

**CITY OF MISSOURI VALLEY**  
**INDEPENDENT AUDITORS' REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2015**

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditors' Report		5-7
Management's Discussion and Analysis		8-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	14
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	15
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	16
Notes to Financial Statements		17-29
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		31
Notes to Other Information – Budgetary Reporting		32
Schedule of the City's Proportionate Share of the Net Pension Liability		33
Schedule of City Contributions		34
Notes to Other Information – Pension Liability		35
Supplementary Information:	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	37
Schedule of Indebtedness	2	38
Bond and Note Maturities	3	39
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	40
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		42-43
Schedule of Findings		44-47

## City of Missouri Valley

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Clint Sargent	Mayor	January 2016
Leonard Johnson	Council Member	January 2018
Brent Dillinger	Council Member	Resigned January 2015
Robert Thompson	Council Member	February 2015 - November 2015
Dick Isom	Council Member	January 2016
Leonard Ratliff	Council Member	January 2016
Sherman Struble	Council Member	January 2016
Rita Miller	City Clerk, Administrator	Indefinite
Todd Argotsinger	Attorney	Indefinite

**City of Missouri Valley**



Diane McGrain, CPA  
Jim Menard, CPA

November 3, 2015

### Independent Auditors' 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, each major fund and the aggregate remaining fund information of the City of Missouri Valley, 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 listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Continued...

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Independent Auditor's Report  
City of Missouri Valley

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Missouri Valley as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

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

Emphasis of Matter

As disclosed in Note 5 to the financial statements, City of Missouri Valley adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

*Supplementary and Other Information*

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Missouri Valley's basic financial statements. We previously audited, in accordance with the standards referred to in the second 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 which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the 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.

The other information, Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 8 through 12, and 31 through 35 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Independent Auditor's Report  
City of Missouri Valley

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 3, 2015 on our consideration of the City of Missouri Valley's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Missouri Valley's internal control over financial reporting and compliance.

Schroer & Associates, P.C.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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City of Missouri Valley 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

- Receipts of the City's governmental activities decreased 1.7%, or approximately \$42,000 from fiscal year 2014 to fiscal year 2015. Charges for service increased \$36,000, tax increment financing receipts decreased \$27,000, and operating grants, contributions and restricted interest decreased \$48,000.
- Disbursements of the City's governmental activities decreased 6.1% or approximately \$174,000 in fiscal year 2015 from fiscal year 2014. Debt service and capital projects decreased approximately \$6,000 and \$401,000 respectively. Public works, public safety, and general government disbursements increased approximately \$70,000, \$63,000, and \$59,000, respectively.
- The City's total cash basis net position decreased 8.6%, or approximately \$330,000 from June 30, 2014 to June 30, 2015. Of this amount, the assets of the governmental activities decreased approximately \$237,000, and the assets of the business type activities decreased approximately \$93,000.

### 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.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents 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's operations in more detail than the government-wide statement 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.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

### BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted

accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two 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 the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

### *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. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Employee Benefits, and Local Option Tax, 3) the Capital Projects Fund, 4) the Debt Service Fund, and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government 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 statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer funds, all considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of financial position. The city's cash balance for governmental activities decreased by approximately \$363,000 from a year ago. The analysis that follows focuses on the changes in cash basis net position for government activities.

Changes in Cash Basis Net Position of Governmental Activities  
(Expressed in Thousands)

	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service	\$ 277	241
Operating grants, contributions and restricted interest	482	547
Capital grants, contributions and restricted interest	17	-
General receipts:		
Property tax	1,376	1,390
Tax increment financing	78	105
Local option sales tax	183	177
Grants and contributions not restricted to specific purposes	26	26
Unrestricted interest on investments	14	9
Total receipts	<u>2,453</u>	<u>2,495</u>
Disbursements:		
Public safety	738	668
Public works	528	465
Culture and recreation	550	526
Community and economic development	17	-
General government	273	214
Debt service	549	555
Capital projects	35	436
Total disbursements	<u>2,690</u>	<u>2,864</u>
Change in cash basis net position	(237)	(369)
Cash basis net position beginning of year	<u>2,121</u>	<u>2,490</u>
Cash basis net position end of year	<u><u>1,884</u></u>	<u><u>2,121</u></u>

