

CITY OF IOWA FALLS, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

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

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City of Iowa Falls, Iowa

List of Principal Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gene Newgaard	Mayor	Jan 2016
Roger Nissly	Mayor Pro-tem	Jan 2016
Rob Wohlert	Council Member	Jan 2018
Mark Mesa	Council Member	Jan 2016
Verv Davidson	Council Member	Jan 2018
Bruce Thies	Council Member	Jan 2016
Jody Anderson	City Manager	July 2015
Jon Kies	City Clerk/Finance Director	July 2015
Mike Holt	Attorney	July 2015
Ron Kuhfus	Police Chief	July 2015
Rick Gustin	Fire Chief	July 2015
Vacant	Library Director	Indefinite
Brian Lorenzen	Park Superintendent	Indefinite
Bruce Jeffries	Streets/Sanitation Superintendent	Indefinite
Elvin Van Kooten	Building and Zoning Director	Indefinite
Scott Peden	Water/Wastewater Superintendent	Indefinite

City of Iowa Falls, Iowa

List of Principal Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jolene Liekweg	Deputy City Clerk	July 2015
Mike Stensland	Hospital Board of Trustees, Chairperson	Jan 2016
Marianne Jones	Hospital Board of Trustees, Vice- Chairperson	Jan 2016
Steve Howard	Hospital Board of Trustees	Jan 2016
Amanda Wood	Hospital Board of Trustees, Secretary	Jan 2018
Francis Fritz	Hospital Board of Trustees, Treasurer	Jan 2018

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

Certified Public Accountants

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

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

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

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

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, except for the Ellsworth Municipal Hospital, the Airport Authority, a discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Iowa Falls, Iowa, as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Ellsworth Municipal Hospital, which is both a major fund and 75%, 48%, and 90% respectively, of the assets, net position and revenues of the business type activities. We also did not audit the financial statements of Ellsworth Municipal Hospital Foundation, which represents 32%, 29%, and 41% respectively, of the assets, net position and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Ellsworth Municipal Hospital and the Ellsworth Municipal Hospital Foundation is based solely upon the report of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units

The financial statements of the Iowa Falls Firefighters Inc. have not been audited, and we were not engaged to audit the Iowa Falls Firefighters Inc.'s financial statements as part of our audit of the City's basic financial statements. Iowa Falls Firefighters Inc. are included in the City's basic financial statements as a discretely presented component unit and represent .7%, .9% and 6% respectively of the assets, net position, and revenues respectively of the City's aggregate discretely presented component units.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units of the City of Iowa Falls as of June 30, 2015, and the respective changes in its financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Iowa Falls as of June 30, 2015, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 20 to the financial statements, the City of Iowa Falls adopted new accounting guidance related to the Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting For Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City and Hospital's Proportionate Share of the Net Pension Liability, The Schedule of City and Hospital Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 18 and 86 through 97 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Iowa Falls' basic financial statements. We previously audited in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic

financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated – January 20, 2016 on our consideration of the City of Iowa Falls’ internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Iowa Falls’ internal control over financial reporting and compliance.

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

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

January 20, 2016

CITY OF IOWA FALLS, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

The City of Iowa Falls provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased by 21% or \$1,256,526 from fiscal year 2014 to fiscal year 2015. Property tax increased approximately \$46,000 and revenues from tax increment financing increased approximately \$951,000.
- Program expenses of the City's governmental activities decreased 0.5%, or approximately \$28,000 from fiscal year 2014 to fiscal year 2015. Capital project and public safety expenses decreased approximately \$123,000 and \$12,000 respectively.
- The City's net assets increased by 13%, or approximately \$4,763,000 from June 30, 2014 to June 30, 2015. Of this amount, the net assets of the governmental activities increased approximately \$1,889,000 and the net assets of the business-type activities increased approximately \$2,874,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Net Assets at Year-end					
	Governmental Activities		Business Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$15,421,863	9,748,584	21,445,381	21,177,035	36,867,244	30,925,619
Capital assets	20,426,168	19,663,542	36,018,707	36,391,479	56,444,875	56,055,021
Total assets	35,848,031	29,412,126	57,464,088	57,568,514	93,312,119	86,980,640
Deferred outflows of resources	133,389	-	2,726,684	-	2,860,073	-
Long-term liabilities	10,105,752	5,265,617	32,899,139	27,958,291	43,004,891	33,223,908
Other liabilities	651,801	194,237	4,036,366	5,046,028	4,688,167	5,240,265
Total liabilities	10,757,553	5,459,854	36,935,505	33,004,319	47,693,058	38,464,173
Deferred inflows of resources	4,569,103	4,682,037	3,400,606	-	7,969,709	4,682,037
Net assets:						
Invested in capital assets, net						
of related debt	10,934,255	14,723,542	8,191,444	7,561,538	19,125,699	22,285,080
Restricted	6,604,550	4,419,191	4,867,943	5,525,877	11,472,493	9,945,068
Unrestricted	3,115,959	127,502	6,795,274	11,476,780	9,911,233	11,604,282
Total net assets	\$20,654,764	19,270,235	19,854,661	24,564,195	40,509,425	43,834,430

Net assets of governmental activities increased approximately \$1,889,000, or 10.1%, from fiscal year 2014. Net assets of business-type activities increased approximately \$2,874,000 or 16.9% over fiscal year 2014. The largest portion of the City's net assets is invested in capital assets, (e.g., land, infrastructure, buildings, and equipment), less-related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirements, is \$9,911,233 at the end of this year.

The Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The beginning net position for governmental activities and business-type activities were restated by \$504,814 and \$7,583,572, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. The financial statement amounts for fiscal year 2014 net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

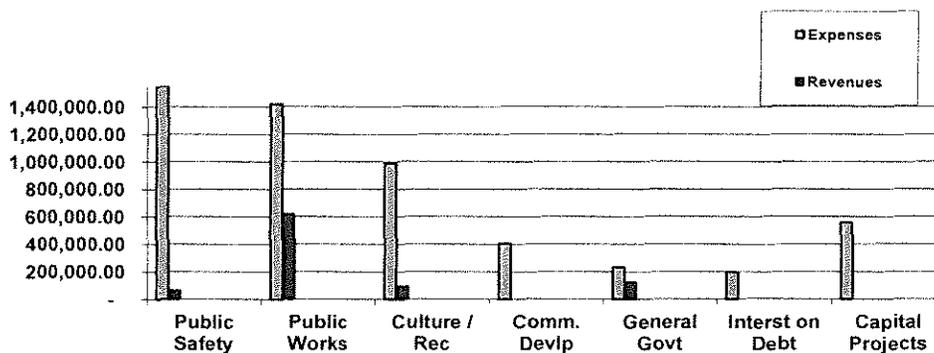
	Changes in Net Assets for the Year Ended June 30,					
	Governmental Activities		Business Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program revenues:						
Charges for services	\$176,996	\$172,432	26,791,376	24,886,882	26,968,372	25,059,314
Operating grants & contributions	723,103	572,822	-	-	723,103	572,822
Capital grants & contributions	238,404	176,446	637,584	894,322	875,988	1,070,768
General revenues:						
Property tax levied for:						
General purposes	1,759,920	1,855,496	-	-	1,759,920	1,855,496
Debt service	792,110	650,785	-	-	792,110	650,785
Tax increment financing	2,290,450	1,339,944	-	-	2,290,450	1,339,944
Local option sales tax	633,319	571,671	-	-	633,319	571,671
Hotel/motel tax	105,709	106,687	-	-	105,709	106,687
Investment earnings	60,971	67,709	107,921	79,905	168,892	147,614
Miscellaneous	415,362	426,229	2,338,118	1,101,501	2,753,480	1,527,730
Gain on sale of fixed assets	403	-	20,277	(64,307)	20,680	(64,307)
Total revenues	7,196,747	5,940,221	29,895,276	26,898,303	37,092,023	32,838,524
Program expenses:						
Public safety	1,551,574	1,563,281	-	-	1,551,574	1,563,281
Public works	1,423,699	1,181,678	-	-	1,423,699	1,181,678
Culture and recreation	993,155	930,076	-	-	993,155	930,076
Community and economic development	406,861	774,121	-	-	406,861	774,121
General government	233,354	215,970	-	-	233,354	215,970
Interest on long-term debt	197,352	145,596	-	-	197,352	145,596
Other debt costs	104,289	3,673	-	-	104,289	3,673
Capital projects	557,212	680,683	-	-	557,212	680,683
Water	-	-	689,726	726,813	689,726	726,813
Wastewater	-	-	952,525	902,798	952,525	902,798
Hospital	-	-	24,614,751	24,379,672	24,614,751	24,379,672
Sanitation	-	-	772,231	785,071	772,231	785,071
Total expenses	5,467,496	5,495,078	27,029,233	26,794,354	32,496,729	32,289,432
Increase (decrease) in net assets before transfers						
assets before transfers	1,729,251	445,143	2,866,043	103,949	4,595,294	549,092
Transfers	160,092	167,847	7,995	(172,525)	168,087	(4,678)
Increase (decrease) in net assets	1,889,343	612,990	2,874,038	(68,576)	4,763,381	544,414
Net position beginning of year, as restated	18,765,421	18,657,245	16,980,623	24,632,771	35,746,044	43,290,016
Net position end of year	20,654,764	19,270,235	19,854,661	24,564,195	40,509,425	43,834,430

The City of Iowa Falls' net assets of governmental activities increased approximately \$1,889,000 during the year. Revenues for governmental activities increased approximately \$1,257,000 from the prior year, with tax increment financing increasing approximately \$951,000.

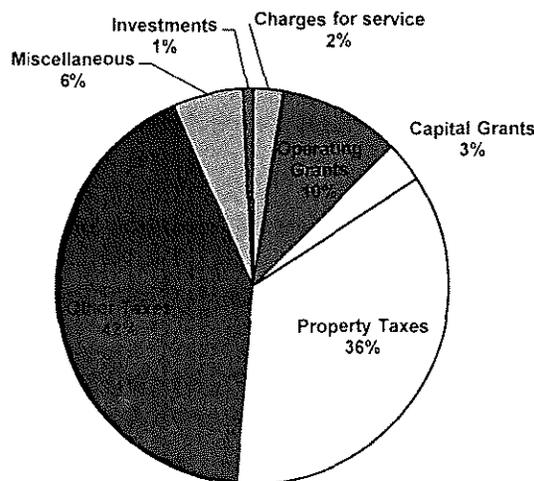
The cost of all governmental activities this year was approximately \$5.5 million approximately the same as last year. However, as shown on the Statement of Activities on pages 22 and 23, revenues were in a surplus with the amount taxpayers ultimately financed for these activities being \$5.6 million and some of the cost was paid by those directly benefited from the programs (\$177,000) or by other governments and organizations which subsidized certain programs with grants and contributions (\$962,000).

