>3,307</u>
Nonoperating revenues (expenses):			
Interest revenue	933	277	1,210
Gain on disposal of capital assets	36,960	-	36,960
Total nonoperating revenues (expenses)	<u>37,893</u>	<u>277</u>	<u>38,170</u>
Income (loss) before transfers	48,989	(7,512)	41,477
Transfers In	<u>-</u>	<u>12,508</u>	<u>12,508</u>
Change in net position	48,989	4,996	53,985
Net position, beginning	645,208	96,170	741,378
Net position, ending	<u>\$ 694,197</u>	<u>101,166</u>	<u>795,363</u>

City of Emmetsburg, Iowa  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2014

	Business-type Activities- Enterprise Funds		
	Solid Waste	Nonmajor Cemetery	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 437,517	22,789	460,306
Payments to suppliers	(201,197)	(3,339)	(204,536)
Payments to employees	(184,300)	(21,203)	(205,503)
Net cash provided by (used in) operating activities	<u>52,020</u>	<u>(1,753)</u>	<u>50,267</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	-	12,508	12,508
Net cash provided by noncapital financing activities	<u>-</u>	<u>12,508</u>	<u>12,508</u>
<b>CASH FLOWS FROM CAPITAL ACTIVITIES</b>			
Purchase of capital assets	(104,909)	(6,802)	(111,711)
Net cash (used) in capital activities	<u>(104,909)</u>	<u>(6,802)</u>	<u>(111,711)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received on investments	933	277	1,210
Net increase (decrease) in cash	<u>(51,956)</u>	<u>4,230</u>	<u>(47,726)</u>
CASH BALANCES, Beginning	567,450	30,831	598,281
CASH BALANCES, Ending	<u>\$ 515,494</u>	<u>35,061</u>	<u>550,555</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 11,096	(7,789)	3,307
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	22,991	2,274	25,265
Change in assets and liabilities:			
(Increase) decrease in:			
Customer and other receivables	-	4	4
Inventories	475	-	475
Prepaid insurance	(191)	182	(9)
Due from component unit	(593)	-	(593)
Increase (decrease) in accounts payable, accrued and other liabilities	18,242	3,576	21,818
Net cash provided by operating activities	<u>\$ 52,020</u>	<u>(1,753)</u>	<u>50,267</u>

**CITY OF EMMETSBURG, IOWA  
NOTES TO FINANCIAL STATEMENTS  
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## Note 1. Summary of Significant Accounting Policies

### A. Reporting Entity

The City of Emmetsburg is a municipal corporation governed by an elected mayor and six-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the City. The discretely presented gas, water, and sanitation utilities each have a June 30 year end.

*Discretely Presented Component Units.* The gas, water, and sanitation utilities serve all the citizens of the City and are governed by a five-member board appointed by the mayor of the City of Emmetsburg. The rates for user charges and bond issuance authorizations are approved by the City Council, and the legal liability for the general obligation portion of the Utilities' debt remains with the City.

Complete financial statements for the Utilities may be obtained at the administrative offices.

Emmetsburg Municipal Utilities  
2021 Main Street  
Emmetsburg, Iowa 50536

*Jointly Governed Organizations.* The City also participates in two jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City is such that exclusion does not cause the City's financial statements to be misleading or incomplete. The Mayor and Police Chief are members of the Palo Alto County Joint E911 Service Board. The City also participates with Iowa Lakes Community College in the operation of the community library and wellness center. The City has recorded its share of the expense in the governmental fund. The community wellness center and library are assets of the College and their audit is included in the college audit.

### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the 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 normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain separate component units for which the primary government is financially accountable.

The statement of net position presents the assets and liabilities, with the difference reported as net position. Net position is reported in three categories.

*Investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

*Unrestricted net position* consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest, fines and forfeitures, and special assessments are susceptible to accrual. Sales taxes collected and held by the state at year-end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred, all other grant requirements have been met, and the criteria for accrual have been met.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *road use tax fund* accounts for state revenues allocated to the City to be used to maintain and improve the City's streets.

*Debt service fund* accounts for the servicing of general long-term debt not being financed by proprietary funds.

*Special assessment funds* accounts for the collection of special assessments and, when applicable, the servicing of special assessment debt.

The *highway 18/urban fund* accounts for accounts for funds accumulated and the cost of improvements to highway 18.

The *community center fund* accounts for funds accumulated and the cost to build a new community center.

The City reports the following major proprietary funds:

The *solid waste fund* accounts for the City garbage collection.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments between the government's component units. Elimination of the charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, use of money and property and miscellaneous revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 revenue of the solid waste fund and cemetery funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as

nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **D. Assets, Liabilities, and Net Position or Equity**

##### **1. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City and the Utilities 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. Investments of the City and Utilities are reported at fair value. Due to legal and budgetary reasons, the General Fund is assigned a portion of the investment earnings associated with the Road Use Tax Fund. The Cemetery Fund is assigned the investment earnings associated with the Cemetery Perpetual Care Fund. Due to budgetary and policy reasons the General Fund is assigned a portion of the investment earnings associated with the Employee Benefit Fund, Capital Improvements Revolving Fund and the Lake Project Fund. The City transfers the interest from the General Fund to the Lake Project Fund in the form of a transfer.

##### **2. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the non-current portion of interfund loans).

All trade and property tax receivables are shown net of an allowance for uncollectibles. The City uses the direct write off method that does not materially differ from generally accepted accounting principles.

The County Treasurer bills and collects taxes for the City. Taxes for the year ended June 30, 2014, were certified with the County during the preceding fiscal year and were due in two equal installments by September 30, 2013 and March 31, 2014. On July 1, 2013 the taxes were levied by the County and became an enforceable lien against property. Any County collections on the 2013-2014 tax levy remitted to the City within sixty days subsequent to June 30, 2014, are recorded as property tax revenues. Taxes not collected and remitted to the City within sixty days subsequent to June 30, 2014, are delinquent but have not been recorded as receivables and deferred revenue due to their immateriality.

By statute, the City is required to certify its budget in March 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 receivable has been recorded, the related revenue is reported as unavailable revenues and will not be recognized as revenue until the year for which it is levied.

### **3. Inventories and Prepaid Items**

Inventories in the governmental fund types are valued at cost using the first-in/first-out method. The costs of governmental fund type inventories (materials and supplies) are recognized as expenditures when consumed (actually used).

Inventories in the proprietary fund types are valued at the lower of first-in/first-out cost or market. The cost of proprietary fund type inventories are recognized as expenses when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### **4. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. Capital assets are defined by the government as equipment with initial individual cost of \$1,000 or greater or a purchase of land, land improvements, building, or infrastructure with a value of \$5,000 or greater and an estimated useful life of greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The City did not maintain a capital assets record prior to the adoption of GASB 34. The City estimated the cost of buildings, equipment, vehicles and accumulated depreciation based on approximate date of purchase. Land related to parks, airport etc. has not been estimated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is not included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Machinery and equipment	15-15	years
Vehicles	5-10	years
Improvements	15-20	years
Infrastructure	25-40	years
Buildings	20-40	years

## **5. *Compensated Absences***

City employees accumulate vacation and comp-time hours for subsequent use or for payment upon termination, death, or retirement. Earned vacation pay may be paid upon termination of employment.

The compensated absence liability has been computed based on rates of pay in effect on June 30, 2014.

## **6. *Long-term Obligations***

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## **7. *Deferred Inflows of Resources***

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from four sources: property taxes, tax increment, special assessments and local option sales tax. These amounts are deferred and recognized as an inflow or resources in the period that the amounts become available. In the City's government-wide statements, only the property tax and tax increment remain a deferred inflow and will become an inflow in the year they are levied and budgeted for.

## **8. *Fund Equity***

The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

- Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned fund balance – amounts not included in other spendable classifications reported.