The cost of all governmental activities this year was approximately \$2,690,000. As shown in the Statement of Activities and Net Position, the amount taxpayers ultimately financed for these activities was \$1,914,076. The City paid for this with property taxes and other receipts.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 547	609
Sewer	355	348
General receipts:		
Grants and contributions not restricted to specific purposes	4	-
Unrestricted interest on investments	8	9
Miscellaneous	158	15
Total receipts	<u>1,072</u>	<u>981</u>
Disbursements:		
Water	686	534
Sewer	479	301
Total disbursements	<u>1,165</u>	<u>835</u>
Change in cash basis net position	(93)	146
Cash basis net position beginning of year	<u>1,721</u>	<u>1,575</u>
Cash basis net position end of year	<u><u>1,628</u></u>	<u><u>1,721</u></u>

The business type activities receipts for the fiscal year were approximately \$1,072,000, compared to \$981,000 last year. The cash balance decreased approximately \$93,000 from the prior year. Total disbursements increased approximately \$330,000 from the prior year.

#### INDIVIDUAL GOVERNMENTAL FUND ANALYSIS

As City of Missouri Valley completed the year, its governmental funds reported a combined fund balance of \$1,883,837, a decrease of \$237,098 from the prior year. The reasons for the changes in fund balances of the major funds from the prior year are as follows:

- The General Fund decreased \$54,867 from the prior year to \$235,245. The decrease was primarily due to accrued funds being used for the replacement of the warning siren system; replacement of curb and gutter along S. 6th Street; and participation of the Section 205 floodway study with the USACE, which had not yet been reimbursed.
- The Road Use Tax Fund decreased \$2,336 from the prior year to \$286,794.
- The Employee Benefits Fund decreased \$2,277 from the prior year to \$27,356.
- The Local Option Sales Tax Fund increased \$34,935 from the prior year to \$468,821 due to the reduction of the bond debt for the 3rd Street reconstruction project. 75% of that debt was paid for from the Local Option Sales Tax Fund.
- The Debt Service Fund decreased \$181,081 from the prior year to \$651,065 primarily due to the accrued balance being used to pay down debt without increasing the tax levy.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Water Fund decreased \$122,762 from the prior year to \$1,016,301 as a result of the continuation of the meter replacement project, the 2014 PW capital project and repairs at the water treatment plant.
- The Enterprise, Sewer Fund increased \$29,374 from the prior year to \$611,838 due to a capital project from the previous year being completed and the City was reimbursed part of the cost.

**BUDGETARY HIGHLIGHTS**

The City amended its budget one time to increase budget receipts by \$343,832 and increase budget disbursements by \$713,063. Total City disbursements were \$432,669 less than the budgeted amount.

**DEBT ADMINISTRATION**

At June 30, 2015, the City had \$5,335,000 in bonds and other long term debt, compared to \$5,830,000 last year.

	Outstanding Debt at Year End	
	June 30,	
	2015	2014
General obligation notes	\$ 3,975,000	4,390,000
Revenue notes	1,360,000	1,440,000
Total	\$ 5,335,000	5,830,000

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt of \$3,975,000 is below its constitutional debt limit of approximately \$5,600,000.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

The City of Missouri Valley’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates and fees charged for various City activities.

The City of Missouri Valley’s FY 2016 budget will decrease from 2015 (as amended) due to on-going projects being completed and a bond issue retired. However, factors to consider in the budget are the on-going Section 205 study with USACE and the CDBG housing rehab. Major work planned is an alley reconstruction project. The City will continue its hydrant replacement program as well as continuing to upgrade water meters to a touch-read system, all of which will be paid for through water and sewer revenues.

**CONTACTING THE CITY’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rita M. Miller, City Clerk, 223 East Erie Street, Missouri Valley, Iowa.