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

Expenses and Program Revenues – Governmental Activities



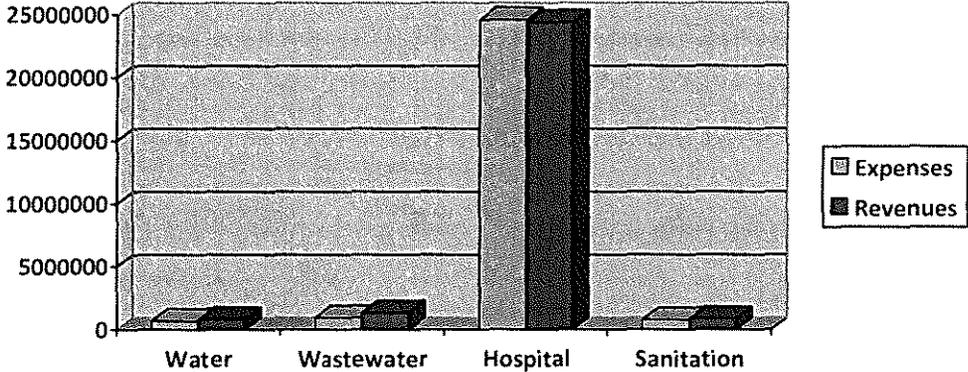
Revenue Sources – Governmental Activities



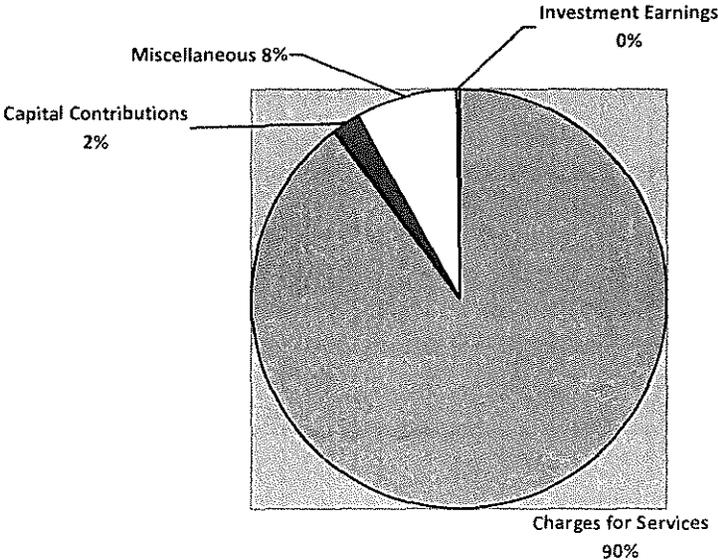
The City of Iowa Falls' net assets for business-type activities increased approximately \$2,874,000 during the year. Revenues for business-type activities increased approximately \$2,997,000 while total expenses were approximately \$235,000 higher than the prior fiscal year.

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

Expenses and Revenues – Business-Type Activities



Revenue Sources – Business-Type Activities



INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As the City of Iowa Falls completed the year, its governmental funds reported a combined fund balance of \$10,422,672 at June 30, 2015, which is greater than the \$4,798,168 total fund balance at June 30, 2014. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

The General Fund decreased its fund balance for general operations during 2015 by \$213,863. Revenues decreased approximately 1.5% over the prior year to \$1,762,813 and expenditures decreased approximately 21% to \$1,946,057. The decrease in revenues is mainly due to a decrease in property taxes of \$212,284. The decrease in expenditures is mainly due to a decrease in public safety expenses of \$682,311.

The Special Revenue, Tax Increment Financing Revenues Fund accounts for revenue from the tax authorized by ordinance in the urban renewal district which is used to pay the principal and interest on indebtedness incurred for urban renewal redevelopment projects. This fund ended the fiscal year 2015 with a balance of \$490,073 compared to the prior year ending deficit balance of \$(1,156,723).

The Special Revenue, Economic Development Loans Fund accounts for economic development loans made to businesses operating in the City and to other City funds. This fund ended fiscal year 2015 with a balance of \$1,748,731 compared to the prior year ending balance of \$1,722,148.

The Special Revenue, Payroll Tax Levy Fund is used to account for the property tax levied to finance the payment of employee benefits. This fund ended fiscal year 2015 with a balance of \$301,612 compared to the prior year ending balance of \$196,424. Expenses decreased by approximately 3%.

The Capital Project Fund ended fiscal year 2015 with a balance of \$3,946,288 compared to the prior year ending balance of \$544,677. The increase is due to issuance of bonds, mainly for Streetscape.

The Local Option Sales Tax fund balance ended fiscal year 2015 with a balance of \$1,905,127 compared to the prior-year ending balance of \$1,241,874.

The Debt Service Fund balance ended fiscal year 2015 with a balance of \$83,938 compared to the prior-year ending balance of \$53,640. This increase is mainly due to an increase in property tax revenue by \$133,847 and the issuance of \$446,082 in bonds. There was also an increase in expenditures by \$297,274.

Proprietary Fund Highlights

The Water Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal year 2015 with a \$3,742,547 net asset balance compared to the prior-year ending balance of \$3,625,155. Expenses decreased by approximately 5%. There was a slight decrease in revenues by approximately 1%.

The Wastewater Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal year 2015 with a \$5,830,315 net asset balance compared to the prior year ending net asset balance of \$5,355,925. The increase is primarily due to an increase in charges for services during 2015.

The Hospital Fund, which accounts for the operation and maintenance of the Ellsworth Municipal Hospital DBA: Hansen Family Hospital, ended fiscal year 2014 with a \$14,610,487 net asset balance. However, the Hospital's beginning fund balance on July 1, 2014 was restated as \$7,398,528. This was due to an adjustment to the prior period, fiscal year 2014, for net pension liability \$(8,127,849) and deferred outflows of resources related to contributions made during year ended June 30, 2014 \$915,890. The net ending balance for fiscal year 2015 was \$9,603,288.

The Sanitation Fund, which accounts for the operation and maintenance of the City's solid waste collection system, ended fiscal year 2015 with a \$678,511 net asset balance compared to the prior year ending net asset balance of \$601,015. Revenues remained consistent with the prior year but the operating expenses were slightly higher.

The water, wastewater and sanitation funds beginning balances were also restated due to net pension liability similar to Ellsworth Municipal Hospital. See note #20 for additional explanation.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City of Iowa Falls amended its budget once. The amendment was done in May 2015. The amendment was needed to increase spending authority due to expenses that were not originally budgeted for.

The City's receipts were \$978,531 less than budgeted receipts, a variance of 3%. The most significant variances were \$1,245,190 in Intergovernmental and \$1,004,249 in Miscellaneous.

Total disbursements were \$4,433,845 less than budgeted. Actual disbursements for capital projects and business-type activities were \$2,647,688 and \$26,976,050, respectively, less than budgeted. This was primarily due to some capital projects that were budgeted did not take place.

APITAL ASSET AND DEBT ADMINISTRATION

The City's capital assets include land, buildings, and improvements, equipment, streets, sewer systems, and other infrastructure. Capital assets for governmental activities totaled \$20,426,168 (net of accumulated depreciation) at June 30, 2015. Capital assets for business-type activities totaled \$36,018,707 (net of accumulated depreciation/amortization) at June 30, 2015. See Note 4 to the financial statements for more information about the City's capital assets.

The major capital outlays for governmental activities during the year included the Rocksylvania Bridge rehabilitation project, Downtown Alleys, Downtown Incentives, Airport Parallel Taxiway, reconstruction of River Street and Industrial Road Intersection, and Streetscape.

For business-type activities, additions included the Pine Street Water Filter repairs, Wastewater Treatment Plant Controls, and Streetscape.

Construction in progress at June 30, 2015 for governmental activities consists primarily of street projects, trail projects, and airport projects.

Long-Term Debt

At June 30, 2015, the City had \$9,405,000 outstanding general obligation bonds and notes for governmental activities. Total outstanding long-term debt for business-type activities was \$27,435,000, which includes \$23,900,000 for hospital revenue bonds at June 30, 2015.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to five percent (5%) of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$13.1 million. Additional information on the City's long-term debt is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

Selected Revenues

	2015	2014	Change
Local Option Tax	629,531	570,587	58,944
Hotel/Motel Tax	105,709	106,687	-978
Road Use Tax	544,660	523,034	21,626
Building Permits	19,420	15,029	4,391

Property taxes

The City continues to enjoy growth in the valuation of taxable property, although that growth has slowed over the past four years. The 2014-2015 budget raised the overall property tax levy by \$3.24 to a rate of \$21.37 / \$1,000 of property valuation.

This increase can be attributed mainly to the fact that the City's taxable valuation decreased. By increasing the TIF certification, it decreases the amount of taxable valuation that the rest of the levies can levy against therefore increasing the overall levy.

Utility rates.

Rates charged the citizens of Iowa Falls by the wastewater and sanitation utilities stayed constant for FY 2014-2015. There was a change for the billing of water usage over 20,000 gallons. The rate for water usage of 20,000 gallons no longer decreases. Rates will continue to be reviewed periodically to be sure that all costs associated with providing utility services to the citizens are covered. Increases may be necessary to cover increasing operating costs for each of the three utilities and to prepare for future infrastructure improvements that are needed.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

City of Iowa Falls, Iowa
Statement of Net Position
June 30, 2015

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 10,294,225	7,930,348	18,224,573
Receivables:			
Property tax:			
Delinquent	35,960	-	35,960
Succeeding year	2,808,543	-	2,808,543
Tax increment financing:			
Delinquent	6,715	-	6,715
Succeeding year	1,486,791	-	1,486,791
Economic development loans	69,836	-	69,836
Customer accounts and unbilled usage (net of allowances for uncollectible of \$1,214,561)	-	3,830,197	3,830,197
Accounts	74,319	2,611,942	2,686,261
Accrued interest	5,982	16,889	22,871
Unconditional promises to give	-	-	-
Due from other governments	103,447	-	103,447
Internal balances	487,642	(333,439)	154,203
Inventories	-	571,726	571,726
Prepaid expenses	48,403	94,408	142,811
Restricted assets:			
Cash	-	4,867,943	4,867,943
Investment in affiliated organizations	-	1,855,367	1,855,367
Investments	-	-	-
Capital assets (net of accumulated depreciation)	<u>20,426,168</u>	<u>36,018,707</u>	<u>56,444,875</u>
Total assets	<u>35,848,031</u>	<u>57,464,088</u>	<u>93,312,119</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>133,389</u>	<u>2,726,684</u>	<u>2,860,073</u>
Liabilities			
Accounts payable	570,960	1,086,635	1,657,595
Due to Ellsworth Municipal Hospital	-	-	-
Accrued interest payable	17,780	-	17,780
Salaries and benefits payable	63,061	1,165,067	1,228,128
Third-party payor settlement payable	-	-	-
Other liabilities	-	205,540	205,540

Exhibit A

Component Units		
Airport Authority	Ellsworth Municipal Hospital Foundation	Iowa Falls Firefighters Inc.
-	667,498	30,881
449	-	-
36,123	-	-
-	-	-
-	-	-
-	-	-
22,609	-	-
77	277	-
-	466,222	-
-	-	-
(154,203)	-	-
-	4,895	-
2,461	-	-
-	-	-
-	-	-
-	184,557	-
<u>2,861,188</u>	<u>-</u>	<u>-</u>
<u>2,768,704</u>	<u>1,323,449</u>	<u>30,881</u>
<u>-</u>	<u>-</u>	<u>-</u>
198,460	-	-
-	289,908	-
-	-	-
-	-	-
-	-	-
-	-	-

City of Iowa Falls, Iowa
Statement of Net Position
June 30, 2015

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
Liabilities (continued)			
Liabilities payable from restricted assets:			
Revenue bonds/notes payable	-	1,540,000	1,540,000
Obligations under capital lease		29,589	29,589
Accrued and matured interest payable	-	9,535	9,535
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds/notes	1,160,000	-	1,160,000
Compensated absences	175,796	62,775	238,571
Portion due or payable after one year:			
General obligation bonds/notes	8,245,000	-	8,245,000
Bond premium	86,913	-	86,913
Revenue bonds/notes payable	-	26,190,599	26,190,599
Obligations under capital lease	-	57,525	57,525
Compensated absences	-	9,550	9,550
Net pension liability	284,855	6,515,300	6,800,155
Net OPEB Liability	153,188	63,390	216,578
Total liabilities	10,757,553	36,935,505	47,693,058
Deferred inflows of resources			
Unavailable revenues:			
Pension related deferred inflows	273,769	3,400,606	3,674,375
Succeeding year property tax	2,808,543	-	2,808,543
Tax increment financing	1,486,791	-	1,486,791
Total deferred inflows of resources	4,569,103	3,400,606	7,969,709

Exhibit A

Component Units		
Airport Authority	Ellsworth Municipal Hospital Foundation	Iowa Falls Firefighters Inc
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>198,460</u>	<u>289,908</u>	<u>-</u>
-	-	-
36,123	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>36,123</u>	<u>-</u>	<u>-</u>

City of Iowa Falls, Iowa
Statement of Net Position
June 30, 2015

Net Position

Net investments in capital assets	11,021,168	8,191,444	19,212,612
Restricted for:			
Local option sales tax	1,905,127	-	1,905,127
Economic development loans	1,748,731	-	1,748,731
Carnegie library	630,343	-	630,343
Debt service	83,938	-	83,938
Revenue bond retirement	-	510,326	510,326
Water improvement	-	113,593	113,593
Wastewater capital projects	-	63,938	63,938
Wastewater improvement	-	96,000	96,000
Wastewater replacement	-	478,000	478,000
Capital improvements by donors	-	1,177,590	1,177,590
Capital improvements and equipment	3,946,288	-	3,946,288
Bond indentures	-	2,428,496	2,428,496
Other purposes	188,114	-	188,114
Temporarily restricted	-	-	-
Permanently restricted	-	-	-
Unrestricted	<u>1,131,055</u>	<u>6,795,274</u>	<u>7,926,329</u>
Total net position	<u>\$ 20,654,764</u>	<u>19,854,661</u>	<u>40,509,425</u>

See notes to financial statements.