The City would typically use restricted fund balances first, followed by committed resources, and the assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

As of June 30, 2014, fund balances are composed of the following:

<u>Fund Balance Classification</u>	<u>Purpose</u>	<u>Fund</u>	<u>Amount</u>
Nonspendable	Inventory	General	\$ 21,542
	Cemetery perpetual care	Non-major Governmental	73,330
			<u>\$ 94,872</u>
Restricted	Road Use Tax	Road Use Tax	\$ 370,510
	Community Center	Community Center	646,523
	Debt service	Debt Service	290,169
	Special assessments	Special Assessments	54,784
	Wild Rose (casino) allocation	Non-major Governmental	183,876
	Emergency levy	Non-major Governmental	338
	Employee Benefit payments	Non-major Governmental	95,300
	Tax increment financing	Non-major Governmental	10,182
	School reunion	Non-major Governmental	1,348
	Make a difference day	Non-major Governmental	34
	Fireworks	Non-major Governmental	11,064
	Downtown facade	Non-major Governmental	62,588
	Five Island Campground	Non-major Governmental	71,123
	Safe routes to school	Non-major Governmental	50
	Housing rehabilitation	Non-major Governmental	251
	Gaming proceeds for capital improvements	Non-major Governmental	148,195
	Airport improvements	Non-major Governmental	44,681
Dredging Five Island Lake	Non-major Governmental	153,785	
		<u>\$ 2,144,801</u>	

Committed	Economic development	General	\$ 56,899
	Hotel Motel Tax	General	121,485
	Local Option Sales Tax	Non-major Governmental	264,639
	Holiday decorations	Non-major Governmental	3,709
	Lake donations	Non-major Governmental	679
	Library	Non-major Governmental	30,136
	Playgrounds	Non-major Governmental	1,101
	Economic and community expenditures	Non-major Governmental	14
	Golf course		1,037
	Revolving loan fund	Non-major Governmental	17,207
	Community beautification	Non-major Governmental	11,360
			<u>\$ 508,266</u>
			<u>\$ 508,266</u>
Assigned	Funds to cover revenue short-falls	General	\$ 200,000
	Vehicle inspection	General	2,815
	Police reserve	General	10,555
	Tobacco compliance	General	1,105
	Museum-Victorian house	General	3,640
	Airport	General	190
	Industrial Development	Non-major Governmental	3,504
	Community transportation and miscellaneous	Non-major Governmental	11,904
	Swimming pool	Non-major Governmental	62
	Flag football	Non-major Governmental	85
	Capital improvements revolving funds	Non-major Governmental	71,219
	Future Railroad projects	Non-major Governmental	27,914
	Kearny Park improvements	Non-major Governmental	60,936
	Sewell Park	Non-major Governmental	83,108
		<u>\$ 477,037</u>	
		<u>\$ 477,037</u>	

Funds to cover revenue short-falls are assigned by resolution to cover the City revenue during periods it does not receive property taxes. Property taxes are primarily received in the spring and in the fall.

## Note 2. Stewardship, Compliance, and Accountability

### A. Budgetary information

The City prepares and adopts an annual budget on a function basis for the City as a whole, rather than at the fund level, as prescribed by Iowa statutes. The State of Iowa mandates that annual budgets for the fiscal year beginning July 1 be certified to the County Auditor no later than March 15 preceding the beginning of the fiscal year. The review and adoption of the budget for the City is in accordance with state laws and City budget procedures as stated in City Code, recodified November 1971, and amended by ordinance adoption thereafter. Budget proposals for all operating department requests are conducted by the Finance Officer who prepares, for the Council's consideration, a preliminary budget during the month of February of each year for the coming fiscal year. The budget proposal presented to the City Council by the Mayor and City Clerk is a complete financial plan for the upcoming fiscal year.

The City Council holds various budget meetings with the Mayor, Finance Officer, City Clerk, department heads, and boards and commissions, as well as holding a public hearing prior to adopting the budget. The Council adopts the budget by resolution and certifies it to the County Auditor by the 15th of March preceding the beginning of the fiscal year. This budget becomes the appropriation for operations of the City.

The adopted budget presents expenditures in eight functions - Public Safety, Public Works, Culture and Recreation, Community and Economic Development, General Government, Debt Service, Capital Projects, and Business-type Activities. The legal level of control (the level on which expenditures may not legally exceed appropriations) is the function level. Appropriations, as adopted, lapse at the end of the fiscal year.

Amendments to the City budget are considered annually as funding sources are available. Management is not authorized to amend the budget or to make budgetary transfers between functions without the approval of the City Council. An additional levy of property taxes is not allowed, by state law. The City budget for the current year may be amended for any of the following purposes:

- To permit the appropriation and expenditure of unexpended, unencumbered fund balances on hand at the end of the preceding fiscal year.
- To permit the appropriation and expenditure of amounts anticipated being available from sources other than property taxation.
- To permit transfers between funds as prescribed by state law.
- To permit transfers between functions.

The City Council adopts the amended budget by resolution and certifies it to the County Auditor by May 31 of the budget year. The amended budget becomes the appropriation for operations of the City. The City Council adopted one budget amendment resolution during the year ended June 30, 2014.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., contracts) outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Due to the emphasis placed on monitoring budgets, as a result of limited resources to provide City services, major classifications such as personal services, capital outlays, contractual services, and commodities are monitored throughout the year by the Finance Director.

Monthly reports are prepared by department and activity. Any major deviations must be approved by the City Council. While the legal level of control is the program level of expenditure, departments are responsible for not expending more than the amount of the appropriation for each activity within their area of responsibility, unless approved by the City Council.

The City budgets all revenues, expenditures and expenses, and interfund and intrafund transfers on the modified accrual basis. The budget amounts included in this report are the final modified accrual basis budget for the year for all funds. Budgeted interfund transfers and intrafund transfers have been eliminated in the statement of budgetary comparison schedule of revenues, expenditures/expenses and changes in fund balances - budget and actual.

Individual fund budgets are, in all cases where appropriations are required, the same as the appropriation amounts. In the case of the General Fund and most of the special revenue funds, unexpended budgeted amounts lapse at the end of the budget year.

#### **B. Deficit fund balances**

The Highway 18/Urban Fund, a major capital projects fund, has a deficit fund balance of \$94,209. This deficit fund balance is expected to be recovered through future revenue, grants and transfers.

### **Note 3. Detailed Notes on All Funds**

#### **A. Deposits and 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 received as a donation insured registered corporate stock with a book value of \$2,041. No determination of the market value of this stock has been made; however, any market difference is not deemed material.

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

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

*Credit risk:* The City's investment policy does not allow investments in commercial paper and other corporate debt. The City did not invest in any commercial paper or other corporate debt during the year.

*Concentration of credit risk:* The City's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances.

*Custodial credit risk – deposits:* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's deposits are 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.

*Custodial credit risk – investments:* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City did not hold any investments during the year other than the donated shares discussed above.

The component units' deposits were entirely covered by Federal depository insurance and by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there is no loss of public funds.

## B. Capital Assets

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

### Primary Government

#### Governmental activities:

	Balance <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2014</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 555,187	-	-	555,187
Construction in progress	129,020	876,076	(6,919)	998,177
Total capital assets, not being depreciated	<u>684,207</u>	<u>876,076</u>	<u>(6,919)</u>	<u>1,553,364</u>
Capital assets, being depreciated:				
Land improvements	25,596	-	-	25,596
Machinery and equipment, Vehicles	3,371,702	503,986	-	3,875,688
Buildings	1,423,221	67,451	-	1,490,672
Infrastructure	8,903,422	227,941	-	9,131,363
Total capital assets, being depreciated	<u>13,723,941</u>	<u>799,378</u>	<u>-</u>	<u>14,523,319</u>
Less accumulated depreciation for:				
Land improvements	753	251	-	1,004
Machinery and equipment, Vehicles	2,294,154	215,466	-	2,509,620
Buildings	504,683	36,790	-	541,473
Infrastructure	1,195,781	254,317	-	1,450,098
Total accumulated depreciation	<u>3,995,371</u>	<u>506,824</u>	<u>-</u>	<u>4,502,195</u>
Total capital assets, being depreciated, net	<u>9,728,570</u>	<u>292,554</u>	<u>-</u>	<u>10,021,124</u>
Governmental activities capital assets, net	<u>\$ 10,412,777</u>	<u>1,168,630</u>	<u>(6,919)</u>	<u>11,574,488</u>

The City traded an asset that wasn't recorded on the books when the City estimated the cost of capital assets at the time they adopted GASB 34. The asset would have been depreciated out, so the City reported the trade value as a gain on trade in capital assets of \$43,362 and increased the cash paid for the capital asset by the gain.