**City of Missouri Valley**  
**Basic Financial Statements**

City of Missouri Valley  
Cash Basis Statement of Activities and Net Position  
As of and for the year ended June 30, 2015

	Program Receipts				Net (Disbursement) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
Public safety	\$ 738,367	101,799	74,358	-	(562,210)	-	(562,210)
Public works	527,617	69,035	297,070	-	(161,512)	-	(161,512)
Culture and recreation	549,872	69,536	77,828	-	(402,508)	-	(402,508)
Community and economic development	17,273	-	3,184	17,273	3,184	-	3,184
General government	273,220	36,482	29,156	-	(207,582)	-	(207,582)
Debt service	548,792	-	-	-	(548,792)	-	(548,792)
Capital projects	34,656	-	-	-	(34,656)	-	(34,656)
Total governmental activities	2,689,797	276,852	481,596	17,273	(1,914,076)	-	(1,914,076)
Business type activities:							
Water	686,518	547,207	-	-	-	(139,311)	(139,311)
Sewer	478,989	355,310	-	-	-	(123,679)	(123,679)
Total business type activities	1,165,507	902,517	-	-	-	(262,990)	(262,990)
Total	\$ 3,855,304	1,179,369	481,596	17,273	(1,914,076)	(262,990)	(2,177,066)
<b>General Receipts:</b>							
Property tax levied for:							
General purposes					767,920	-	767,920
Employee benefits					396,332	-	396,332
Debt service					211,979	-	211,979
Tax increment financing					77,640	-	77,640
Local option sales tax					183,027	-	183,027
Grants and contributions not restricted to specific purposes					26,070	3,929	29,999
Unrestricted interest on investments					14,010	7,880	21,890
Miscellaneous					-	157,793	157,793
Total general receipts					1,676,978	169,602	1,846,580
Change in cash basis net position					(237,098)	(93,388)	(330,486)
Cash basis net position beginning of year					2,120,935	1,721,527	3,842,462
Cash basis net position end of year					\$ 1,883,837	1,628,139	3,511,976
<b>Cash Basis Net Position</b>							
Restricted:							
Nonexpendable:							
Cemetery perpetual care					\$ 88,252	-	88,252
Expendable:							
Streets					286,794	-	286,794
Employee benefits					27,356	-	27,356
Property tax relief					468,821	-	468,821
Debt service					651,065	137,430	788,495
Other purposes					126,304	-	126,304
Unrestricted					235,245	1,490,709	1,725,954
Total cash basis net position					\$ 1,883,837	1,628,139	3,511,976

See notes to financial statements

City of Missouri Valley  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances - Governmental Funds  
As of and for the year ended June 30, 2015

	Special Revenue					Other Nonmajor Governmental Funds	Total
	General	Road Use	Employee Benefits	Local Option Sales Tax	Debt Service		
<b>Receipts</b>							
Property tax	\$ 654,843	-	388,586	-	207,962	-	1,251,391
Tax increment financing collections	-	-	-	-	-	77,640	77,640
Other city tax	113,077	-	7,746	183,027	4,017	-	307,867
Licenses and permits	38,876	-	-	-	-	-	38,876
Use of money and property	35,078	-	-	-	-	3,184	38,262
Intergovernmental	96,892	297,070	-	-	-	17,273	411,235
Charges for service	231,769	-	-	-	-	-	231,769
Special assessments	6,207	-	-	-	-	-	6,207
Miscellaneous	89,452	-	-	-	-	-	89,452
<b>Total receipts</b>	<b>1,266,194</b>	<b>297,070</b>	<b>396,332</b>	<b>183,027</b>	<b>211,979</b>	<b>98,097</b>	<b>2,452,699</b>
<b>Disbursements</b>							
Operating:							
Public safety	551,118	-	187,249	-	-	-	738,367
Public works	138,943	299,406	89,268	-	-	-	527,617
Culture and recreation	473,078	-	76,794	-	-	-	549,872
Community and economic development	-	-	-	-	-	17,273	17,273
General government	227,922	-	45,298	-	-	-	273,220
Debt service	-	-	-	-	548,792	-	548,792
Capital projects	-	-	-	-	-	34,656	34,656
<b>Total disbursements</b>	<b>1,391,061</b>	<b>299,406</b>	<b>398,609</b>	<b>-</b>	<b>548,792</b>	<b>51,929</b>	<b>2,689,797</b>
Excess (deficiency) of receipts over (under) disbursements	(124,867)	(2,336)	(2,277)	183,027	(336,813)	46,168	(237,098)
<b>Other financing sources (uses):</b>							
Operating transfers in	70,000	-	-	-	155,732	-	225,732
Operating transfers out	-	-	-	(148,092)	-	(77,640)	(225,732)
<b>Total other financing sources (uses)</b>	<b>70,000</b>	<b>-</b>	<b>-</b>	<b>(148,092)</b>	<b>155,732</b>	<b>(77,640)</b>	<b>-</b>
Change in cash balances	(54,867)	(2,336)	(2,277)	34,935	(181,081)	(31,472)	(237,098)
Cash balances beginning of year	290,112	289,130	29,633	433,886	832,146	246,028	2,120,935
Cash balances end of year	\$ 235,245	286,794	27,356	468,821	651,065	214,556	1,883,837
<b>Cash Basis Fund Balances</b>							
Nonspendable - cemetery perpetual care	\$ -	-	-	-	-	88,252	88,252
Restricted for:							
Streets	-	286,794	-	-	-	-	286,794
Employee benefits	-	-	27,356	-	-	-	27,356
Property tax relief	-	-	-	468,821	-	-	468,821
Debt service	-	-	-	-	651,065	-	651,065
Other purposes	-	-	-	-	-	126,304	126,304
Unassigned	235,245	-	-	-	-	-	235,245
<b>Total cash basis fund balances</b>	<b>\$ 235,245</b>	<b>286,794</b>	<b>27,356</b>	<b>468,821</b>	<b>651,065</b>	<b>214,556</b>	<b>1,883,837</b>