Exhibit A

2,861,188	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	750,123	-
-	75,227	-
<u>(327,067)</u>	<u>208,191</u>	<u>30,881</u>
<u>2,534,121</u>	<u>1,033,541</u>	<u>30,881</u>

City of Iowa Falls, Iowa
Statement of Activities
Year ended June 30, 2015

Functions/Programs:	<u>Expenses</u>	Program Revenues		
Primary Government:		Charges for	Operating Grants, Contributions and Restricted <u>Interest</u>	Capital Grants, Contributions and Restricted <u>Interest</u>
Governmental activities:		<u>Service</u>		
Public safety	\$ 1,551,574	46,385	17,475	-
Public works	1,423,699	42,359	575,590	-
Culture and recreation	993,155	64,250	29,894	-
Community and economic development	406,861	-	-	-
General government	233,354	24,002	100,144	-
Interest on long-term debt	197,352	-	-	-
Other debt costs	104,289	-	-	-
Capital projects	<u>557,212</u>	<u>-</u>	<u>-</u>	<u>238,404</u>
Total governmental activities	<u>5,467,496</u>	<u>176,996</u>	<u>723,103</u>	<u>238,404</u>
 Business type activities:				
Water	689,726	832,595	-	-
Wastewater	952,525	1,340,315	-	-
Hospital	24,614,751	23,773,607	-	637,584
Sanitation	<u>772,231</u>	<u>844,859</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>27,029,233</u>	<u>26,791,376</u>	<u>-</u>	<u>637,584</u>
Total primary government	<u>\$ 32,496,729</u>	<u>26,968,372</u>	<u>723,103</u>	<u>875,988</u>
 Component Units:				
Airport authority	248,570	-	844	111,112
Ellsworth Municipal Hospital Foundation	718,701	-	-	206,835
Iowa Falls Firefighters, Inc.	<u>120,213</u>	<u>-</u>	<u>37,493</u>	<u>-</u>
Total component units	<u>\$ 1,087,484</u>	<u>-</u>	<u>38,337</u>	<u>317,947</u>
 General Revenues:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Unrestricted investment earnings				
Miscellaneous				
Sale of capital assets				
Transfers				
Total general revenues				
Change in net position				
Net position beginning of year, as restated				
Net position end of year				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units		
Governmental Activities	Business Type Activities	Total	Airport Authority	Ellsworth Municipal Hospital Foundation	Iowa Falls Firefighters Inc.
(1,487,714)	-	(1,487,714)	-	-	-
(805,750)	-	(805,750)	-	-	-
(899,011)	-	(899,011)	-	-	-
(406,861)	-	(406,861)	-	-	-
(109,208)	-	(109,208)	-	-	-
(197,352)	-	(197,352)	-	-	-
(104,289)	-	(104,289)	-	-	-
<u>(318,808)</u>	-	<u>(318,808)</u>	-	-	-
<u>(4,328,993)</u>	-	<u>(4,328,993)</u>	-	-	-
-	142,869	142,869	-	-	-
-	387,790	387,790	-	-	-
-	(203,560)	(203,560)	-	-	-
-	<u>72,628</u>	<u>72,628</u>	-	-	-
-	<u>399,727</u>	<u>399,727</u>	-	-	-
<u>(4,328,993)</u>	<u>399,727</u>	<u>(3,929,266)</u>	-	-	-
-	-	-	(136,614)	-	-
-	-	-	-	(511,866)	-
-	-	-	-	-	(82,720)
-	-	-	<u>(136,614)</u>	<u>(511,866)</u>	<u>(82,720)</u>
1,759,920	-	1,759,920	28,975	-	-
792,110	-	792,110	-	-	-
2,290,450	-	2,290,450	-	-	-
633,319	-	633,319	-	-	-
105,709	-	105,709	-	-	-
60,971	107,921	168,892	445	8,072	33
415,362	2,338,118	2,753,480	82,977	43,996	-
403	20,277	20,680	-	-	-
<u>160,092</u>	<u>7,995</u>	<u>168,087</u>	<u>(168,087)</u>	-	-
<u>6,218,336</u>	<u>2,474,311</u>	<u>8,692,647</u>	<u>(55,690)</u>	<u>52,068</u>	<u>33</u>
1,889,343	2,874,038	4,763,381	(192,304)	(459,798)	(82,687)
<u>18,765,421</u>	<u>16,980,623</u>	<u>35,746,044</u>	<u>2,726,425</u>	<u>1,493,339</u>	<u>113,568</u>
<u>\$ 20,654,764</u>	<u>19,854,661</u>	<u>40,509,425</u>	<u>2,534,121</u>	<u>1,033,541</u>	<u>30,881</u>

City of Iowa Falls, Iowa
Balance Sheet
Governmental Funds
June 30, 2015

Assets	<u>General</u>	Special Revenue		
		<u>Tax Increment Financing Revenues</u>	<u>Economic Development Loans</u>	<u>Payroll Tax Levy</u>
Cash, cash equivalents and pooled investments	\$ 771,374	484,898	1,591,025	289,868
Receivables:				
Property tax:				
Delinquent	15,160	-	-	12,095
Succeeding year	1,204,584	-	-	807,737
Tax increment financing:				
Delinquent	-	6,715	-	-
Succeeding year	-	1,486,791	-	-
Economic development loans	-	-	69,836	-
Accounts	59,340	-	-	-
Accrued interest	952	-	1,963	-
Due from other governments	689	-	-	-
Due from other funds	-	-	155,743	-
Prepaid expenditures	39,181	-	-	-
Total assets	\$ 2,091,280	1,978,404	1,818,567	1,109,700
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 43,626	-	-	351
Salaries and benefits payable	56,759	-	-	-
Due to other funds	-	1,540	-	-
Total liabilities	100,385	1,540	-	351
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,204,584	-	-	807,737
Tax increment financing	-	1,486,791	-	-
Other	-	-	69,836	-
Total deferred inflows of resources	1,204,584	1,486,791	69,836	807,737

Exhibit C

<u>Local Option Sales Tax</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
1,853,940	4,119,751	75,140	1,108,229	10,294,225
-	-	8,705	-	35,960
-	-	796,222	-	2,808,543
-	-	-	-	6,715
-	-	-	-	1,486,791
-	-	-	-	69,836
-	-	-	14,979	74,319
2,288	455	93	231	5,982
48,899	-	-	53,859	103,447
-	333,439	-	-	489,182
-	-	-	9,222	48,403
<u>1,905,127</u>	<u>4,453,645</u>	<u>880,160</u>	<u>1,186,520</u>	<u>15,423,403</u>
-	507,357	-	19,626	570,960
-	-	-	6,302	63,061
-	-	-	-	1,540
-	<u>507,357</u>	-	<u>25,928</u>	<u>635,561</u>
-	-	796,222	-	2,808,543
-	-	-	-	1,486,791
-	-	-	-	69,836
-	-	<u>796,222</u>	-	<u>4,365,170</u>

City of Iowa Falls, Iowa
Balance Sheet
Governmental Funds
June 30, 2015

		Special Revenue		
		Tax Increment Financing <u>Revenues</u>	Economic Development <u>Loans</u>	Payroll Tax <u>Levy</u>
<u>General</u>				
Liabilities, Deferred Inflows of Resources and Fund Balances (continued)				
Fund balances:				
Nonspendable:				
Prepaid expenditures	39,181	-	-	-
Advances to other funds	-	-	155,743	-
Restricted for:				
Debt service	-	-	-	-
Streets	-	-	-	-
Employee benefits	-	-	-	301,612
Capital improvements or other city purpose	20,126	-	-	-
Economic development	-	-	1,592,988	-
Library gifts and memorials	81,117	-	-	-
Park gifts and memorials	18,656	-	-	-
Fire department	19,487	-	-	-
Police department	18,428	-	-	-
Capital improvements and equipment	7,136	-	-	-
Carnegie library	-	-	-	-
Other purposes	3,875	-	-	-
Unassigned	<u>578,305</u>	<u>490,073</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>786,311</u>	<u>490,073</u>	<u>1,748,731</u>	<u>301,612</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,091,280</u>	<u>1,978,404</u>	<u>1,818,567</u>	<u>1,109,700</u>

See notes to financial statements.

Exhibit C

<u>Local Option Sales Tax</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
-	-	-	-	39,181
-	-	-	-	155,743
-	-	83,938	-	83,938
-	-	-	346,010	346,010
-	-	-	-	301,612
1,905,127	-	-	-	1,925,253
-	-	-	-	1,592,988
-	-	-	-	81,117
-	-	-	-	18,656
-	-	-	-	19,487
-	-	-	-	18,428
-	3,946,288	-	-	3,953,424
-	-	-	630,343	630,343
-	-	-	184,239	188,114
-	-	-	-	1,068,378
<u>1,905,127</u>	<u>3,946,288</u>	<u>83,938</u>	<u>1,160,592</u>	<u>10,422,672</u>
<u>1,905,127</u>	<u>4,453,645</u>	<u>880,160</u>	<u>1,186,520</u>	<u>15,423,403</u>

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

June 30, 2015

Total governmental fund balances (page 30) \$ 10,422,672

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$35,698,237 and the accumulated depreciation is \$15,272,069 20,426,168

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 69,836

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds.

Deferred outflows of resources	133,389	
Deferred inflows of resources	<u>(273,769)</u>	(140,380)

Long-term liabilities, including bonds/notes payable, compensated absences payable, other postemployment benefits payable, net pension liabilities and accrued interest payable, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds. (10,123,532)

Net position of governmental activities (page 23) \$ 20,654,764

See notes to financial statements.

City of Iowa Falls, Iowa
Statement of Revenues, Expenditures and Changes in Fund Balances
and Changes in Fund Balances (Deficit)
Governmental Funds
Year Ended June 30, 2015

		Special	
		Tax	
		Increment	Economic
		Financing	Development
	<u>General</u>	<u>Revenues</u>	<u>Loans</u>
Revenues:			
Property tax	\$ 932,727	-	-
Tax increment financing	-	2,290,450	-
Other city tax	306,594	-	-
Licenses and permits	51,080	-	-
Use of money and property	7,265	-	31,564
Intergovernmental	247,407	23,276	-
Charges for service	68,120	-	-
Miscellaneous	<u>149,680</u>	-	<u>10,569</u>
Total revenues	<u>1,762,873</u>	<u>2,313,726</u>	<u>42,133</u>
Expenditures:			
Operating:			
Public safety	1,010,487	-	-
Public works	24,575	-	-
Culture and recreation	548,976	-	-
Community and economic development	52	176,849	15,550
General government	192,407	-	-
Debt service	-	-	-
Capital projects	<u>169,560</u>	-	-
Total expenditures	<u>1,946,057</u>	<u>176,849</u>	<u>15,550</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(183,184)</u>	<u>2,136,877</u>	<u>26,583</u>
	(183,184)	2,136,877	26,583
Other financing sources (uses):			
Issuance of bonds	-	-	-
Operating transfers in	243,398	-	-
Operating transfers out	<u>(274,077)</u>	<u>(490,081)</u>	-
Total other financing sources (uses)	<u>(30,679)</u>	<u>(490,081)</u>	-
Net change in fund balances	(213,863)	1,646,796	26,583
Fund balances (deficit) beginning of year	<u>1,000,174</u>	<u>(1,156,723)</u>	<u>1,722,148</u>
Fund balances (deficit) end of year	<u>\$ 786,311</u>	<u>490,073</u>	<u>1,748,731</u>

See notes to financial statements.