**Business- type activities:**

	Balance <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2014</u>
Capital assets, not being depreciated:				
Land	\$ 5,871	-	-	5,871
Capital assets, being depreciated:				
Land improvements	23,704	6,805	-	30,509
Machinery and equipment,				
Vehicles	250,955	141,870	(106,880)	285,945
Buildings	81,390	-	-	81,390
Total capital assets, being depreciated	<u>356,049</u>	<u>148,675</u>	<u>(106,880)</u>	<u>397,844</u>
Less accumulated depreciation for:				
Land improvements	7,050	1,022	-	8,072
Machinery and equipment,				
Vehicles	236,516	22,093	(106,880)	151,729
Buildings	18,720	2,150	-	20,870
Total accumulated depreciation	<u>262,286</u>	<u>25,265</u>	<u>(106,880)</u>	<u>180,671</u>
Total capital assets, being depreciated, net	<u>93,763</u>	<u>123,410</u>	<u>-</u>	<u>217,173</u>
Business- type assets, net	<u>\$ 99,634</u>	<u>123,410</u>	<u>-</u>	<u>223,044</u>

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

Governmental activities:

Public safety	\$	51,518
Public works		348,899
Culture and recreation		97,749
Community and economic development		885
General government		7,773
Total depreciation expense - governmental activities	\$	<u>506,824</u>

Business-type activities:

Solid Waste	\$	22,991
Cemetery		2,274
Total depreciation expense - business-type activities	\$	<u>25,265</u>

The following is included in construction in progress:

Construction In progress

	Project Authorization	Expensed to Date	Remaining Commitment
CDBG sewer project placed on hold	\$ -	16,604	-
Crushed rock for future street project	-	83,758	-
Community center initial costs	2,548,226	835,595	1,712,631
5 Island campground	-	9,294	-
Nolan Rouse Park improvements	15,310	1,391	13,919
Kearney Park	-	475	-
Airport layout new runway	-	28,197	-
Sewer mapping	3,887	3,512	375
Fire truck bay extension	25,445	19,351	6,094
	\$ <u>2,592,868</u>	<u>998,177</u>	<u>1,733,019</u>

Discretely Presented Component Units

	Balance <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2014</u>
<b>Gas department:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,039	-	-	1,039
Capital assets, being depreciated:				
Structures and plant	342,097	-	-	342,097
Distribution system	1,135,609	-	-	1,135,609
Equipment, meters and mains	600,930	41,189	-	642,119
Total capital assets, being depreciated	<u>2,078,636</u>	<u>41,189</u>	<u>-</u>	<u>2,119,825</u>
Less accumulated depreciation				
Structures and plant	264,721	3,990	-	268,711
Distribution system	730,879	22,712	-	753,591
Equipment, meters and mains	494,418	23,841	-	518,259
Total accumulated depreciation	<u>1,490,018</u>	<u>50,543</u>	<u>-</u>	<u>1,540,561</u>
Total capital assets, being depreciated, net	<u>588,618</u>	<u>(9,354)</u>	<u>-</u>	<u>579,264</u>
Gas department capital assets, net	<u>\$ 589,657</u>	<u>(9,354)</u>	<u>-</u>	<u>580,303</u>

	Balance <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2014</u>
<b>Water Department:</b>				
Capital assets, not being depreciated:				
Land	\$ 67,067	-	-	67,067
Construction in progress	11,183	-	(11,183)	-
Total capital assets, not being depreciated	<u>78,250</u>	<u>-</u>	<u>(11,183)</u>	<u>67,067</u>
Capital assets, being depreciated:				
Structures and plant	4,968,888	-	-	4,968,888
Distribution system	1,856,286	99,257	-	1,955,543
Equipment, meters and mains	655,563	85,799	(9,750)	731,612
Total capital assets, being depreciated	<u>7,480,737</u>	<u>185,056</u>	<u>(9,750)</u>	<u>7,656,043</u>
Less accumulated depreciation				
Structures and plant	1,673,291	170,964	-	1,844,255
Distribution system	971,546	43,954	-	1,015,500
Equipment, meters and mains	406,368	45,131	(1,382)	450,117
Total accumulated depreciation	<u>3,051,205</u>	<u>260,049</u>	<u>(1,382)</u>	<u>3,309,872</u>
Total capital assets, being depreciated, net	<u>4,429,532</u>	<u>(74,993)</u>	<u>(8,368)</u>	<u>4,346,171</u>
Water department capital assets, net	<u>\$ 4,507,782</u>	<u>(74,993)</u>	<u>(19,551)</u>	<u>4,413,238</u>

	Balance <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2014</u>
<b>Sanitation Department:</b>				
Capital assets, not being depreciated:				
Land	\$ 84,542	-	-	84,542
Capital assets, being depreciated:				
Structures and plant	6,086,835	-	-	6,086,835
Distribution system	2,869,215	-	-	2,869,215
Equipment, meters and mains	476,121	3,029	-	479,150
Total capital assets, being depreciated	<u>9,432,171</u>	<u>3,029</u>	<u>-</u>	<u>9,435,200</u>
Less accumulated depreciation				
Structures and plant	2,443,904	86,514	-	2,530,418
Distribution system	1,221,698	150,858	-	1,372,556
Equipment, meters and mains	297,841	28,721	-	326,562
Total accumulated depreciation	<u>3,963,443</u>	<u>266,093</u>	<u>-</u>	<u>4,229,536</u>
Total capital assets, being depreciated, net	<u>5,468,728</u>	<u>(263,064)</u>	<u>-</u>	<u>5,205,664</u>
Sanitation department capital assets, net	<u>\$ 5,553,270</u>	<u>(263,064)</u>	<u>-</u>	<u>5,290,206</u>

No detailed depreciation schedule or continuing property record is maintained. Consequently, it is impossible to use generally accepted accounting principles for retirements or abandonment of capital assets. Salaries paid for plant investment have been expensed at the time of payment. Vehicle expense and overhead related to construction is not capitalized. Under generally accepted accounting principles, salaries, vehicle expenses and overhead should be capitalized.

### C. Long-term Debt

#### General Obligation Bonds

Unmatured general obligation bonds totaling \$2,182,635 net of unamortized premium, unamortized discount and unamortized deferred amount on refunding, are outstanding as of June 30, 2014. These bonds bear interest with rates ranging from .95% to 4.50%, mature in varying annual amounts through June 1, 2020, and were originally issued for \$3,540,000. Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2015	\$ 455,000	52,945
2016	335,000	43,175
2017	350,000	36,330
2018	265,000	28,480
2019	275,000	21,600
2020-2021	470,000	19,265
Total	<u>\$ 2,150,000</u>	<u>201,795</u>

#### Tax Increment Financing Agreements

An Emmetsburg, Iowa company has constructed public infrastructure located in the North Urban Renewal Area. In recognition of the company obligation, the City agreed to make payments on December 1 and June 1 of each fiscal year, beginning December 1, 2004, and continuing on nine additional fiscal years thereafter, or until the total principal of \$300,000 has been paid, whichever occurs first. Incremental property taxes are produced by multiplying the consolidated property tax levy times the incremental valuation of the property, then subtracting debt service levies of all taxing jurisdictions, subtracting the school district physical plant and equipment levy and subtracting any other levies, which may be exempt from such calculation by action of the Iowa General Assembly. There are no future year's payments outstanding as of June 30, 2014.