See notes to financial statements

City of Missouri Valley  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds  
As of and for the year ended June 30, 2015

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 547,207	355,310	902,517
Total operating receipts	547,207	355,310	902,517
Operating disbursements:			
Business type activities	442,659	236,975	679,634
Total operating disbursements	442,659	236,975	679,634
Excess of operating receipts over operating disbursements	104,548	118,335	222,883
Non-operating receipts (disbursements):			
Interest on investments	6,756	1,124	7,880
Rent	-	3,929	3,929
Miscellaneous	9,793	148,000	157,793
Capital Projects	(106,524)	(242,014)	(348,538)
Debt service	(137,335)	-	(137,335)
Total non-operating receipts (disbursements)	(227,310)	(88,961)	(316,271)
Change in cash balances	(122,762)	29,374	(93,388)
Cash balances beginning of year	1,139,063	582,464	1,721,527
Cash balances end of year	\$ 1,016,301	611,838	1,628,139
<b>Cash Basis Fund Balances</b>			
Restricted for debt service	\$ 137,430	-	137,430
Unrestricted	878,871	611,838	1,490,709
Total cash basis fund balances	\$ 1,016,301	611,838	1,628,139

See notes to financial statements

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2015

**NOTE (1) Summary of Significant Accounting Policies**

The City of Missouri Valley is a political subdivision of the State of Iowa located in Harrison County. It was first incorporated in 1871 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, and general government services. The City also provides water and sewer utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Missouri Valley has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

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: Harrison County Assessor's Conference Board, Harrison County Emergency Management Commission, Harrison County Landfill Commission, Youth Enhancement Association, Southwest Iowa Planning Council, and Harrison County Joint E911 Service Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2015

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**B. Basis of Presentation - Continued**

*Nonexpendable restricted net position* is subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

*Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management, which can be removed or modified.

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

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

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefit Fund is used to account for the collection and use of tax for pension, retirement and insurance benefits.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2015

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**B. Basis of Presentation – Continued**

Special Revenue - Continued:

The Local Option Sales Tax Fund is used to account for accumulation of local option sales tax collected by the State to be expended in accordance with statutory and local provisions.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

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

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

**C. Measurement Focus and Basis of Accounting**

The City of Missouri Valley maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

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

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

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2015

**NOTE (1) Summary of Significant Accounting Policies – Continued**

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

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

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

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2013, to compute the amounts which became liens on property on July 1, 2014. These taxes were due and payable in two installments on September 30, 2014 and March 31, 2015, at the Harrison County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

**NOTE (2) Cash 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.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2015

**NOTE (2) Cash and Pooled Investments – Continued**

Interest rate risk

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

The City's total cash and investment was \$3,511,976 at June 30, 2015.