Exhibit E

Revenue

<u>Payroll Tax Levy</u>	<u>Local Option Sales Tax</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
742,713	-	-	767,695	-	2,443,135
-	-	-	-	-	2,290,450
37,515	633,319	-	24,415	105,709	1,107,552
-	-	-	-	-	51,080
-	11,739	2,528	3,827	4,547	61,470
22,730	-	74,822	17,682	575,591	961,508
-	-	-	-	-	68,120
<u>2,511</u>	<u>3,698</u>	<u>6,480</u>	<u>-</u>	<u>50,838</u>	<u>223,776</u>
<u>805,469</u>	<u>648,756</u>	<u>83,830</u>	<u>813,619</u>	<u>736,685</u>	<u>7,207,091</u>
395,847	-	-	-	-	1,406,334
149,363	-	-	-	626,579	800,517
128,480	-	-	-	-	677,456
-	-	56,803	-	157,607	406,861
25,583	-	-	-	-	217,990
-	-	-	1,362,589	-	1,362,589
-	-	<u>2,325,976</u>	<u>-</u>	<u>-</u>	<u>2,495,536</u>
<u>699,273</u>	<u>-</u>	<u>2,382,779</u>	<u>1,362,589</u>	<u>784,186</u>	<u>7,367,283</u>
<u>106,196</u>	<u>648,756</u>	<u>(2,298,949)</u>	<u>(548,970)</u>	<u>(47,501)</u>	<u>(160,192)</u>
106,196		(2,298,949)	(548,970)	(47,501)	(160,192)
-	-	5,181,522	446,082	-	5,627,604
-	258,499	638,710	133,186	18,139	1,291,932
<u>(1,008)</u>	<u>(244,002)</u>	<u>(119,672)</u>	<u>-</u>	<u>(3,000)</u>	<u>(1,131,840)</u>
<u>(1,008)</u>	<u>14,497</u>	<u>5,700,560</u>	<u>579,268</u>	<u>15,139</u>	<u>5,787,696</u>
105,188	663,253	3,401,611	30,298	(32,362)	5,627,504
<u>196,424</u>	<u>1,241,874</u>	<u>544,677</u>	<u>53,640</u>	<u>1,192,954</u>	<u>4,795,168</u>
<u>301,612</u>	<u>1,905,127</u>	<u>3,946,288</u>	<u>83,938</u>	<u>1,160,592</u>	<u>10,422,672</u>

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

Year ended June 30, 2015

Net change in fund balances - Total governmental funds (page 30) \$ 5,627,504

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

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

Expenditures for capital assets	2,125,202	
Depreciation expense	<u>(1,362,576)</u>	762,626

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

Other	<u>(10,344)</u>	(10,344)
-------	-----------------	----------

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. 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.

Current year debt repayment is as follows:

Issued	(5,630,000)	
Premium on general obligation bonds issued	(94,814)	
Amortization of premium	7,901	
Amortize bond issuance costs	(7,079)	
Repaid	<u>1,165,000</u>	(4,558,992)

The current year City employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.

118,198

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	10,299	
Other postemployment benefits	(13,665)	
Pension expense	(38,619)	
Interest on long-term debt	<u>(7,664)</u>	<u>(49,649)</u>

Change in net position of governmental activities (page 23) \$ 1,889,343

See notes to financial statements.

City of Iowa Falls, Iowa

Statement of Net Position

Proprietary Funds

June 30, 2015

	<u>Water</u>	<u>Wastewater</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,304,224	2,193,163
Receivables (net of allowance for uncollectibles):		
Customer accounts and unbilled usage	110,198	175,028
Accrued interest	1,885	3,909
Other	-	-
Inventories	22,774	-
Prepaid expenses	8,001	8,886
Noncurrent assets:		
Restricted assets:		
Cash:		
Revenue debt service reserve account	109,500	400,826
Capital improvements by donors	-	-
Water improvement account	113,593	-
Wastewater capital projects account	-	63,938
Wastewater improvement account	-	96,000
Wastewater replacement account	-	478,000
Investment in affiliated organizations	-	-
Capital assets (net of accumulated depreciation)	<u>2,894,940</u>	<u>5,827,873</u>
Total assets	<u>4,565,115</u>	<u>9,247,623</u>
 Deferred Outflows of Resources		
Pension related deferred outflows	<u>18,679</u>	<u>20,856</u>

<u>Enterprise</u>		
<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
3,746,466	686,495	7,930,348
3,442,180	102,791	3,830,197
10,248	847	16,889
2,611,942	-	2,611,942
548,952	-	571,726
71,964	5,557	94,408
2,428,496	-	2,938,822
1,177,590	-	1,177,590
-	-	113,593
-	-	63,938
-	-	96,000
-	-	478,000
1,855,367	-	1,855,367
<u>27,222,981</u>	<u>72,913</u>	<u>36,018,707</u>
<u>43,116,186</u>	<u>868,603</u>	<u>57,797,527</u>
<u>2,662,365</u>	<u>24,784</u>	<u>2,726,684</u>

City of Iowa Falls, Iowa

Statement of Net Position

Proprietary Funds

June 30, 2015

	<u>Water</u>	<u>Wastewater</u>
Liabilities		
Current liabilities:		
Accounts payable	14,497	21,667
Salaries and benefits payable	4,661	5,241
Compensated absences	23,268	22,290
Third-party payor settlement payable	-	-
Due to other funds	182,204	151,235
Other liabilities	-	-
Payable from restricted assets:		
Revenue bonds/notes payable	110,000	300,000
Obligations under capital lease	-	-
Accrued and matured interest payable	1,359	8,176
Noncurrent liabilities:		
Revenue bonds/notes payable	360,000	2,765,000
Obligations under capital lease	-	-
Compensated absences	2,352	7,198
Net pension liability	88,156	98,617
Net OPEB liability	21,130	21,130
Total liabilities	<u>807,627</u>	<u>3,400,554</u>
Deferred Inflows of Resources		
Unavailable revenues:		
Pension related deferred inflows	<u>33,620</u>	<u>37,610</u>
Net Position		
Net investments in capital assets	2,422,588	2,755,675
Restricted for:		
Revenue bond retirement	109,500	400,826
Water improvement	113,593	-
Wastewater capital projects	-	63,938
Wastewater improvement	-	96,000
Wastewater replacement	-	478,000
Capital improvements by donors	-	-
Bond indentures	-	-
Unrestricted	<u>1,096,866</u>	<u>2,035,876</u>
Total net position	<u>\$ 3,742,547</u>	<u>5,830,315</u>

See notes to financial statements.

Enterprise		
<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
1,035,419	15,052	1,086,635
1,148,991	6,174	1,165,067
-	17,217	62,775
-	-	-
-	-	333,439
205,540	-	205,540
-	-	-
1,130,000	-	1,540,000
29,589	-	29,589
-	-	9,535
23,065,599	-	26,190,599
57,525	-	57,525
-	-	9,550
6,216,100	112,427	6,515,300
-	21,130	63,390
<u>32,888,763</u>	<u>172,000</u>	<u>37,268,944</u>
<u>3,286,500</u>	<u>42,876</u>	<u>3,400,606</u>
2,940,268	72,913	8,191,444
-	-	510,326
-	-	113,593
-	-	63,938
-	-	96,000
-	-	478,000
1,177,590	-	1,177,590
2,428,496	-	2,428,496
<u>3,056,934</u>	<u>605,598</u>	<u>6,795,274</u>
<u>9,603,288</u>	<u>678,511</u>	<u>19,854,661</u>

City of Iowa Falls, Iowa

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

Year ended June 30, 2015

	<u>Water</u>	<u>Wastewater</u>
Operating revenues:		
Charges for service	\$ 832,595	1,340,315
Miscellaneous	<u>7,310</u>	<u>13,180</u>
Total operating revenues	<u>839,905</u>	<u>1,353,495</u>
Operating expenses:		
Business type activities:		
Cost of sales and services	506,306	500,813
Depreciation/amortization	<u>163,836</u>	<u>343,677</u>
Total operating expenses	<u>670,142</u>	<u>844,490</u>
Operating income	<u>169,763</u>	<u>509,005</u>
Non-operating revenues (expenses):		
Interest income	10,629	22,009
Interest expense	(19,584)	(108,035)
Transfer to City	-	-
Sale of capital assets	-	-
Contributed capital	-	-
Share of net gain/loss of hospital's affiliated organizations	<u>-</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(8,955)</u>	<u>(86,026)</u>
Net income before transfers	160,808	422,979
Operating transfer in	-	118,909
Operating transfer out	<u>(43,416)</u>	<u>(67,498)</u>
Change in net position	117,392	474,390
Net position beginning of year, as restated	<u>3,625,155</u>	<u>5,355,925</u>
Net position end of year	<u>\$ 3,742,547</u>	<u>5,830,315</u>

See notes to financial statements.

Enterprise		
<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
23,773,607	844,859	26,791,376
<u>2,094,458</u>	<u>-</u>	<u>2,114,948</u>
<u>25,868,065</u>	<u>844,859</u>	<u>28,906,324</u>
21,508,950	727,972	23,244,041
<u>2,141,252</u>	<u>44,259</u>	<u>2,693,024</u>
<u>23,650,202</u>	<u>772,231</u>	<u>25,937,065</u>
<u>2,217,863</u>	<u>72,628</u>	<u>2,969,259</u>
71,015	4,268	107,921
(763,421)	-	(891,040)
(201,128)	-	(201,128)
19,677	600	20,277
637,584	-	637,584
<u>223,170</u>	<u>-</u>	<u>223,170</u>
<u>(13,103)</u>	<u>4,868</u>	<u>(103,216)</u>
2,204,760	77,496	2,866,043
-	-	118,909
<u>-</u>	<u>-</u>	<u>(110,914)</u>
2,204,760	77,496	2,874,038
<u>7,398,528</u>	<u>601,015</u>	<u>16,980,623</u>
<u>9,603,288</u>	<u>678,511</u>	<u>19,854,661</u>

City of Iowa Falls, Iowa

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2015

	<u>Water</u>	<u>Wastewater</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 847,369	1,355,113
Cash received from other revenues	-	-
Cash paid for personal services	(230,937)	(260,182)
Cash paid to suppliers and employees	(287,062)	(233,555)
Changes in pension related liabilities	-	-
Net cash provided by (used for) operating activities	<u>329,370</u>	<u>861,376</u>
Cash flows from noncapital financing activities:		
Loan from (repaid to) Capital Projects Fund	182,204	151,235
Net Transfers	<u>(43,416)</u>	<u>51,411</u>
Net cash provided by (used for) noncapital financing activities	<u>138,788</u>	<u>202,646</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(358,855)	(267,659)
Principal paid on long-term debt	(110,000)	(290,000)
Proceeds from disposition of capital assets	-	-
Interest paid on long-term debt	(19,836)	(108,755)
Capital contribution	-	-
Net cash used for capital and related financing activities	<u>(488,691)</u>	<u>(666,414)</u>
Cash flows from investing activities:		
Interest on investments	10,445	21,023
Increase in investment in affiliated organizations	-	-
Transfers to Ellsworth Municipal Hospital Foundation	<u>-</u>	<u>-</u>
Net cash provided by investing activities	<u>10,445</u>	<u>21,023</u>
Net increase (decrease) in cash and cash equivalents	(10,088)	418,631
Cash and cash equivalents beginning of year	<u>1,537,405</u>	<u>2,813,296</u>
Cash and cash equivalents end of year	<u>\$ 1,527,317</u>	<u>3,231,927</u>