#### Risk Under Loan Guarantee

The City is obligated under a 50% loan liability guarantee related to the financing for the purchase of 58 acres of land for a business park by the Emmetsburg Community Development Corporation (ECDC). The guarantee is for 50% of a \$685,000 direct and indirect loan from USDA Rural Development and Iowa Trust and Savings Bank, including 50% of interest due on those loans. During the year ended June 30, 2010, ECDC was unable to service the debt and the City assumed \$316,347 of the loan, which was recorded as expense in the community and economic development program in the statement of activities. The Emmetsburg Community Development Corporation (ECDC) is still the primary obligor of the loans. There was no default by ECDC, because the City and Emmetsburg Municipal Utilities made the loan payments under the loan guarantee agreement. The loans under the guarantee are as follows:

\$485,000 USDA Rural Development, due in annual payments of \$12,894 to November 7, 2040 and interest at 4.125%. The loan balance at June 30, 2014 totaled \$203,081.

\$200,000 Iowa Trust and Savings Bank, due in annual payments of \$7,977 to November 5, 2032 and variable interest at 6.75%. The loan balance at June 30, 2014 totaled \$83,110.

Annual debt service requirements to maturity for Risk under loan guarantee are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2015	\$ 9,374	19,474
2016	9,873	18,975
2017	10,394	18,453
2018	11,004	17,844
2019	8,539	12,331
2020-2024	49,735	62,224
2025-2029	64,112	40,241
2030-2034	44,794	22,226
2035-2039	76,273	8,148
2040-2041	2,093	535
Total	\$ <u>286,191</u>	<u>220,451</u>

Future payments on these two loans, if any, made by ECDC will be recorded as income in the statement of activities.

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

Estimated Actual valuation of taxable property with the City	\$ <u>179,315,505</u>
Debt limit - 5% of total actual valuation	\$ 8,965,775
Debt applicable to debt limit:	
General obligation bonds	<u>2,150,000</u>
Legal debt margin	\$ <u>6,815,775</u>

All tax-exempt debt issued by the City is subject to IRS arbitrage rebate, unless the City meets the \$5 million small issuers exemption in a given year. As of June 30, 2014, the City had no arbitrage liability.

## Debt Summary

Following is a summary of the City's debt transactions for the year ended June 30, 2014, and the total bonded indebtedness of the City as of that date.

Governmental Activities:	Date of Issue	Balance July 1, 2013	Incurred/ Issued	Redeemed/ Issued	Balance June 30, 2014	Amount Due Within One Year
<u>General obligation bonds:</u>						
\$1,760,000 corporate purpose and refunding notes, series 2010	2010	1,000,000	-	(270,000)	730,000	220,000
\$1,470,000 corporate purpose bonds, series 2011	2011	1,325,000	-	(140,000)	1,185,000	155,000
\$310,000 general obligation refunding notes, series 2013	2013	310,000	-	(75,000)	235,000	80,000
		<u>2,635,000</u>	-	<u>(485,000)</u>	<u>2,150,000</u>	<u>455,000</u>
Add unamortized premium		43,984	-	(6,360)	37,624	-
Less unamortized discount		4,772	-	(1,218)	3,554	-
Less unamortized deferred amount on refunding		4,195	-	(2,760)	1,435	-
		<u>2,670,017</u>	-	<u>(487,382)</u>	<u>2,182,635</u>	<u>455,000</u>
<u>Tax increment financing:</u>						
Medium lake development	2003	22,846	-	(22,846)	-	-
<u>Risk under loan guarantee</u>						
USDA Rural Development	2010	207,419	-	(4,338)	203,081	5,053
Iowa Trust and Savings Bank	2010	85,327	-	(2,217)	83,110	4,321
		<u>292,746</u>	-	<u>(6,555)</u>	<u>286,191</u>	<u>9,374</u>
Governmental activity total						
Long - term debt		<u>\$ 2,985,609</u>	-	<u>(516,783)</u>	<u>2,468,826</u>	<u>464,374</u>

## Component Unit Debt Information:

### Revenue Bonds and Installment Agreements – Water and Sanitation Utilities

The Series 1998A, 1998B, 2005 MC60R, 2005 and 2009A revenue bonds require annual principal payments, due December 1, and semi-annual interest payments, due June 1 and December 1. Interest rates throughout the term of the bonds are 3.00%. The bonds are secured by the future net revenues of the Utilities.

### Risk Under Loan Guarantee – Gas Utility

The Utility is also obligated under a 50% loan liability guarantee related to the financing for the purchase of 58 acres of land for a business park by the Emmetsburg Community Development Corporation (“ECDC”). The guarantee is for 50% of a \$685,000 direct and indirect loan from USDA Rural Development and Iowa Trust and Savings Bank, including 50% of interest due on those loans. During fiscal 2010, ECDC was unable to service the debt and the Utilities assumed 50% of the loan liabilities, which were recorded as a non-operating risk under loan guarantee expense of \$316,317. The Emmetsburg Community Development Corporation (ECDC) is still the primary obligor of the loans. There was no default by ECDC, because the City and Emmetsburg Municipal Utilities made the loan payments under the loan guarantee agreement.

## Debt Summary – Gas, Water and Sanitation Utility

Long-term debt activity for the year ended June 30, 2014 is as follows:

	Balance July 1, 2013	Incurred/ Issued	Redeemed/ Paid	Balance June 30, 2014	Amounts Due Within One Year
<u>Revenue bonds:</u>					
Water Utility:					
Series 2005	\$ 1,966,000	-	126,000	1,840,000	130,000
Sanitation Utility:					
Series 1998A	110,000	-	20,000	90,000	20,000
Series 1998B	62,000	-	10,000	52,000	10,000
Series 2005 MC60R	405,000	-	30,000	375,000	30,000
Series 2009A	757,000	-	34,000	723,000	35,000
Total revenue bonds	3,300,000	-	220,000	3,080,000	225,000
Gas Utility:					
<u>Risk under loan guarantee</u>					
USDA Rural Development	207,420	-	3,330	204,090	4,316
Iowa Trust and Savings Bank	85,536	-	2,123	83,413	2,506
Total long-term debt	\$ 3,592,956	-	225,453	3,367,503	231,822

The projected maturity of long-term debts at June 30, 2014 is as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 231,822	104,674	336,496
2016	240,165	97,956	338,121
2017	252,489	91,054	343,543
2018	258,905	83,776	342,681
2019	229,305	76,345	305,650
2020-2024	1,245,305	272,108	1,517,413
2025-2029	713,126	91,667	804,793
2030-2034	127,176	25,934	153,110
2035-2039	54,505	8,872	63,377
2040-2041	14,705	1,801	16,506
	<u>\$ 3,367,503</u>	<u>854,187</u>	<u>4,221,690</u>

**D. Due to Component Unit**

The City issued the Emmetsburg Municipal Utilities a \$40,000 Urban Renewal Tax Increment Revenue Bond dated October 11, 2006. Principal on this bond shall bear interest at the rate of 4% per annum. The bond is due in 20 equal semi-annual installments of \$2,508 each December 1 and June 1, commencing December 1, 2007. The bond matures on June 1, 2017. The June 30, 2014 balance is \$13,897.

The long-term debt due to Component Unit and due from Primary Government is as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2015	\$ 4,518	319
2016	4,631	203
2017	4,748	89
	<u>\$ 13,897</u>	<u>611</u>

Following is a summary of the City's activity for accrued compensated absences for the year ended June 30, 2014, and the total liability of the City as of that date, as reported on the government-wide statement of net position:

**E. Long-term Liabilities – Accrued Compensated Absences**

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Amount Pay- able Within One Year
Governmental activities	\$ 53,343	9,161	-	62,504	-
Business-type activities	\$ 2,979	767	-	3,746	3,746

The majority of compensated absences expenditures are paid for out of the General fund.