**NOTE (3) Bonds and Notes Payable**

Annual debt service requirements to maturity of general obligation bonds and revenue notes are as follows:

Year Ended June 30,	General Obligation Debt Principal	Revenue Bonds Principal	Total Principal
2016	\$ 370,000	105,000	475,000
2017	375,000	105,000	480,000
2018	380,000	105,000	485,000
2019	385,000	110,000	495,000
2020	390,000	110,000	500,000
2021-2025	1,640,000	595,000	2,235,000
2026-2027	435,000	230,000	665,000
Total	\$ <u>3,975,000</u>	<u>1,360,000</u>	<u>5,335,000</u>
Year Ended June 30,	Interest	Interest	Interest
2016	74,915	31,795	106,710
2017	71,180	30,588	101,768
2018	66,648	28,488	95,136
2019	61,253	26,387	87,640
2020	55,870	24,188	80,058
2021-2025	163,556	82,451	246,007
2026-2027	18,780	9,770	28,550
Total	\$ <u>512,202</u>	<u>233,667</u>	<u>745,869</u>

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2015

**NOTE (3) Bonds and Notes Payable - Continued**

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a legal debt limit of approximately \$5,600,000 which was not exceeded during the year ended June 30, 2015.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,725,000 in water revenue notes issued in April 2008 and \$1,360,000 in water revenue refunding bonds issued April 25, 2012. Proceeds from the notes provided financing for the construction of water main extensions. The notes are payable solely from water customer net receipts and are payable through 2027. Annual principal and interest payments on the notes required less than 31 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$1,593,667. For the current year, total principal and interest paid and total customer net receipts were \$137,335 and \$104,548, respectively.

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

- a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b) Commencing June 1, 2015, sufficient monthly transfers shall be made to water revenue note sinking accounts within the Water Enterprise Fund for the purpose of making the note principal and interest payments when due.
- c) Establish water reserve account of \$137,430 for the purpose of paying principal and interest payments when deposits in the sinking fund are insufficient to make such payments.
- d) Establish an improvement account after required payments to the sinking and reserve accounts until a balance of \$50,000 is accumulated.

The City has complied with the revenue note provisions.

**NOTE (4) Advance Debt Refunding**

On April 25, 2012, the City issued \$3,170,000 in General Obligation Rescue Vehicle and Refunding Notes. An escrow balance of \$2,214,104 was used to pay \$2,185,000 still outstanding on the refunded debt. The debt had a full call at June 1, 2015.

On April 25, 2012, the City issued \$1,360,000 in Water Revenue Refunding Bonds. An escrow balance of \$1,264,503 was used to pay \$1,240,000 still outstanding on the refunded debt. The debt had a full call at June 1, 2015.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2015

**NOTE (5) Pension Plan**

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

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

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, 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 to 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 that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 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.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2015

**NOTE (5) Pension Plan – Continued**

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.

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.

The City's contributions to IPERS for the year ended June 30, 2015 were \$68,856.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$215,426. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.005428 percent, which was an decrease of 0.000021 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$27,319, \$15,548 and \$180,131 respectively.

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
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan 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.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2015

**NOTE (5) Pension Plan – Continued**

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	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, 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.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2015

**NOTE (5) Pension Plan – Continued**

	1 Decrease (6.5%)	Discount Rat (7.5%)	1 Increase (8.5%)
City's proportionate share of the net pension liability	\$ 605,057	\$ 215,426	\$(116,260)

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](http://www.ipers.org).

**NOTE (6) Leases**

In December 2010, the City entered into a lease agreement for a piece of equipment for \$92 per month for 60 months. Rent expense for the operating lease for the year ended June 30, 2015, was \$1,104. Future minimum lease payments are as follows:

Year Ended June 30,	
2016	\$ <u>460</u>

**NOTE (7) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for vacation payable to employees at June 30, 2015, primarily relating to the General Fund is \$39,605.

Sick leave may be converted to vacation pay for hours exceeding 960 and is payable upon termination at the rate of one hour of vacation per three hours of sick leave. The approximate liability for sick leave conversion payable upon termination of these employees is \$565 at June 30, 2015.

These liabilities are computed based on rates of pay effective as of June 30, 2015.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2015

**NOTE (8) Risk Management**

The City is a member in 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 operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current 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 rates.

The Pool also provides property coverage. Members who elect such coverage make annual 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 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 disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2015 were \$84,915.

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 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.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2015

**NOTE (8) Risk Management – Continued**

The City does not disclose 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 disclosed 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 (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workman's compensation in the amount of \$1,00,000. 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.

**NOTE (9) Commitments**

Water Tank Maintenance Contract

In January, 2003, the City entered into an agreement with Utility Service Co., Inc. for total care and maintenance of the 750,000 gallon elevated water storage tower. The full renovation cost and maintenance fees are spread over the initial three years of the contract. The contract can be renewed every three years. The City made the required payment of \$27,078 in January 2015. The City's required payment for January 2016 will be \$27,028.