Exhibit I

Enterprise		
<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
23,758,634	856,935	26,818,051
320,682	-	320,682
(13,149,623)	(329,905)	(13,970,647)
(8,586,259)	(419,121)	(9,525,997)
<u>(371,724)</u>	<u>-</u>	<u>(371,724)</u>
<u>1,971,710</u>	<u>107,909</u>	<u>3,270,365</u>
-	-	333,439
<u>-</u>	<u>-</u>	<u>7,995</u>
<u>-</u>	<u>-</u>	<u>341,434</u>
(2,464,116)	-	(3,090,630)
(1,128,107)	-	(1,528,107)
-	600	600
(763,421)	-	(892,012)
<u>637,584</u>	<u>-</u>	<u>637,584</u>
<u>(3,718,060)</u>	<u>600</u>	<u>(4,872,565)</u>
69,541	4,056	105,065
219,158	-	219,158
<u>(201,128)</u>	<u>-</u>	<u>(201,128)</u>
<u>87,571</u>	<u>4,056</u>	<u>123,095</u>
(1,658,779)	112,565	(1,137,671)
<u>9,011,331</u>	<u>573,930</u>	<u>13,935,962</u>
<u>7,352,552</u>	<u>686,495</u>	<u>12,798,291</u>

City of Iowa Falls, Iowa

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2015

	<u>Water</u>	<u>Wastewater</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 169,763	509,005
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	163,836	343,677
Bond premium amortization	-	-
(Increase) decrease in receivables	7,464	1,618
(Increase) decrease in inventories, at cost	(477)	-
(Increase) decrease in prepaid expenses	222	(610)
Increase (decrease) in accounts payable	(6,706)	12,788
Increase (decrease) in accrued expenses	-	-
Increase (decrease) in salaries payable	(1,252)	(1,337)
Increase (decrease) in compensated absences	1,029	1,463
Increase (decrease) in net pension liability	(34,329)	(38,403)
(Increase) decrease in deferred outflows of resources	(18,679)	(20,856)
Increase (decrease) in deferred inflows of resources	46,613	52,145
Increase (decrease) in OPEB liability	1,886	1,886
Increase (decrease) in third-party payor settlement	-	-
Net cash provided by operating activities	<u>\$ 329,370</u>	<u>861,376</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Position:		
Current assets:		
Cash	\$ 1,304,224	2,193,163
Restricted assets:		
Cash:		
Revenue debt service reserve account	109,500	400,826
Capital improvements by donors	-	-
Water improvement account	113,593	-
Wastewater capital projects account	-	63,938
Wastewater improvement account	-	96,000
Wastewater replacement account	-	478,000
Cash and cash equivalents at year end	<u>\$ 1,527,317</u>	<u>3,231,927</u>
Noncash flows from capital and related financing activities:		
Capital assets included in accounts payable	<u>\$ -</u>	<u>-</u>

See notes to financial statements.

Exhibit I

Enterprise		
<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
2,217,863	72,628	2,969,259
2,141,252	44,259	2,693,024
(15,558)	-	(15,558)
(1,490,427)	12,076	(1,469,269)
(59,087)	-	(59,564)
3,238	20	2,870
(51,538)	(7,729)	(53,185)
(119,545)	-	(119,545)
-	(1,208)	(3,797)
-	(4,906)	(2,414)
(995,859)	(43,769)	(1,112,360)
(2,662,365)	(24,784)	(2,726,684)
3,286,500	59,436	3,444,694
-	1,886	5,658
<u>(282,764)</u>	<u>-</u>	<u>(282,764)</u>
<u>1,971,710</u>	<u>107,909</u>	<u>3,270,365</u>
3,746,466	686,495	7,930,348
2,428,496	-	2,938,822
1,177,590	-	1,177,590
-	-	113,593
-	-	63,938
-	-	96,000
-	-	478,000
<u>7,352,552</u>	<u>686,495</u>	<u>12,798,291</u>
<u>-</u>	<u>-</u>	<u>-</u>

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

For financial reporting purposes, the City of Iowa Falls has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

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

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2015

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

Discretely Presented Component Units

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

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

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

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2015

Jointly Governed Organizations

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

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

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

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

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

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

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2015

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and used for capital improvements, equipment and community programs and services.

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2015

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

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

The City reports the following major Proprietary Funds:

Enterprise:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2015

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

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

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

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

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

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

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2015

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

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

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

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

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2015 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable have been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2015

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2014.

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

Due from and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2015, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2015

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

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

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

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

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2015

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consists of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees’ Retirement System (IPERS) and additions to/deductions from IPERS’ fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until the time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2015

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, disbursements did not exceed the amounts budgeted.

City of Iowa Falls, Iowa
Notes to Financial Statements
June 30, 2015

(2) Cash, Cash Equivalents and Pooled Investments

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

(3) Allowances or Collection Losses

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

	Gross Receivables	Allowance For Collection Losses	Net Receivables
Customer accounts,			
Hospital Fund	\$ 4,636,741	1,194,561	3,442,180
Water Fund	116,865	6,667	110,198
Wastewater Fund	181,695	6,667	175,028
Sanitation Fund	<u>109,457</u>	<u>6,666</u>	<u>102,791</u>
Total	<u>5,044,758</u>	<u>1,214,561</u>	<u>3,830,197</u>

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2015

(4) Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

<u>Primary Government</u>	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 885,920	-	-	885,920
Construction in progress - infrastructure	353,794	1,656,473	(267,686)	1,742,581
Construction in progress - other	<u>609,270</u>	<u>3,347</u>	<u>(565,061)</u>	<u>47,556</u>
Total capital assets not being depreciated	<u>1,848,984</u>	<u>1,659,820</u>	<u>(832,747)</u>	<u>2,676,057</u>
Capital assets being depreciated:				
Buildings	5,870,406	-	-	5,870,406
Improvements other than buildings	4,616,729	674,645	-	5,291,374
Equipment and vehicles	4,734,338	168,378	(17,316)	4,885,400
Infrastructure, street network	<u>16,519,894</u>	<u>455,105</u>	<u>-</u>	<u>16,974,999</u>
Total capital assets being depreciated	<u>31,741,367</u>	<u>1,298,128</u>	<u>17,316</u>	<u>33,022,179</u>
Less accumulated depreciation for:				
Buildings	1,676,709	117,578	-	1,794,287
Improvements other than buildings	2,293,446	258,922	-	2,552,368
Equipment and vehicles	2,954,040	288,639	(17,316)	3,225,363
Infrastructure, street network	<u>7,002,614</u>	<u>697,436</u>	<u>-</u>	<u>7,700,050</u>
Total accumulated depreciation	<u>13,926,809</u>	<u>1,362,575</u>	<u>(17,316)</u>	<u>15,272,068</u>
Total capital assets being depreciated, net	<u>17,814,558</u>	<u>(64,447)</u>	<u>-</u>	<u>17,750,111</u>
Governmental activities capital assets, net	<u>\$ 19,663,542</u>	<u>1,595,373</u>	<u>(832,747)</u>	<u>20,426,168</u>

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2015

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<u>Business type activities</u>				
Capital assets not being depreciated:				
Land	\$ 658,475	28,380	(201,128)	485,727
Construction in progress	281,061	1,888,491	(257,963)	1,911,589
Total capital assets not being depreciated	939,536	1,916,871	(459,091)	2,397,316
Capital assets being depreciated:				
Buildings	25,485,540	751,188	(164,607)	26,072,121
Improvements other than buildings	796,060	-	-	796,060
Equipment and vehicles	12,079,959	185,532	(14,088)	12,251,403
Infrastructure, water and sewer network	13,700,172	-	-	13,700,172
Total capital assets being depreciated	52,061,731	936,720	(178,695)	52,819,756
Less accumulated depreciation for:				
Buildings	1,537,845	1,538,607	(8,664)	3,067,788
Improvements other than buildings	910,409	35,754	-	946,163
Equipment and vehicles	8,059,330	721,399	(43,899)	8,736,830
Infrastructure, water and sewer network	6,102,207	345,377	-	6,447,584
Total accumulated depreciation	16,609,791	2,641,137	(52,563)	19,198,365
Total capital assets being depreciated, net	35,451,940	(1,704,417)	(126,132)	33,621,391
Business type activities capital assets, net	\$ 36,391,476	212,454	(585,223)	36,018,707

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

Governmental activities:	
Public safety	\$ 202,050
Public works	797,386
Culture and recreation	337,643
General government	25,496
Total depreciation expense – governmental activities	\$ 1,362,575

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2015

Business type activities:	
Water	\$ 152,914
Wastewater	278,490
Hospital	2,165,474
Sanitation	<u>44,259</u>
Total depreciation expense – business type activities	<u>\$ 2,641,137</u>

<u>Discretely presented component unit</u>	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 684,822	-	-	684,822
Construction in progress	<u>560,270</u>	<u>33,191</u>	<u>(560,270)</u>	<u>33,191</u>
Total capital assets not being depreciated	<u>1,245,092</u>	<u>33,191</u>	<u>(560,270)</u>	<u>718,013</u>
Capital assets being depreciated:				
Buildings	546,368	334,041	-	880,409
Improvements other than buildings	80,574	-	-	80,574
Equipment and vehicles	184,381	-	(523)	183,858
Infrastructure, runway network	<u>2,578,178</u>	<u>397,930</u>	<u>-</u>	<u>2,976,108</u>
Total capital assets being depreciated	<u>3,389,501</u>	<u>731,971</u>	<u>(523)</u>	<u>4,120,949</u>
Less accumulated depreciation for:				
Buildings	271,324	27,547	-	298,871
Improvements other than buildings	77,725	1,171	-	78,896
Equipment and vehicles	181,218	1,089	(523)	181,784
Infrastructure, runway network	<u>1,281,500</u>	<u>136,723</u>	<u>-</u>	<u>1,418,223</u>
Total accumulated depreciation	<u>1,811,767</u>	<u>166,530</u>	<u>(523)</u>	<u>1,977,774</u>
Total capital assets being depreciated, net	<u>1,577,734</u>	<u>565,441</u>	<u>-</u>	<u>2,143,175</u>
Business type activities capital assets, net	<u>\$ 2,822,826</u>	<u>598,632</u>	<u>(560,270)</u>	<u>2,861,188</u>
Total depreciation expense - discretely presented component unit				<u>\$ 166,530</u>

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2015

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds/notes:					
General and corporate purpose	\$ 4,940,000	5,630,000	1,165,000	9,405,000 (1)	1,160,000
Compensated absences	186,094	175,796	186,094	175,796	175,796
Net pension liability	610,575	---	325,720	284,855	---
Net OPEB liability	<u>139,523</u>	<u>13,665</u>	<u>---</u>	<u>153,188</u>	<u>---</u>
Total	<u>\$ 5,876,192</u>	<u>5,819,461</u>	<u>1,676,814</u>	<u>10,018,839</u>	<u>1,335,796</u>

(1) Bonds were sold at a premium; unamortized premium at June 30, 2015 totaled \$86,913.

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year	Due Within One Year
Business type activities:					
Revenue bonds/notes:					
Water	\$ 580,000	---	110,000	470,000	110,000
Wastewater	3,355,000	---	290,000	3,065,000	300,000
Hospital	25,005,403	---	1,105,403	23,900,000	1,130,000
Capital lease	109,818	---	22,704	87,114	29,589
Compensated absences	74,739	72,325	74,739	72,325	62,775
Net pension liability	7,627,660	---	1,112,360	6,515,300	---
Net OPEB liability	<u>57,732</u>	<u>5,658</u>	<u>---</u>	<u>63,390</u>	<u>---</u>
Total	<u>\$ 36,810,352</u>	<u>77,983</u>	<u>2,715,206</u>	<u>34,173,129</u>	<u>1,632,364</u>

The government-wide Statement of Net Position includes \$1,569,589 of the long-term liabilities due within one year for business type activities in “liabilities payable from restricted assets.”

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2015

Bonded Debt

General obligation bonds/notes:

Three issues of unmatured general obligation bonds/notes, totaling \$9,405,000, are outstanding at June 30, 2015. General obligation bonds/notes bear interest with rates ranging from 2.00% to 3.00% and mature in varying annual amounts ranging from \$110,000 to \$565,000, with the final maturities due in the year ending June 30, 2026.

Revenue bonds/notes:

Four issues of unmatured revenue bonds/notes, totaling \$27,435,000, are outstanding at June 30, 2015. These bonds/notes bear interest at rates of .550% to 5.00% and mature in varying annual amounts ranging from \$100,000 to \$1,255,000, with the final maturities due in the year ending June 30, 2032.