**F. Interfund Transactions**

The following transfers represent individual fund interfund transfers as stated in the Fund Financial Statements:

Transfer To	Transfer from	Amount
General Fund	Nonmajor Governmental Funds	\$ 801,644
Road Use Tax Fund	Nonmajor Governmental Funds	174,475
Debt Service Fund	Special Assessment Fund	36,500
	Nonmajor Governmental Funds	464,182
		<u>500,682</u>
Highway18/Urban Fund	Nonmajor Governmental Funds	47,104
Community Center Fund	Nonmajor Governmental Funds	180,000
Nonmajor Governmental Funds	General Fund	110,885
	Road Use Tax Fund	16,500
	Nonmajor Governmental Funds	168,418
		<u>295,803</u>
	Total	\$ <u>1,999,708</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expend them, (2) move debt service payments from capital projects funds or special revenue funds to the debt service fund as debt service payments come due, (3) to move Interest receipts for the lake project fund for interest earned on its investments and deposited in the general fund by City policy, and (4) to move funds to and from various capital projects funds for the purchase or construction of new capital assets.

## **Note 4. Other Notes**

### **A. Retirement Systems**

#### **IPERS**

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.

Plan members, other than police, are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.937% of annual covered payroll. Police are required to contribute 6.76% and the City is required to contribute 10.14% of annual covered payroll. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$87,027, \$84,209 and \$86,550, respectively, equal to the required contributions for each year.

#### **Deferred Compensation Plan**

The City offers a deferred compensation plan for its employees under IRS Code Section 457. The City plan is invested in ING through the Financial Center in Emmetsburg, Iowa.

### **B. Other Employee Benefits**

The City maintains hospitalization and life insurance coverage for all of its full-time employees. The City pays all costs of the basic insurance. The City also partially self-insures a portion of the health insurance through a health reimbursement arrangement. The account provides the employee/families money for their out-of-pocket medical costs. Yearly, the City provides \$1,000 per employee or \$2,000 for the employee's family. If it is not used during the current year it is carried over to the next year. The money can be used for current year or future year's medical expenses. If it is not used prior to retirement, it can be used for medical expenses and/or insurance premiums upon retirement from the City. If the employee quits, the money is forfeited back to the City.

### **C. Related Party Transactions**

The Component Unit bills and collects for garbage and recycling services provided for by the Solid Waste Fund to its residents. During the year ended June 30, 2014, the Component Unit collected \$437,760 in fees for the Solid Waste Fund.

The amounts due from the Component Unit at June 30, 2014, were as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Primary Government:		
Debt Service	\$ 209,322	-
General Fund	31,793	-
Community Center Fund	82,000	-
Nonmajor Funds	3,000	-
Solid Waste Fund	36,687	-
	<u>\$ 362,802</u>	<u>-</u>
Component Unit:		
Gas Utility	\$ -	133,175
Water Utility	-	114,360
Sanitation Utility	-	114,359
	<u>\$ -</u>	<u>361,894</u>

The amount differs by \$908, which is not material to the financial statements.

The City also conducted business transactions with two council members and one Utilities board of trustee as follows:

Council member

Steve Finer

Jensvold Motor Company	Repairs	\$ 848
	2014 Ford F250 Pickup	\$ 31,200

Bill Burdick, Jr.

Go Gutters	Gutters	\$ 1,011
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Emmetsburg Municipal Utilities board of trustee

Nick Steinkamp

KW Electric	Repairs & project costs	\$ 3,191
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**D. Risk Management**

The City is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and, natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **E. Other Postemployment Benefits (OPEB)**

The City operates a single-employer retiree benefit plan, which provides medical/prescription drug benefits for retirees and their spouses. There are seventeen (17) active and no retired members in the plan. Participants must be age 55 or older at retirement. The benefits are provided through a fully-insured plan with Wellmark Blue Cross Blue Shield of Iowa. Retirees under age 65 pay the same premium for the benefits as active employees and retirees are required to reimburse the City for any premiums paid under the plan. The contribution requirements of plan members are established and may be amended by the City.

The City did not implement GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions. This is a departure from Generally Accepted Accounting Principles. The amount by which this departure would affect liabilities, net position and expenses is not reasonably determinable.

## **F. Prior Period Adjustment**

Compensated absences was recorded as a current liability in the prior year's fund financial statements. The beginning fund balances were corrected in 2014 to reflect the change from a current liability to a long term liability.

## **G. Governmental Accounting Standards Board Statements**

The Governmental Accounting Standards Board (GASB) has issued six statements not yet implemented by the City of Emmetsburg. The statements, which might impact the City, are as follows:

Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, issued June 2012, will be effective for the fiscal year ending June 30, 2015. The objective of this Statement is to improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013, will be effective for the fiscal year ending June 30, 2015. The objective of this statement is to improve the financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term government combinations are used in this Statement to refer to a variety of arrangements including mergers and acquisitions.

Statement No. 70, *Accounting for Financial Reporting for Nonexchange Financial Guarantees*, issued April 2013, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions.

Statement No. 71, *Pension Transition for contributions made Subsequent to the Measurement Date*, issued November 2013, will be effective for the fiscal year ending June 30, 2015. The object of this Statement is to address any issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions.

The City's management has not yet determined the effect these statements will have on the City's financial statements.

City of Emmetsburg, Iowa  
 Budgetary Comparison Schedule - Function Budget  
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Property taxes and assessments	\$ 1,530,610	1,530,610	1,532,482	(1,872)
Tax increment financing	197,541	197,541	197,388	153
Other City taxes	505,224	505,224	228,189	277,035
Licenses and permits	56,050	56,050	31,339	24,711
Use of money and property	70,295	70,295	64,022	6,273
Intergovernmental	3,649,245	4,086,199	1,423,429	2,662,770
Charges for services	11,044,140	4,432,590	4,400,636	31,954
Special assessments	40,000	40,000	32,928	7,072
Miscellaneous	3,950	3,950	1,790,369	(1,786,419)
Total revenues	<u>17,097,055</u>	<u>10,922,459</u>	<u>9,700,782</u>	<u>1,221,677</u>
Expenditures:				
Current:				
Public safety	964,839	962,264	894,672	67,592
Public works	1,128,391	1,063,576	856,245	207,331
Culture and recreation	602,331	622,836	568,122	54,714
Community and economic development	160,144	157,414	90,308	67,106
General government	429,014	434,674	390,217	44,457
Debt service	608,212	619,657	602,852	16,805
Capital projects	3,907,913	4,335,687	1,898,033	2,437,654
Business-type	11,338,264	4,941,864	4,346,972	594,892
Total expenditures	<u>19,139,108</u>	<u>13,137,972</u>	<u>9,647,421</u>	<u>3,490,551</u>
Excess (deficiency) of revenues over (under) expenditures				
expenditures	<u>(2,042,053)</u>	<u>(2,215,513)</u>	<u>53,361</u>	<u>(2,268,874)</u>
Other financing sources (uses):				
Transfers in	2,245,539	2,452,927	2,049,840	403,087
Transfers out	(2,245,539)	(2,447,477)	(2,049,840)	(397,637)
Total other financing sources (uses)	<u>-</u>	<u>5,450</u>	<u>-</u>	<u>5,450</u>
Excess (deficiency) of revenues and other financing sources				
over (under) expenditures and other financing uses	<u>(2,042,053)</u>	<u>(2,210,063)</u>	<u>53,361</u>	<u>(2,263,424)</u>
Fund balances, beginning	<u>17,126,093</u>	<u>17,126,093</u>	<u>16,218,484</u>	<u>907,609</u>
Fund balances, ending	<u>\$ 15,084,040</u>	<u>14,916,030</u>	<u>16,271,845</u>	<u>(1,355,815)</u>

**City of Emmetsburg, Iowa**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**For the Year Ended June 30, 2014**

**Budgetary Reporting**

The budget includes the Component Units budgeted figures as well as the Primary Governments budgeted figures.