Administrative Services Contract

The City renewed its agreement with PeopleService, whereby the City engages PeopleService to manage, operate, and maintain the City's water and wastewater utility system. The Company in turn refunds to the City all cost savings on non-payroll operating expenses. The monthly contracted fee is \$17,696 effective through June 30, 2015, with the change in the Consumer Price Index for All Urban Consumers (CPI-U) effective through June 30, 2017.

As required in this agreement, PeopleService enters meter readings and transmits them to the City for the computation and collection of the revenues from water, sewer and landfill usage.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2015

**NOTE (10) Missouri Valley Development Corporation Agreement**

In April 1999, the City loaned the Missouri Valley Development Corporation \$25,000 for the construction of a commercial building within the City of Missouri Valley. A promissory note was signed in December 1999, with the Corporation agreeing to repay the loan as follows: annual payments of interest only in the amount of \$1,375 per year. Beginning in the year 2005 through 2014, the sum of \$2,451 will be repaid each year. In the year 2015 the entire balance, principal and accrued interest will be due in full.

In November, 2004, the Corporation sold the building. The City agreed to extend the \$25,000 loan to the Corporation for future projects. Interest will continue to accrue at 5.5%. The City received an interest payment during the year ended June 30, 2015 of \$1,375. The balance of the loan is \$25,000 at June 30, 2015.

**NOTE (11) Interfund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Special Revenue: Local Option Sales Tax	\$ 78,092
	Urban Renewal Tax Increment	<u>77,640</u>
		155,732
Special Revenue: Local Option Sales Tax	General	<u>70,000</u>
Total		<u>\$ 225,732</u>

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

**NOTE (12) Beginning General Fund Balance**

The beginning general fund balance was adjusted to reflect the removal of Library Trust accounts. During the fiscal year, the City determined these funds were not legally city funds, but that of a private trust. The beginning general fund balance was decreased by \$408,162 to \$235,245.

## Other Information

City of Missouri Valley  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds  
 Other Information  
 Year ended June 30, 2015

	Governmental	Proprietary	Net	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Net
	Actual	Actual				Variance
<b>Receipts</b>						
Property tax	\$ 1,251,391	-	1,251,391	1,235,974	1,235,974	15,417
Tax increment financing collections	77,640	-	77,640	100,656	100,656	(23,016)
Other city tax	307,867.00	-	307,867	320,387	320,387	(12,520)
Licenses and permits	38,876	-	38,876	37,950	37,950	926
Use of money and property	38,262	11,809	50,071	127,895	134,357	(84,286)
Intergovernmental	411,235	-	411,235	456,733	769,442	(358,207)
Charges for services	231,769	902,517	1,134,286	1,153,112	1,153,112	(18,826)
Special assessments	6,207	-	6,207	62,950	62,950	(56,743)
Miscellaneous	89,452	157,793	247,245	90,875	115,536	131,709
<b>Total receipts</b>	<b>2,452,699</b>	<b>1,072,119</b>	<b>3,524,818</b>	<b>3,586,532</b>	<b>3,930,364</b>	<b>(405,546)</b>
<b>Disbursements</b>						
Public safety	738,367	-	738,367	731,705	835,305	96,938
Public works	527,617	-	527,617	476,399	533,986	6,369
Culture and recreation	549,872	-	549,872	530,617	613,811	63,939
Community and economic development	17,273	-	17,273	20,000	231,000	213,727
General government	273,220	-	273,220	257,386	291,987	18,767
Debt service	548,792	-	548,792	549,293	549,293	501
Capital projects	34,656	-	34,656	-	39,331	4,675
Business type activities	-	1,165,507	1,165,507	1,009,510	1,193,260	27,753
<b>Total disbursements</b>	<b>2,689,797</b>	<b>1,165,507</b>	<b>3,855,304</b>	<b>3,574,910</b>	<b>4,287,973</b>	<b>432,669</b>
Excess (deficiency) of receipts over (under) disbursements	(237,098)	(93,388)	(330,486)	11,622	(357,609)	27,123
Balances beginning of year	2,120,935	1,721,527	3,842,462	4,522,665	4,522,665	(680,203)
Balances end of year	\$ 1,883,837	1,628,139	3,511,976	4,534,287	4,165,056	(653,080)

See accompanying independent auditors' report

City of Missouri Valley  
Notes to Other Information – Budgetary Reporting  
June 30, 2015

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, the Permanent Fund, and Proprietary 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 receipts by \$343,832 and increased budgeted disbursements by \$713,063. The budget amendments are reflected in the final budgeted amounts.