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay \$3,430,000 and \$1,300,000 in sewer revenue notes issued in December 2009 and September 2011, respectively. Proceeds from the notes provided financing for the construction of improvements to the wastewater treatment plant. The notes are payable solely from wastewater customer net revenues and are payable through 2024 and 2026. Annual principal and interest payments on the notes are expected to require less than 90 percent of net revenues. The total principal and interest remaining to be paid on the notes is \$3,065,000 and \$591,158. For the current year, principal and interest paid and total customer net revenues (operating revenues plus depreciation/amortization expense) were \$396,755 and \$852,682, respectively.

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$1,095,000 in water revenue notes issued in December 2009. Proceeds from the notes provided financing for the construction of improvements to the water plant and transmission system. The notes are payable solely from water customer net revenues and are payable through 2019. Annual principal and interest payments on the notes are expected to require less than 90 percent of net revenues. The total principal and interest remaining to be paid on the notes is \$512,515. For the current year, principal and interest paid and total customer net revenues (operating revenues plus depreciation/amortization expense) were \$129,336 and \$333,599 respectively.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2015

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

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

During the year ended June 30, 2015, the City was in compliance with the wastewater and water revenue bond/note provisions.

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2015

Details of bond/notes payable at June 30, 2015 are as follows:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2015</u>
Governmental activities:						
General obligation bonds/notes:						
Corporate purpose	Sep 22, 2011	2.00-2.80%	Jun 1, 2023	310,000-485,000	4,200,000	2,805,000
Corporate purpose	Aug 1, 2013	2.00-3.00%	Jun 1, 2024	110,000-135,000	1,225,000	1,115,000
Corporate purpose	Sept 30, 2014	2.00-2.80%	Jun 1, 2026	145,000-565,000	5,630,000	<u>5,485,000</u>
Total governmental activities						<u>\$ 9,405,000</u>
	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2015</u>
Business type activities:						
Revenue bonds/notes:						
Wastewater revenue capital loan notes,						
series 2009	Dec 8, 2009	1.10-4.125%	Jun 1, 2024	160,000-300,000	3,430,000	\$ 1,765,000
series 2012A	Apr 30, 2012	1.45-2.9%	Jun 1, 2026	100,000-235,000	1,300,000	1,300,000
Water revenue capital loan notes,						
series 2009	Dec 8, 2009	1.05-3.625%	Jun 1, 2019	100,000-125,000	1,095,000	470,000
Hospital revenue bond,						
series 2012	Oct 1, 2012	.555-5.00	Jun 1, 2032	57,500-1,405,000	25,000,000	<u>23,900,000</u>
Total business type activities						<u>\$ 27,435,000</u>

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2015

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

Year Ending	General Obligation		
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	1,160,000	213,362	1,373,362
2017	990,000	190,161	1,180,161
2018	960,000	170,361	1,130,361
2019	980,000	151,161	1,131,161
2020	895,000	131,561	1,026,561
2021-2025	3,915,000	341,533	4,256,533
2026	<u>505,000</u>	<u>14,140</u>	<u>519,140</u>
	<u>\$ 9,405,000</u>	<u>1,212,279</u>	<u>10,617,279</u>

Year Ending	Revenue		
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	1,540,000	833,941	2,373,941
2017	1,535,000	787,102	2,322,102
2018	1,575,000	744,946	2,319,946
2019	1,615,000	700,569	2,315,569
2020	1,535,000	654,496	2,189,496
2021-2025	8,130,000	2,282,189	10,412,189
2026-2030	7,990,000	1,043,988	9,033,988
2031-2032	<u>3,515,000</u>	<u>98,083</u>	<u>3,613,083</u>
	<u>\$ 27,435,000</u>	<u>7,145,314</u>	<u>34,580,314</u>

As of June 30, 2015, the general obligation debt issued by the City did not exceed its legal debt margin computed as follows:

Actual valuation	\$ 263,942,101
Debt limit – 5% of total actual valuation	13,197,105
Debt applicable to debt limit:	
General obligation bonded debt outstanding	<u>9,405,000</u>
Legal debt margin	<u>\$ 3,792,105</u>

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2015

(6) Leases

The Hospital, through the City of Iowa Falls, leases certain equipment under a capital lease arrangement. The lease has a term of five years with an effective interest rate of 5.18%, and requires monthly payments of \$6,716. This lease was paid off during fiscal 2015.

The hospital entered into a lease for ultrasound equipment in 2013. The lease term of five years, with an effective rate of 5.15% and requires monthly payments of \$2,750.

The total cost of the leased equipment under the capital lease obligation at June 30, 2015 is \$145,818. Amortization of the equipment was \$22,704 and accumulated amortization was \$58,704 for the year ended June 30, 2015.

Obligations Under Capital Lease

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

Year Ending <u>June 30,</u>	<u>Capital Lease</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	29,589	3,411	33,000
2017	31,150	1,850	33,000
2018	<u>26,375</u>	<u>326</u>	<u>26,701</u>
Total	<u>\$ 87,114</u>	<u>5,587</u>	<u>92,701</u>

Operating Leases - Equipment

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

Year Ending <u>June 30,</u>	<u>Operating Leases</u>
2016	170,472
2017	140,156
2018	<u>137,400</u>
Total	<u>\$ 448,028</u>

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2015

Operating Leases – Rental Agreements

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

Year Ending <u>June 30,</u>	<u>Amount</u>
2016	139,394
2017	139,394
2018	139,394
2019	139,394
2020	139,394
2021-2024	<u>557,576</u>
Total Rent Payments	<u>\$ 1,254,546</u>

Total lease expense for the year ended June 30, 2015, for all operating leases; including both equipment and clinic building rental was \$432,328.

(7) Interfund Transfers

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$129,128
	Payroll Tax Levy	856
	Capital Projects	2,500
	Enterprise:	
	Water	43,416
	Sewer	<u>67,498</u>
		<u>\$243,398</u>

City of Iowa Falls, Iowa
Notes to Financial Statements
June 30, 2015

Special Revenue:		
Road Use Tax	General	10,024
	Special Revenue:	
	Payroll Tax Levy	152
	Local Option Sales Tax	<u>5,690</u>
		<u>15,866</u>
Carnegie-Ellsworth Maintenance	General	<u>2,273</u>
Local Option Sales Tax	General	<u>258,499</u>
Capital Projects:		
	Special Revenue:	
	Tax Increment Financing	296,435
	Local Option Sales Tax	50,735
	Capital Projects	117,172
	Component Unit:	
	Airport	<u>174,368</u>
		<u>638,710</u>
Debt Service:		
Debt Service	Special Revenue:	
	Tax Increment Financing	74,737
	Local Option Sales Tax	<u>58,449</u>
		<u>133,186</u>
Enterprise:		
Wastewater	Special Revenue:	
	Tax Increment Financing	<u>118,909</u>
Component Unit - Airport	General	3,281
	Special Revenue:	
	Hotel/Motel Tax	<u>3,000</u>
		<u>6,281</u>
Total		<u>\$ 1,417,122</u>

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

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2015

(8) Due From and Due to Other Funds

Interfund Receivable/Payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue: Economic Development Loans	Special Revenue: Tax Increment Financing Revenues	\$ 1,540
	Component Unit: Airport	<u>154,203</u>
		<u>155,743</u>
Capital Projects	Enterprise: Water	182,204
	Sewer	<u>151,235</u>
		<u>333,439</u>
		<u>\$ 489,182</u>

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

(9) Economic Development Loans Receivable

The City has two long-term loans receivable totaling \$69,836 as of June 30, 2015 due from businesses located in Iowa Falls. The loans were financed with the proceeds of two U.S. Department of Housing and Urban Development Action Grants and one Community Development Block Grant.

The first loan of \$34,000 as of June 30, 2015 requires annual interest payments of 3%. The principle amount due each year is reviewed annually. The loan is secured by assignment contract and mortgage.

The second loan of \$35,836 as of June 30, 2015 requires monthly payments of \$966, including interest at 3% until September 1, 2018. The loan is secured by assignment contract and mortgage.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2015

(10) Pension and Retirement Benefits

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

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

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

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

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

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

City of Iowa Falls, Iowa

Notes to Financial Statements

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If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012 the reduction is 0.50 percent for each month that the member receives benefits before age 65.

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

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

City of Iowa Falls, Iowa

Notes to Financial Statements

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In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protective occupation members contributed 6.76 percent pay and the City contributed 10.14 percent for a total rate of 16.80 percent.

The City's, including Ellsworth Municipal Hospital, contributions to IPERS for the year ended June 30, 2015 were \$1,107,754.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015 the City reported a liability of \$584,054 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's collective proportion was 0.0147269 percent, which was a decrease of 0.0031473 from its proportion measured as of June 30, 2013.

At June 30, 2015 Ellsworth Municipal Hospital reported a liability of \$6,216,100 for its proportionate share of the net pension liability. The Hospital net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date. The Hospital's proportion of the net pension liability was based on the Hospital's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014 the Hospitals collective proportion was 0.153595 percent which was an increase of 0.010044 percent from its proportion measured as of June 30, 2013.

City of Iowa Falls, Iowa

Notes to Financial Statements

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For the year ended June 30, 2015, the City, including Ellsworth Municipal Hospital, recognized pension expense of \$634,316. At June 30, 2015, the City, including Ellsworth Municipal Hospital, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of resources</u>	<u>Deferred Inflows of resources</u>
Differences between expected and actual experience	\$ 991,027	\$ -
Changes of assumptions	305,112	-
Net difference between projected and actual earnings on pension plan investments	-	3,674,375
Changes in proportion and difference between City contributions and proportionate share of contributions	455,747	-
City contributions subsequent to the measurement date	<u>1,108,187</u>	-
Total	<u>\$2,860,073</u>	<u>\$3,674,375</u>

\$1,108,187 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2016	\$ (494,306)
2017	(494,306)
2018	(494,306)
2019	(494,306)
2020	<u>54,692</u>
Total	<u>\$ (1,922,532)</u>

There were no non-employer contributing entities at IPERS.

City of Iowa Falls, Iowa

Notes to Financial Statements

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Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(.069)
Total	<u>100%</u>	

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2015

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

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

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
City’s proportionate share of net pension liability	\$ 13,182,495	\$ 6,800,155	\$ 1,413,181

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org. City has no reported payables.

(11) Other Post-Employment Benefits (OPEB)

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

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

City of Iowa Falls, Iowa

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in the valuation. The one year of paid health insurance is included in the valuation.

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

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

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

The following table shows the components of the City’s annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the City’s net OPEB obligation:

Annual required contribution	\$ 31,298
Interest on net OPEB obligation	4,931
Adjustment to annual required contribution	<u>(10,010)</u>
Annual OPEB cost	26,219
Contributions made	<u>(6,897)</u>
Increase in net OPEB obligation	19,322
Net OPEB obligation beginning of year	<u>197,256</u>
Net OPEB obligation end of year	<u>\$ 216,578</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated using the alternative measurement method by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the City contributed \$6,897 to the medical plan.

City of Iowa Falls, Iowa

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June 30, 2015

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

Year Ended <u>June 30,</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
2013	\$ 23,122	4.6%	\$ 174,790
2014	23,792	5.6%	197,256
2015	26,219	26.3%	216,578

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$236,110, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$236,110. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,668,000 and the ratio of the UAAL to covered payroll was 14%. As of June 30, 2015, there were no trust fund assets.

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

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

City of Iowa Falls, Iowa

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June 30, 2015

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

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

Projected claim costs of the medical plan are \$487 per month for retirees less than age 65. The UAAL is being amortized on a 30 year level dollar funding of the Actuarial Unfunded Liabilities. The actual plan funding method is pay-as-you-go which amortizes last year's loss into next year's normal cost.

(12) Industrial Development Revenue Bonds

The City has issued a total of \$1,300,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$1,041,928 is outstanding at June 30, 2015. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

City of Iowa Falls, Iowa

Notes to Financial Statements

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(13) Related Party Transactions

The City had business transactions between the City and City officials totaling \$28,644 during the year ended June 30, 2015.