The budgetary comparison is presented as Required Supplementary Information in accordance with Government 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 modified accrual 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 budget basis and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of expenditures known as functions, not by fund or fund type. 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 expenditures required to be budgeted include expenditures for the general fund, special revenue funds, debt service fund, capital projects fund, and enterprise funds. Although the budget document presents function expenditures by fund, the legal level of control is at that aggregated function level, not by fund.

During the year, there was one budget amendment that decreased budgeted expenditures by \$6,001,136. This budget amendment is reflected in the final budgeted amounts.

**City of Emmetsburg, Iowa**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2014**  
 (Page 1 of 5)

	Special Revenue		
	Emergency Fund	Employee Benefit Fund	South TIF Fund
<b>ASSETS</b>			
Cash	\$ -	90,197	-
Investments	-	-	-
Receivables			
Property taxes	34,199	423,509	49,841
Tax increment financing	-	-	926
Other	-	-	-
Due from Component Unit	-	-	-
Due from other governments	-	-	-
Total assets	<u>\$ 34,199</u>	<u>513,706</u>	<u>50,767</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	-	-
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues:			
Succeeding year property taxes and tax increments	33,861	418,406	49,841
Local option sales tax	-	-	-
Total deferred inflows of resources	<u>33,861</u>	<u>418,406</u>	<u>49,841</u>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	338	95,300	926
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances (deficit)	<u>338</u>	<u>95,300</u>	<u>926</u>
Total liabilities and fund balances	<u>\$ 34,199</u>	<u>513,706</u>	<u>50,767</u>

Special Revenue

North TIF Fund	East TIF Fund	ECDC Trust Fund
8,240	-	49,239
-	-	2,352
-	78,859	-
-	1,016	-
-	-	10,181
-	-	-
-	-	2,905
<u>8,240</u>	<u>79,875</u>	<u>64,677</u>
-	-	-
-	-	-
-	-	-
-	78,859	-
-	-	-
-	<u>78,859</u>	-
-	-	-
8,240	1,016	12,446
-	-	36,676
-	-	15,555
-	-	-
<u>8,240</u>	<u>1,016</u>	<u>64,677</u>
<u>8,240</u>	<u>79,875</u>	<u>64,677</u>

City of Emmetsburg, Iowa  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014  
(Page 2 of 5)

	Special Revenue		
	ECDC Revolving Loan Fund	Community Beautification Fund	LOST Fund
<b>ASSETS</b>			
Cash	\$ 17,207	11,360	170,238
Investments	-	-	-
Receivables			
Property taxes	-	-	-
Tax increment financing	-	-	-
Other	-	-	-
Due from Component Unit	-	-	-
Due from other governments	-	-	137,552
Total assets	<u>\$ 17,207</u>	<u>11,360</u>	<u>307,790</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	-	-
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues:			
Succeeding year property taxes and tax increments	-	-	-
Local option sales tax	-	-	43,151
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>43,151</u>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	17,207	11,360	264,639
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances (deficit)	<u>17,207</u>	<u>11,360</u>	<u>264,639</u>
Total liabilities and fund balances	<u>\$ 17,207</u>	<u>11,360</u>	<u>307,790</u>

Capital Projects

Improvement Revolving Fund	Rail Road Fund	Kearny Park Fund
71,219	20,559	61,645
-	-	-
-	-	-
-	7,355	-
-	-	-
-	-	-
<u>71,219</u>	<u>27,914</u>	<u>61,645</u>
-	-	709
-	-	-
-	-	<u>709</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
71,219	27,914	60,936
-	-	-
<u>71,219</u>	<u>27,914</u>	<u>60,936</u>
<u>71,219</u>	<u>27,914</u>	<u>61,645</u>

City of Emmetsburg, Iowa  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014  
(Page 3 of 5)

	Capital Projects		
	Wild Rose Allocation Fund	Safe Routes to School Fund	Sewell Park Fund
<b>ASSETS</b>			
Cash	\$ 174,663	50	80,108
Investments	-	-	-
Receivables			
Property taxes	-	-	-
Tax increment financing	-	-	-
Other	9,213	-	-
Due from Component Unit	-	-	3,000
Due from other governments	-	-	-
Total assets	<u>\$ 183,876</u>	<u>50</u>	<u>83,108</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	-	-
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues:			
Succeeding year property taxes and tax increments	-	-	-
Local option sales tax	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	183,876	50	-
Committed	-	-	-
Assigned	-	-	83,108
Unassigned	-	-	-
Total fund balances	<u>183,876</u>	<u>50</u>	<u>83,108</u>
Total liabilities and fund balances	<u>\$ 183,876</u>	<u>50</u>	<u>83,108</u>



**City of Emmetsburg, Iowa**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2014**  
**(Page 4 of 5)**

	Capital Projects		
	CDBG Sewer Fund	Airport Layout Plan Fund	Lake Project Fund
<b>ASSETS</b>			
Cash	\$ 229		64,739
Investments	-	-	-
Receivables			
Property taxes	-	-	-
Tax increment financing	-	-	-
Other	-	-	-
Due from Component Unit	-	-	-
Due from other governments	-	-	100,499
Total assets	<u>\$ 229</u>	<u>-</u>	<u>165,238</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 229	-	11,453
Due to other funds	-	-	-
Total liabilities	<u>229</u>	<u>-</u>	<u>11,453</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues:			
Succeeding year property taxes and tax increments	-	-	-
Local option sales tax	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	-	-	153,785
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>153,785</u>
Total liabilities and fund balances	<u>\$ 229</u>	<u>-</u>	<u>165,238</u>

Capital Projects		
Airport Land Fund	PA Gaming Corporation Allocation Fund	Runway Improvement Fund
29,979	156,216	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>29,979</u>	<u>156,216</u>	<u>-</u>
-	8,021	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>8,021</u>	<u>-</u>
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>
-	-	-
29,979	148,195	-
-	-	-
-	-	-
-	-	-
<u>29,979</u>	<u>148,195</u>	<u>-</u>
<u>29,979</u>	<u>156,216</u>	<u>-</u>

**City of Emmetsburg, Iowa**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2014**  
 (Page 5 of 5)

	Capital Projects		
	Downtown Facade Fund	Five Island Campground Fund	Airport Terminal Fund
<b>ASSETS</b>			
Cash	\$ 11,069	71,123	18,576
Investments	-	-	-
Receivables			
Property taxes	-	-	-
Tax increment financing	-	-	-
Other	4,106	-	-
Due from Component Unit	-	-	-
Due from other governments	60,626	-	-
Total assets	<u>\$ 75,801</u>	<u>71,123</u>	<u>18,576</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 13,213	-	18,576
Due to other funds	-	-	-
Total liabilities	<u>13,213</u>	<u>-</u>	<u>18,576</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues:			
Succeeding year property taxes and tax increments	-	-	-
Local option sales tax	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	62,588	71,123	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances (deficit)	<u>62,588</u>	<u>71,123</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 75,801</u>	<u>71,123</u>	<u>18,576</u>

<u>Capital Projects</u> <u>Airport Crack</u> <u>Sealing</u> <u>Fund</u>	<u>Permanent</u> <u>Perpetual</u> <u>Care</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
5,491	73,330	1,194,939
-	-	2,352
-	-	586,408
-	-	1,942
-	-	30,855
-	-	3,000
-	-	301,582
<u>5,491</u>	<u>73,330</u>	<u>2,121,078</u>
-	-	52,201
-	-	-
-	-	<u>52,201</u>
-	-	580,967
-	-	43,151
-	-	<u>624,118</u>
-	73,330	73,330
5,491	-	782,815
-	-	329,882
-	-	258,732
-	-	-
<u>5,491</u>	<u>73,330</u>	<u>1,444,759</u>
<u>5,491</u>	<u>73,330</u>	<u>2,121,078</u>

City of Emmetsburg, Iowa  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2014  
(Page1 of 5)