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

City of Missouri Valley  
Schedule of the City's Proportionate Share of the Net Pension Liability  
Iowa Public Employees' Retirement System  
(In Thousands)  
Other Information  
Year ended June 30, 2015

City's proportion of the net pension liability	0.005428 %
City's proportionate share of the net pension liability	\$ 215
City's covered-employee payroll	\$ 742
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	28.98%
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.

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.

See accompanying independent auditors' report

City of Missouri Valley  
Schedule of City Contributions  
Iowa Public Employees' Retirement System  
Last Five Fiscal Years  
(In Thousands)  
Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Statutorily required contribution	\$ 69	70	69	62	56
Contributions in relation to the statutorily required contribution	<u>69</u>	<u>70</u>	<u>69</u>	<u>62</u>	<u>56</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 734	742	722	706	698
Contributions as a percentage of covered-employee payroll	9.37%	9.38%	9.25%	8.78%	8.10%

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.

See accompanying independent auditors' report

City of Missouri Valley  
Notes to Other 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 sheriffs 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 rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

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

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of 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 2006 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.

## Supplementary Information

City of Missouri Valley  
 Schedule of Cash Receipts, Disbursements  
 and Changes in Cash Balances  
 Nonmajor Governmental Funds  
 As of and for the year ended June 30, 2015

	Special Revenue			Permanent	Total
	Urban Renewal Tax Increment	CDBG Housing Rehab	Capital Projects	Cemetery Perpetual Care	
<b>Receipts</b>					
Tax increment financing collections	\$ 77,640	-	-	-	77,640
Use of money and property	-	3,184	-	-	3,184
Miscellaneous	-	17,273	-	-	17,273
Total receipts	77,640	20,457	-	-	98,097
<b>Disbursements</b>					
Operating:					
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community and economic development	-	17,273	-	-	17,273
General government	-	-	-	-	-
Capital Project			34,656		34,656
Total disbursements	-	17,273	34,656	-	51,929
Excess of receipts over disbursements	77,640	3,184	(34,656)	-	46,168
Other financing uses:					
Operating transfers (out)	(77,640)	-	-	-	(77,640)
Change in cash balances	-	3,184	(34,656)	-	(31,472)
Cash balances beginning of year	-	71,343	86,433	88,252	246,028
Cash balances end of year	\$ -	74,527	51,777	88,252	214,556
<b>Cash Basis Fund Balances</b>					
Nonspendable - cemetery perpetual care	\$ -	-	-	88,252	88,252
Restricted for other purposes	-	74,527	51,777	-	126,304
Total cash basis fund balances	\$ -	74,527	51,777	88,252	214,556

See accompanying independent auditors' report

City of Missouri Valley  
 Schedule of Indebtedness  
 Year ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation bonds:									
Water improvement	Apr 24, 2008	3.60%	\$ 2,980,000	140,000	-	140,000	-	97,435	-
Rescue vehicle and GO refunding	Apr 25, 2012	1.05-2.90%	3,170,000	2,850,000	-	275,000	2,575,000	14,097	-
Street improvement	Sept 25, 2012	0.75-2.05%	1,400,000	1,400,000	-	-	1,400,000	21,260	-
Total			\$ 4,390,000			415,000	3,975,000	132,792	
Revenue notes:									
Water	Apr 15, 2008	3.75%	\$ 1,725,000	80,000	-	80,000	-	57,335	-
Water	Apr 25, 2012	1.15-3.00%	1,360,000	1,360,000	-	-	1,360,000	-	-
Total			\$ 1,440,000			80,000	1,360,000	57,335	