(14) Joint Financing Agreement

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

(15) Risk Management

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

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

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

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

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2015 were \$97,746.

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

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

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

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

City of Iowa Falls, Iowa

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(if any) to be refunded to the withdrawing member.

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

(16) Hospital Related Organizations

Master Affiliation Agreement

The Hospital has a Master Affiliation Agreement with Mercy Medical Center – North Iowa (MMC-NI) to provide hospital, physician, and other health care services in Iowa Falls and the North Central Iowa region. As a part of this Master Affiliation Agreement, the Hospital entered into a professional services agreement with MMC-NI whereby MMC-NI provides professional medical services for the Hospital. Amounts paid to MMC-NI for the provision of these services amounted to \$326,312 for the year ended June 30, 2015.

The Hospital has a contractual arrangement with MMC-NI, under which MMC-NI provides an administrator, director of nursing, management consultation, and other services to Ellsworth Municipal Hospital dba: Hansen Family Hospital. The arrangement does not alter the authority or responsibility of the Board of Trustees of Ellsworth Municipal Hospital dba: Hansen Family Hospital. Expenses for the administrative and management services received were \$349,047 for the year ended June 30, 2015.

Due to MMC-NI

As of June 30, 2015, the Hospital records reflect a due to MMC-NI of \$476,504, which is recorded in Accounts Payable for the various services related to these agreements.

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2015

(17) Construction Commitments

As of June 30, 2015, the City had the following commitments with respect to unfinished capital projects:

	<u>Remaining Construction Commitment</u>
Streetscape Project	\$ 2,450,000
Downtown Alley Project	27,000
Airport Partial Parallel Taxiway Grading/Drainage	122,000
Cedar Street Lift Station	123,000
Wastewater Controls Project	157,000

(18) Commitments and Contingencies

The City guaranteed repayment of 1/3 of the mortgage on the spec building for Iowa Falls Area Development Corporation.

Hospital Risk Management

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

Malpractice Insurance

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

City of Iowa Falls, Iowa
Notes to Financial Statements
June 30, 2015

Self-Funded Employee Health Insurance Plan

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

(19) Subsequent Events

The City has evaluated subsequent events through January 20, 2016, the date which the financial statements were available to be issued.

The City has approved issuance of Sewer Revenue Capital Loan Notes in the amount of \$1,700,000, Water Revenue Capital Loan Notes in the amount of \$1,500,000, and Hospital Revenue Refunding Bonds in the amount of \$3,000,000. The City approved a contract for the Washington Ave. Bridge rehabilitation for approximately \$937,000 and purchase of various equipment for approximately \$170,000.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2015

(20) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements established new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>				<u>Total</u>
		<u>Water</u>	<u>Wastewater</u>	<u>Hospital</u>	<u>Sanitation</u>	
Net Position June 30, 2014 as previously reported	\$ 19,270,235	3,734,647	5,478,410	14,610,487	740,651	43,834,430
Net Position liability at June 30, 2014	(610,575)	(122,485)	(137,020)	(8,127,849)	(156,196)	(9,154,125)
Change in outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>105,761</u>	<u>12,993</u>	<u>14,535</u>	<u>915,890</u>	<u>16,560</u>	<u>1,065,739</u>
Net position July 1, 2014, as restated	<u>18,765,421</u>	<u>3,625,155</u>	<u>5,355,925</u>	<u>7,398,528</u>	<u>601,015</u>	<u>35,746,044</u>

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2015

(21) New Governmental Accounting Standards Board (GASB) Statements

As of June 30, 2015, GASB had issued several statements not yet required to be implemented by the City. The Statement which might impact the City is as follows:

GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015, will be effective for the City beginning with its year ending June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

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

Required Supplementary Information

City of Iowa Falls, Iowa
 Budgetary Comparison Schedule of
 Receipts/Revenues, Disbursements/Expenses and Changes in Balances/Net Position -
 Budget and Actual
 All Governmental Funds and Proprietary Funds and the Airport Authority
 Discretely Presented Component Unit
 Required Supplementary Information
 Year ended June 30, 2015

	Funds Budgeted on Cash Basis - Actual			
	Governmental Fund Types	Proprietary Fund Type - Enterprise (excluding Hospital)	Component Unit - Airport Authority	Total
Receipts/Revenues:				
Property tax	\$ 2,433,196	-	27,501	2,460,697
Tax increment financing	2,299,023	-	-	2,299,023
Other city tax	1,107,896	-	1,393	1,109,289
Licenses and permits	51,010	-	-	51,010
Use of money and property	38,985	35,523	57,383	131,891
Intergovernmental	992,708	-	159,523	1,152,231
Charges for service	65,911	3,038,717	-	3,104,628
Miscellaneous	<u>219,696</u>	<u>1,300</u>	<u>4,432</u>	<u>225,428</u>
Total receipts/revenues	<u>7,208,425</u>	<u>3,075,540</u>	<u>250,232</u>	<u>10,534,197</u>
Disbursements/Expenses:				
Public safety	1,409,847	-	-	1,409,847
Public works	803,606	-	91,143	894,749
Culture and recreation	681,483	-	-	681,483
Community and economic development	389,958	-	-	389,958
General government	223,170	-	-	223,170
Debt service	1,362,589	-	-	1,362,589
Capital projects	2,360,092	-	287,596	2,647,688
Business type activities	<u>-</u>	<u>2,562,427</u>	<u>-</u>	<u>2,562,427</u>
Total disbursements/expenses	<u>7,230,745</u>	<u>2,562,427</u>	<u>378,739</u>	<u>10,171,911</u>
Excess (deficiency) of receipts/revenues over (under) disbursements/expenses	(22,320)	513,113	(128,507)	362,286
Other financing sources, net	<u>5,636,601</u>	<u>7,995</u>	<u>(16,992)</u>	<u>5,627,604</u>
Excess (deficiency) of receipts/revenues and other and other financing uses	5,614,281	521,108	(145,499)	5,989,890
Balances/net position beginning of year	<u>4,679,945</u>	<u>4,924,631</u>	<u>(41,738)</u>	<u>9,562,838</u>
Balances/net position end of year	<u>\$ 10,294,226</u>	<u>5,445,739</u>	<u>(187,237)</u>	<u>15,552,728</u>

See accompanying independent auditor's report.

Funds Budgeted
on GAAP Basis -

<u>Actual</u>		<u>Budgeted Amounts</u>		<u>Final to</u>
<u>Fund Type</u>	<u>Total</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>
<u>Hospital</u>	<u>Actual</u>			<u>Variance</u>
-	2,460,697	2,452,246	2,452,246	8,451
-	2,299,023	2,144,479	2,144,479	154,544
-	1,109,289	899,068	899,068	210,221
-	51,010	35,515	35,515	15,495
71,015	202,906	113,626	139,126	63,780
-	1,152,231	2,154,421	2,397,421	(1,245,190)
25,868,065	28,972,693	26,154,276	28,154,276	818,417
-	225,428	459,677	1,229,677	(1,004,249)
<u>25,939,080</u>	<u>36,473,277</u>	<u>34,413,308</u>	<u>37,451,808</u>	<u>(978,531)</u>
-	1,409,847	1,493,367	1,758,692	348,845
-	894,749	968,052	1,005,552	110,803
-	681,483	834,172	883,472	201,989
-	389,958	401,769	461,769	71,811
-	223,170	173,634	284,184	61,014
-	1,362,589	849,394	1,574,394	211,805
-	2,647,688	3,467,950	4,217,950	1,570,262
<u>24,413,623</u>	<u>26,976,050</u>	<u>28,683,366</u>	<u>28,833,366</u>	<u>1,857,316</u>
<u>24,413,623</u>	<u>34,585,534</u>	<u>36,871,704</u>	<u>39,019,379</u>	<u>4,433,845</u>
1,525,457	1,887,743	(2,458,396)	(1,567,571)	3,455,314
<u>679,303</u>	<u>6,306,907</u>	<u>2,530,000</u>	<u>2,487,500</u>	<u>3,819,407</u>
2,204,760	8,194,650	71,604	919,929	7,274,721
<u>7,398,528</u>	<u>16,961,366</u>	<u>13,987,698</u>	<u>24,173,324</u>	<u>(7,211,958)</u>
<u>9,603,288</u>	<u>25,156,016</u>	<u>14,059,302</u>	<u>25,093,253</u>	<u>62,763</u>

City of Iowa Falls, Iowa

Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2015

	Governmental Funds			Proprietary Funds		
				Enterprise (Excluding Hospital)		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 7,208,425	(1,334)	7,207,091	3,075,540	225	3,075,765
Expenses/Expenditures	<u>(7,230,745)</u>	<u>(136,538)</u>	<u>(7,367,283)</u>	<u>(2,562,427)</u>	<u>147,945</u>	<u>(2,414,482)</u>
Net	(22,320)	(137,872)	(160,192)	513,113	148,170	661,283
Other financing sources (uses)	5,636,601	151,095	5,787,696	7,995	-	7,995
Beginning fund balances/net position	<u>4,679,945</u>	<u>115,223</u>	<u>4,795,168</u>	<u>4,924,631</u>	<u>4,657,464</u>	<u>9,582,095</u>
Ending fund balances/net position	<u>\$ 10,294,226</u>	<u>128,446</u>	<u>10,422,672</u>	<u>5,445,739</u>	<u>4,805,634</u>	<u>10,251,373</u>

	Discretely Presented Airport Authority Component Unit		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 250,232	(25,879)	224,353
Expenses/Expenditures	<u>(378,739)</u>	<u>130,169</u>	<u>(248,570)</u>
Net	(128,507)	104,290	(24,217)
Other financing sources (uses)	(16,992)		(168,087)
Beginning fund balance	<u>(41,738)</u>	<u>2,768,163</u>	<u>2,726,425</u>
Ending fund balance	<u>\$ (187,237)</u>	<u>2,872,453</u>	<u>2,534,121</u>

See accompanying independent auditor's report.

City of Iowa Falls, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2015

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,147,675, revenues by \$3,038,500, other financing sources by \$1,978,000 and transfers out by \$2,020,500. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2015, disbursements did not exceed the amounts budgeted.

City of Iowa Falls

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

Iowa Public Employees' Retirement System

Last Fiscal Year*

(In Thousands)

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.014727%
City's proportionate share of the net pension liability	\$ 584
City's covered-employee payroll	\$ 1,860
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	31.40%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report

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

City of Iowa Falls, Iowa

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

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

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

Benefit provisions for sheriff's and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

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

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

City of Iowa Falls, Iowa

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

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

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2008 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

City of Iowa Falls
Schedule of City's Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)

Other Information

	2015	2014	2013	2012
Statutorily required contribution	\$ 164	161	154	142
Contributions in relation to the statutorily required contribution	(164)	(161)	(154)	(142)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered-employee payroll	\$ 1,901	1,860	1,827	1,768
Contributions as a percentage of covered-employee payroll	8.63%	8.66%	8.43%	8.03%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
77	108	94	86	80	74
<u>(77)</u>	<u>(108)</u>	<u>(94)</u>	<u>(86)</u>	<u>(80)</u>	<u>(74)</u>
-	-	-	-	-	-
<hr/>					
1,618	1,548	1,441	1,323	1,167	1,060
4.76%	6.98%	6.52%	6.50%	6.86%	6.98%

Ellsworth Municipal Hospital

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

Iowa Public Employees' Retirement System
 Last Fiscal Year*
 (In Thousands)

Other Information

	<u>2015</u>
Hospital's proportion of the net pension liab	0.153595%
Hospital's proportionate share of the net pen liability	\$ 6,216
Hospital's covered-employee payroll	\$ 10,355
Hospital's proportionate share of the net pen liability as a percentage of its covered-empl payroll	60.03%
Plan fiduciary net position as a percentage o total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report

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

Ellsworth Municipal Hospital
Schedule of Hospital's Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)

Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 944	916	805
Contributions in relation to the statutorily required contribution	<u>944</u>	<u>916</u>	<u>805</u>
Contribution deficiency (excess)	\$ -	-	-
<hr/>			
Hospital's covered-employee payroll	\$ 10,355	10,440	9,480
Contributions as a percentage of covered-employee payroll	9.12%	8.77%	8.49%

See accompanying independent auditor's report.