	Special Revenue			
	Emergency Fund	Employee Benefit Fund	South TIF Fund	North TIF Fund
Revenues:				
Property taxes and assessments	\$ 29,794	449,147	-	-
Tax increment financing	-	-	61,991	58,576
Other city taxes	621	9,361	-	-
Use of money and property	-	-	58	45
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Utility donations	-	-	-	-
Total revenues	<u>30,415</u>	<u>458,508</u>	<u>62,049</u>	<u>58,621</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>30,415</u>	<u>458,508</u>	<u>62,049</u>	<u>58,621</u>
Other financing sources (uses):				
Transfers in	-	42,258	-	-
Transfers out	(30,077)	(423,804)	(73,035)	(51,453)
Total other financing sources (uses)	<u>(30,077)</u>	<u>(381,546)</u>	<u>(73,035)</u>	<u>(51,453)</u>
Net change in fund balances	338	76,962	(10,986)	7,168
Fund balances (deficits), beginning	-	18,338	11,912	1,072
Fund balances (deficits), ending	<u>\$ 338</u>	<u>95,300</u>	<u>926</u>	<u>8,240</u>

East TIF Fund	ECDC Trust Fund
-	-
76,821	-
-	-
48	320
-	4,827
-	-
-	32,596
-	-
<u>76,869</u>	<u>37,743</u>
-	-
-	22,620
-	13,523
-	-
-	<u>36,143</u>
<u>76,869</u>	<u>1,600</u>
-	15,550
<u>(75,984)</u>	<u>(9,000)</u>
<u>(75,984)</u>	<u>6,550</u>
885	8,150
<u>131</u>	<u>56,527</u>
<u><u>1,016</u></u>	<u><u>64,677</u></u>

City of Emmetsburg, Iowa  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2014  
(Page 2 of 5)

	Special Revenue		
	ECDC Revolving Loan Fund	Community Beautification Fund	LOST Fund
Revenues:			
Property taxes and assessments	\$ -	-	-
Tax increment financing	-	-	-
Other city taxes	-	-	-
Use of money and property	41	7	615
Intergovernmental	-	-	426,612
Charges for services	-	-	-
Miscellaneous	-	-	-
Utility donations	-	-	-
Total revenues	<u>41</u>	<u>7</u>	<u>427,227</u>
Expenditures:			
Current:			
Public safety	-	-	-
Culture and recreation	-	-	-
Community and economic development	-	687	-
Capital projects	-	-	-
Total expenditures	<u>-</u>	<u>687</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>41</u>	<u>(680)</u>	<u>427,227</u>
Other financing sources (uses):			
Transfers in	-	10,000	-
Transfers out	<u>-</u>	<u>-</u>	<u>(470,597)</u>
Total other financing sources (uses)	<u>-</u>	<u>10,000</u>	<u>(470,597)</u>
Net change in fund balances	41	9,320	(43,370)
Fund balances (deficits), beginning	17,166	2,040	308,009
Fund balances (deficits), ending	<u>\$ 17,207</u>	<u>11,360</u>	<u>264,639</u>

Capital Projects

Improvement Revolving Fund	Rail Road Fund	Kearny Park Fund
-	-	-
-	-	-
-	-	-
-	40	122
-	-	-
-	-	-
100	-	-
-	-	-
<u>100</u>	<u>40</u>	<u>122</u>
-	-	-
-	-	-
-	-	-
-	-	3,695
<u>-</u>	<u>-</u>	<u>3,695</u>
<u>100</u>	<u>40</u>	<u>(3,573)</u>
13,755	-	-
<u>(221,813)</u>	<u>-</u>	<u>-</u>
<u>(208,058)</u>	<u>-</u>	<u>-</u>
(207,958)	40	(3,573)
<u>279,177</u>	<u>27,874</u>	<u>64,509</u>
<u><u>71,219</u></u>	<u><u>27,914</u></u>	<u><u>60,936</u></u>

City of Emmetsburg, Iowa  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2014  
 (Page 3 of 5)

	Capital Projects			
	Wild Rose Allocation Fund	Safe Routes to School Fund	Sewell Park Fund	CDBG Housing Rehabilitation Fund
Revenues:				
Property taxes and assessments	\$ -	-	-	-
Tax increment financing	-	-	-	-
Other city taxes	-	-	-	-
Use of money and property	434	-	120	31
Intergovernmental	-	-	-	22,915
Charges for services	-	-	-	-
Miscellaneous	157,630	-	3,305	114
Utility donations	-	-	3,000	-
Total revenues	<u>158,064</u>	<u>-</u>	<u>6,425</u>	<u>23,060</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
Capital projects	-	-	3,589	51,927
Total expenditures	<u>-</u>	<u>-</u>	<u>3,589</u>	<u>51,927</u>
Excess (deficiency) of revenues over (under) expenditures	<u>158,064</u>	<u>-</u>	<u>2,836</u>	<u>(28,867)</u>
Other financing sources (uses):				
Transfers in	-	-	19,022	3,500
Transfers out	(230,062)	-	-	-
Total other financing sources (uses)	<u>(230,062)</u>	<u>-</u>	<u>19,022</u>	<u>3,500</u>
Net change in fund balances	(71,998)	-	21,858	(25,367)
Fund balances (deficits), beginning	255,874	50	61,250	25,618
Fund balances (deficits), ending	<u>\$ 183,876</u>	<u>50</u>	<u>83,108</u>	<u>251</u>

Capital Projects

Airport Taxiline Improvement Fund	Airport Fuel Facility Fund
-	-
-	-
-	-
28	18
-	-
-	-
-	-
-	-
<u>28</u>	<u>18</u>
-	-
-	-
-	-
4,919	-
<u>4,919</u>	<u>-</u>
<u>(4,891)</u>	<u>18</u>
-	-
<u>(13,858)</u>	<u>-</u>
<u>(13,858)</u>	<u>-</u>
(18,749)	18
18,871	9,071
<u>122</u>	<u>9,089</u>

City of Emmetsburg, Iowa  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2014  
(Page 4 of 5)

	Capital Projects			
	CDBG Sewer Fund	Airport Layout Plan Fund	Lake Project Fund	Airport Land Fund
Revenues:				
Property taxes and assessments	\$ -	-	-	-
Tax increment financing	-	-	-	-
Other city taxes	-	-	-	-
Use of money and property	13	1	-	58
Intergovernmental	-	-	340,716	-
Charges for services	-	-	-	-
Miscellaneous	-	-	200	-
Utility donations	-	-	-	-
Total revenues	<u>13</u>	<u>1</u>	<u>340,916</u>	<u>58</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
Capital projects	375	1,570	355,824	110
Total expenditures	<u>375</u>	<u>1,570</u>	<u>355,824</u>	<u>110</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(362)</u>	<u>(1,569)</u>	<u>(14,908)</u>	<u>(52)</u>
Other financing sources (uses):				
Transfers in	-	-	150,659	-
Transfers out	(16,889)	-	(33,070)	-
Total other financing sources (uses)	<u>(16,889)</u>	<u>-</u>	<u>117,589</u>	<u>-</u>
Net change in fund balances	(17,251)	(1,569)	102,681	(52)
Fund balances (deficits), beginning	17,251	1,569	51,104	30,031
Fund balances (deficits), ending	<u>\$ -</u>	<u>-</u>	<u>153,785</u>	<u>29,979</u>

Capital Projects

PA Gaming Corporation Allocation Fund	Runway Improvement Fund
-	-
-	-
-	-
275	7
-	-
-	-
399,537	-
-	-
<u>399,812</u>	<u>7</u>
-	-
-	-
-	-
294,394	-
<u>294,394</u>	<u>-</u>
<u>105,418</u>	<u>7</u>
13,797	-
<u>(180,065)</u>	<u>(6,116)</u>
<u>(166,268)</u>	<u>(6,116)</u>
(60,850)	(6,109)
<u>209,045</u>	<u>6,109</u>
<u>148,195</u>	<u>-</u>

City of Emmetsburg, Iowa  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2014  
(Page 5 of 5)

	Capital Projects			
	Downtown Facade Fund	Five Island Campground Fund	Airport Terminal Fund	Airport Crack Sealing Fund
Revenues:				
Property taxes and assessments	\$ -	-	-	-
Tax increment financing	-	-	-	-
Other city taxes	-	-	-	-
Use of money and property	156	6,165	-	5
Intergovernmental	123,706	-	-	-
Charges for services	-	-	-	-
Miscellaneous	116,949	-	-	-
Utility donations	-	-	-	-
Total revenues	<u>240,811</u>	<u>6,165</u>	<u>-</u>	<u>5</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
Capital projects	253,952	9,294	18,576	2,200
Total expenditures	<u>253,952</u>	<u>9,294</u>	<u>18,576</u>	<u>2,200</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,141)</u>	<u>(3,129)</u>	<u>(18,576)</u>	<u>(2,195)</u>
Other financing sources (uses):				
Transfers in	1,000	-	18,576	7,686
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>1,000</u>	<u>-</u>	<u>18,576</u>	<u>7,686</u>
Net change in fund balances	(12,141)	(3,129)	-	5,491
Fund balances (deficits), beginning	74,729	74,252	-	-
Fund balances (deficits), ending	<u>\$ 62,588</u>	<u>71,123</u>	<u>-</u>	<u>5,491</u>

Permanent Perpetual Care Fund	Total Nonmajor Governmental Funds
-	478,941
-	197,388
-	9,982
-	8,607
-	918,776
1,380	1,380
-	710,431
-	3,000
<u>1,380</u>	<u>2,325,505</u>
-	-
-	22,620
-	14,210
-	1,000,425
<u>-</u>	<u>1,037,255</u>
<u>1,380</u>	<u>1,291,250</u>
-	295,803
<u>-</u>	<u>(1,835,823)</u>
<u>-</u>	<u>(1,540,020)</u>
1,380	(248,770)
<u>71,950</u>	<u>1,693,529</u>
<u><u>73,330</u></u>	<u><u>1,444,759</u></u>

**City of Emmetsburg, Iowa**  
**Schedule of Revenues by Source and Expenditures by Function**  
**All Governmental Funds**  
**For the Last Four Years**

	Modified Accrual Basis			
	2014	2013	2012	2011
Revenues:				
Property taxes and assessments	\$ 1,532,482	1,476,668	1,463,704	1,442,230
Tax increment financing	197,388	209,670	251,356	263,201
Other City taxes	228,189	187,857	187,586	155,111
Licenses and permits	31,339	5,700	16,640	28,248
Use of money and property	52,393	40,736	32,983	56,485
Intergovernmental	1,423,429	1,002,777	1,248,525	1,214,730
Charges for services	89,682	118,374	132,463	101,697
Special assessments	32,928	89,899	85,511	13,012
Miscellaneous	1,580,186	1,039,491	739,579	808,802
Utilities transfers in lieu of taxes and donations	173,223	-	-	-
Total revenues	<u>\$ 5,341,239</u>	<u>4,171,172</u>	<u>4,158,347</u>	<u>4,083,516</u>
Expenditures:				
Current:				
Public safety	\$ 894,672	581,341	630,120	554,930
Public works	856,245	714,777	808,565	838,772
Culture and recreation	568,122	490,815	633,998	581,923
Community and economic development	90,308	198,626	161,950	126,218
General government	390,217	365,514	375,332	353,843
Debt service	602,852	626,548	498,647	468,142
Capital projects	1,898,033	1,069,623	2,099,132	1,021,468
Total expenditures	<u>\$ 5,300,449</u>	<u>4,047,244</u>	<u>5,207,744</u>	<u>3,945,296</u>

2014 was the first year that the utilities transfers in lieu of taxes and donations was not included in transfers

# Burdorf, Parrott And Associates, P.C.

Certified Public Accountants

Edwin J. Burdorf, CPA  
Patrick J. Parrott, CPA  
www.accountant-city.com/burdorf

3131 Main, P.O. Box 359  
Emmetsburg, Iowa 50536  
Phone: 712-852-3347  
Fax: 712-852-3348

## **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 City Council of  
City of Emmetsburg, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Emmetsburg, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Emmetsburg, Iowa's basic financial statements and have issued our report thereon dated February 2, 2015.

### **Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings related to the financial statements that we consider to be significant deficiencies. Part I (I-A-14) and Part I (I-B-14).

### **Compliance and Other Matters**

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



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 of the financial statements of the City. Because our audit was based on test 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 Emmetsburg, Iowa's Response to Findings**

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

#### **Purpose of this Report**

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

*Burdorf, Parrott And Associates, P.C.*

Emmetsburg, Iowa

February 2, 2015

## Schedule of Findings and Responses

### Part I: Findings Related to the Financial Statements:

#### SIGNIFICANT DEFICIENCIES

##### **I-A-14**      Segregation of Duties

Criteria – Properly designed segregation of duties allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

Condition – The City is unable to fully segregate receipt and posting functions, disbursement preparation and posting functions and reconciliation functions from receipt and disbursements functions.

Cause – The City has limited time and staffing constraints.

Effect – Since job functions were not properly segregated, misstatements may not have been prevented or detected on a timely basis in the normal course of operations.

Recommendation – We recognize that with a limited number of office employees, segregation of duties is difficult. However, we recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances.

Response – The City will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control. There will be no change until it is fiscally responsible to add additional staff.

Conclusion – Response accepted.

##### **I-B-14**      Preparation of Financial Statements

Criteria - The City Council and management share the ultimate responsibility for the City's financial statements, including disclosures.

Condition - The City has not implemented procedures, to the degree necessary, to perform a review and assume responsibility of the City's financial statements and related disclosures to provide a high level of assurance that potential omissions or other errors that are less material, but more inconsequential, would be identified and corrected.

Context - While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The independent auditor cannot be considered part of the City's internal control system.

The City has implemented procedures to review the financial statements and disclosures, but has not utilized review aids, such as a disclosure checklist, and may not have monitored recent accounting developments to the extent necessary to provide a high level of assurance that financial statement omissions or other errors would be identified and corrected.

Effect - As a result of this condition, there is a higher risk that financial statement omissions or other errors could occur and not be detected.

Cause - The City has relied on the independent auditor, to some degree, to provide assurance that the financial statements, including disclosures, are not materially misstated.

Recommendation - We recommend that sufficient financial statement and disclosure review procedures be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles and knowledge of the City's activities and operations.

Response - The City does not have the resources to employ staff possessing the detailed understanding of applicable generally accepted accounting principles to the extent required to utilize such a disclosure checklist. We understand the list of GAAP requirements in these disclosure checklists exceeds 50 pages in length. As a result, the City of Emmetsburg has relied on the independent auditor to identify disclosures required in the financial statements.

Conclusion - Response accepted.

## **Part II: Other Findings Related to Required Statutory Reporting:**

- II-A-14**      **Certified Budget** – Expenditures during the year ended June 30, 2014 did not exceed the amount budgeted.
  
- II-B-14**      **Questionable Expenditures** – There were no questionable expenditures that fell outside its established policy on such costs.
  
- II-C-14**      **Travel Expense** - No expenditures 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 as follows:

Council member

Steve Finer

Jensvold Motor Company	Repairs	\$ 848
	2014 Ford F250 Pickup	\$ 31,200

Bill Burdick, Jr.

Go Gutters	Gutters	\$ 1,011
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Emmetsburg Municipal Utilities board of trustee

Nick Steinkamp

KW Electric	Repairs & project costs	\$ 3,191
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In accordance with Chapter 362.5 of the Code of Iowa, the transaction with Jensvold Motor Company, Go Gutters and KW Electric appear not to be a conflict of interest for the repairs because the total purchases did not exceed a cumulative total of \$1,500 for the year. The \$31,200 transaction with Jensvold Motor Company was entered into through competitive bidding in accordance with Chapter 362.5(4) and does not represent a conflict of interest.

**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 ensure that coverage is adequate for current operations.

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

**II-H-14**      **Annual Urban Renewal Report** – The urban renewal report was approved and certified to the Iowa Department of Management on or before December 1, 2013.