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

City of Iowa Falls, Iowa

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

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a/c)</u>
2010	July 1, 2009	-	\$ 401	\$ 401	0%	\$ 1,600	25%
2011	July 1, 2009	-	409	409	0%	1,590	26%
2012	July 1, 2012	-	417	417	0%	1,675	25%
2013	July 1, 2012	-	242	242	0%	1,639	15%
2014	July 1, 2012	-	240	240	0%	1,648	15%
2015	July 1, 2012	-	236	236	0%	1,668	14%

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

See accompanying independent auditor's report.

Supplementary Information

City of Iowa Falls, Iowa
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2015

	Special	
	Hotel Motel Tax	Road Use Tax
Assets		
Cash and cash equivalents	\$ 187,515	291,319
Receivables:		
Accounts	-	14,979
Accrued interest	231	-
Due from other governments	-	53,859
Prepaid expenditures	-	7,517
Total assets	187,746	367,674
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	3,507	15,362
Salaries and benefits payable	-	6,302
Total liabilities	3,507	21,664
Fund balances:		
Restricted for:		
Streets	-	346,010
Carnegie library	-	-
Other purposes	184,239	-
Total fund balances	184,239	346,010
Total liabilities and fund balances	\$ 187,746	367,674

See accompanying independent auditor's report.

Schedule 1

<u>Revenue</u>		
<u>Carnegie- Ellsworth Endowment</u>	<u>Carnegie- Ellsworth Maintenance</u>	<u>Total</u>
559,654	69,741	1,108,229
-	-	14,979
-	-	231
-	-	53,859
-	1,705	9,222
<u>559,654</u>	<u>71,446</u>	<u>1,186,520</u>
-	757	19,626
-	-	6,302
-	757	25,928
-	-	346,010
559,654	70,689	630,343
-	-	184,239
<u>559,654</u>	<u>70,689</u>	<u>1,160,592</u>
<u>559,654</u>	<u>71,446</u>	<u>1,186,520</u>

City of Iowa Falls, Iowa

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances

Nonmajor Governmental Funds

Year ended June 30, 2015

	<u>Special</u>
	Hotel/Motel <u>Tax</u>
Revenues:	
Other city tax	\$ 105,709
Use of money and property	1,380
Intergovernmental	-
Miscellaneous	-
Total revenues	<u>107,089</u>
Expenditures:	
Operating:	
Public works	-
Community and economic development	<u>129,256</u>
Total expenditures	<u>129,256</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(22,167)</u>
Other financing sources (uses):	
Operating transfers in	-
Operating transfers out	<u>(3,000)</u>
Total other financing sources (uses)	(3,000)
Excess (deficiency) of revenues and other financing sources (uses) over expenditures and other financing uses	(25,167)
Fund balances beginning of year	<u>209,406</u>
Fund balances end of year	<u>\$ 184,239</u>

See accompanying independent auditor's report.

Revenue			
Road Use Tax	Carnegie- Ellsworth Endowment	Carnegie- Ellsworth Maintenance	Total
-	-	-	105,709
-	-	3,167	4,547
575,591	-	-	575,591
<u>42,593</u>	-	<u>8,245</u>	<u>50,838</u>
<u>618,184</u>	-	<u>11,412</u>	<u>736,685</u>
626,579	-	-	626,579
-	-	<u>28,351</u>	<u>157,607</u>
<u>626,579</u>	-	<u>28,351</u>	<u>784,186</u>
<u>(8,395)</u>	-	<u>(16,939)</u>	<u>(47,501)</u>
15,866	-	2,273	18,139
-	-	-	<u>(3,000)</u>
15,866	-	2,273	15,139
7,471	-	(14,666)	(32,362)
<u>338,539</u>	<u>559,654</u>	<u>85,355</u>	<u>1,192,954</u>
<u>346,010</u>	<u>559,654</u>	<u>70,689</u>	<u>1,160,592</u>

City of Iowa Falls, Iowa

Schedule of Revenues by Source and Expenditures by Function

All Governmental Funds

For the Last Ten Years

	2015	2014	2013	2012
Revenues:				
Property tax	\$ 2,443,135	\$ 2,426,881	2,396,548	1,986,724
Tax increment financing revenue	2,290,450	1,339,945	1,748,609	960,915
Other city tax	1,107,552	1,039,922	979,160	833,287
Licenses and permits	51,080	54,370	100,010	56,793
Use of money and property	61,470	67,981	55,154	63,530
Intergovernmental	961,508	620,049	687,670	879,830
Charges for service	68,120	72,109	68,909	87,141
Miscellaneous	<u>223,776</u>	<u>196,622</u>	<u>252,813</u>	<u>318,716</u>
Total	<u>\$ 7,207,091</u>	<u>\$ 5,817,879</u>	<u>6,288,873</u>	<u>5,186,936</u>
Expenditures:				
Operating:				
Public safety	\$ 1,406,334	\$ 2,086,127	1,568,034	1,408,965
Public works	800,517	659,380	746,453	755,107
Culture and recreation	677,456	729,795	698,879	713,906
Community and economic development	406,861	774,119	299,929	285,051
General government	217,990	183,854	261,890	190,301
Debt service	1,362,589	1,065,315	1,122,459	1,434,937
Capital projects	<u>2,495,536</u>	<u>1,814,167</u>	<u>4,064,000</u>	<u>3,218,539</u>
Total	<u>\$ 7,367,283</u>	<u>\$ 7,312,757</u>	<u>8,761,644</u>	<u>8,006,806</u>

See accompanying independent auditor's report.

Schedule 3

2011	2010	2009	2008	2007	2006
1,928,646	1,786,806	1,564,704	1,494,982	1,400,514	1,362,623
441,646	1,251,064	2,149,640	1,917,546	1,811,571	1,286,764
731,085	709,606	788,128	713,382	754,511	666,026
46,799	44,259	84,228	72,499	62,128	52,250
60,933	65,412	102,790	199,157	243,822	217,700
863,857	618,056	1,552,601	1,184,468	776,088	819,551
85,584	97,980	98,364	119,465	146,950	137,101
<u>244,129</u>	<u>549,903</u>	<u>244,965</u>	<u>303,519</u>	<u>209,422</u>	<u>373,608</u>
<u>4,402,679</u>	<u>5,123,086</u>	<u>6,585,420</u>	<u>6,005,018</u>	<u>5,405,007</u>	<u>4,915,623</u>
1,281,195	1,408,415	1,431,502	1,296,586	1,315,999	1,234,754
710,419	809,690	677,405	597,857	650,685	565,837
782,271	820,002	708,467	671,157	705,734	578,525
286,026	301,995	197,772	99,582	153,248	136,666
184,816	138,214	128,093	152,263	116,442	123,957
561,732	669,493	868,687	2,193,492	845,465	800,951
<u>487,736</u>	<u>1,037,531</u>	<u>2,570,404</u>	<u>1,589,517</u>	<u>1,599,999</u>	<u>1,924,758</u>
<u>4,294,195</u>	<u>5,185,340</u>	<u>6,582,330</u>	<u>6,600,454</u>	<u>5,387,572</u>	<u>5,365,448</u>

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

Certified Public Accountants

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

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

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

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

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

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, except for Ellsworth Municipal Hospital, the Airport Authority discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Iowa Falls, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 20, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Iowa Falls' 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 which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the Schedule of Findings as item I-A-15 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit on the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Iowa Falls' Responses to Findings

The City of Iowa Falls' responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Iowa Falls' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no such opinion on them.

Purpose of this Report

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

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

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

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

January 20, 2016

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2015

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-15 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP). The City of Iowa Falls does not have an internal control system designed to provide for the preparation of the financial statements, including accompanying footnotes and statements of cash flows, as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in and Audit*, requires us to communicate this matter to those charged with governance.

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

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

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

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2015

Part II: Other Findings Related to Statutory Reporting:

- II-A-15 Certified Budget – Disbursements during the year ended June 30, 2015 did not exceed the amount budgeted.
- II-B-15 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-15 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-15 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Steve Henry, Fire Secretary/ Treasurer, Owner of Iowa Falls Glass	Repairs	\$ 863
Rick Gustin, Fire Chief Owner of Iowa Falls Heating & A/C	Construction	27,781

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

The transactions with the Fire Chief, Rick Gustin, appear to represent a conflict of interest since there were transactions totaling more than \$1,500 that were not competitively bid as provided by Chapter 362.5(3)(d) of the Code of Iowa.

Recommendation – Transactions between the City and City officers or employees totaling more than \$1,500 should have competitive bids.

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2015

Response – We will have competitive bids in the future.

Conclusion – Response accepted.

- II-E-15 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- II-F-15 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-15 Revenue Bonds and Notes – No instances of non-compliance with the revenue note provisions were noted.
- II-H-15 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- II-I-15 Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1, 2014.

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2015

II-J-15 Other Information Required by the Revenue Note Resolution

Insurance – The following insurance policies were in force at June 30, 2015:

<u>Insurer</u>	<u>Description</u>	<u>Amount</u>	<u>Expiration Date</u>
Iowa Communities Assurance Pool (ICAP)	Property coverage	\$ 24,273,790	Apr 1, 2016
ICAP	Liability coverage: Per Occurrence	10,000,000	Apr 1, 2016
	Medical expense	10,000	Apr 1, 2016
ICAP	Miscellaneous Property:		
	Unscheduled	638,926	Apr 1, 2016
	Scheduled	756,919	Apr 1, 2016
ICAP	Automobile coverage:		
	Liability	10,000,000	Apr 1, 2016
	Auto medical	5,000	Apr 1, 2016
	Uninsured motorist	50,000	Apr 1, 2016
	Underinsured motorist	50,000	Apr 1, 2016
	Comprehensive/collision	Lesser of cash value or cost of repair	Apr 1, 2016
Iowa Municipalities Workers' Compensation Association (IMWCA)	Worker's compensation:		
	Bodily injury by accident	1,000,000	July 1, 2016
	Bodily injury by disease	1,000,000	July 1, 2016
	Policy limit	1,000,000	July 1, 2016

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2015

ICAP	Public Official Wrongful Acts:		
	Per Occurrence	10,000,000	Apr 1, 2016
	Law Enforcement Liability:		
	Per Occurrence	10,000,000	Apr 1, 2016
Commerce and Industry Insurance Company	Airport liability:		
	Completed Ops Agg Limit	1,000,000	Jul 1, 2015
	Personal injury and advertising	1,000,000	Jul 1, 2015
	Malpractice	1,000,000	Jul 1, 2015
	Each Occurrence	1,000,000	Jul 1, 2015
	Fire damage	50,000	Jul 1, 2015
	Medical expense limit	5,000	Jul 1, 2015
	Hangarkeepers-one aircraft	200,000	Jul 1, 2015
	Hangarkeepers-one occurrence	200,000	Jul 1, 2015
Darwin Select Insurance Company	Airport public officials		
	Professional Liability	1,000,000	Jul 1, 2015
	Employment Practices Liab.	1,000,000	Jul 1, 2015
	Policy Aggregate	1,000,000	Jul 1, 2015
	Supplementary Payments	50,000	Jul 1, 2015
	Supplementary Payments Agg.	50,000	Jul 1, 2015
IMT Insurance Company	Form P-Public employees' Dishonesty Coverage	\$25,000	Continuous Until canceled
	<i>Includes \$225,000 excess coverage on City Clerk/Finance Director, City Manager, Deputy Clerk, Payroll Clerk, Accounting Clerk, & Mayor. Includes Faithful Performance of Duties.</i>		
PMMIC	Pollution liability: Underground tanks	1,000,000	Nov 17, 2014

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2015

Statistical Information:

<u>Description</u>	<u>Amount</u>
Customers served at June 30, 2015 – Water	\$ 2,303
Customers served at June 30, 2015– Sewer	2,275

Water rates in effect at June 30, 2014:

Per month:

First 1,000 gallons - \$3.93 minimum charge

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

Sewer rates in effect at June 30, 2014:

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

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

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

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