See accompanying independent auditors' report

City of Missouri Valley  
Bond and Note Maturities  
June 30, 2015

Year Ending June 30,	GO Rescue Vehicle and Refunding Bonds		Street Improvement		Total
	Issued Apr 25, 2012		Issued Sept 25, 2012		
	Interest Rates	Amount	Interest Rates	Amount	
2016	1.05%	\$ 320,000	0.75%	\$ 50,000	\$ 370,000
2017	1.55%	215,000	0.75%	160,000	375,000
2018	1.55%	215,000	0.75%	165,000	380,000
2019	1.55%	190,000	1.25%	195,000	385,000
2020	2.10%	190,000	1.60%	200,000	390,000
2021	2.10%	195,000	1.75%	205,000	400,000
2022	2.30%	200,000	1.90%	210,000	410,000
2023	2.30%	200,000	2.05%	215,000	415,000
2024	2.60%	205,000	-	-	205,000
2025	2.70%	210,000	-	-	210,000
2026	2.80%	215,000	-	-	215,000
2027	2.90%	220,000	-	-	220,000
		<u>\$ 2,575,000</u>		<u>\$ 1,400,000</u>	<u>\$ 3,975,000</u>

Year Ending June 30,	Water	
	Issued Apr 25, 2012	
	Interest Rates	Amount
2016	1.15%	\$ 105,000
2017	2.00%	105,000
2018	2.00%	105,000
2019	2.00%	110,000
2020	2.00%	110,000
2021	2.00%	115,000
2022	2.50%	115,000
2023	2.65%	120,000
2024	2.75%	120,000
2025	2.85%	125,000
2026	2.90%	130,000
2027	3.00%	100,000
		<u>\$ 1,360,000</u>

See accompanying independent auditors' report

City of Missouri Valley  
 Schedule of Receipts By Source and Disbursements By Function -  
 All Governmental Funds  
 For the Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Receipts</b>										
Property tax	\$ 1,251,391	1,262,792	1,237,831	1,193,289	1,249,746	1,159,025	1,139,007	993,959	906,871	954,490
Tax increment financing collections	77,640	105,326	106,449	132,026	95,668	88,554	132,418	76,174	172,242	264,215
Other city tax	307,867	303,936	310,968	329,192	306,914	294,781	312,273	295,582	270,813	260,569
Licenses and permits	38,876	18,986	23,156	55,207	57,867	16,268	8,082	6,612	6,631	10,690
Use of money and property	38,262	36,008	37,438	37,804	40,367	45,179	80,896	143,153	186,386	71,127
Intergovernmental	411,235	382,200	358,532	443,913	380,627	558,367	640,206	427,167	602,242	293,004
Charges for service	231,769	215,959	243,233	237,713	146,960	160,243	140,819	146,554	162,842	170,013
Special assessments	6,207	4,209	5,529	2,072	-	1,945	2,811	7,006	-	-
Miscellaneous	89,452	171,506	183,723	194,644	121,402	177,877	95,635	121,909	129,424	53,296
<b>Total</b>	<b>\$ 2,452,699</b>	<b>2,500,922</b>	<b>2,506,859</b>	<b>2,625,860</b>	<b>2,399,551</b>	<b>2,502,239</b>	<b>2,552,147</b>	<b>2,218,116</b>	<b>2,437,451</b>	<b>2,077,404</b>
<b>Disbursements</b>										
Operating:										
Public safety	\$ 738,367	668,366	902,843	668,898	593,842	813,276	504,789	510,017	469,765	428,948
Public works	527,617	465,052	448,056	462,781	423,436	558,641	519,356	477,145	404,610	483,418
Culture and recreation	549,872	525,290	485,101	521,007	445,007	402,419	814,237	440,063	430,750	376,793
Community & economic development	17,273	-	-	-	-	26,190	-	-	302,070	598,168
General government	273,220	214,318	276,316	238,859	255,171	253,601	247,460	312,698	269,048	280,952
Debt service	548,792	554,649	520,844	691,656	615,241	787,073	420,384	264,138	363,538	684,935
Capital projects	34,656	436,142	1,045,464	413,542	321,133	775,015	-	61,483	-	75,971
<b>Total</b>	<b>\$ 2,689,797</b>	<b>2,863,817</b>	<b>3,678,624</b>	<b>2,996,743</b>	<b>2,653,830</b>	<b>3,616,215</b>	<b>2,506,226</b>	<b>2,065,544</b>	<b>2,239,781</b>	<b>2,929,185</b>

See accompanying independent auditors' report

**City of Missouri Valley**



Diane McGrain, CPA  
Jim Menard, CPA

November 3, 2015

Independent Auditors' 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 the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Missouri Valley, 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 November 3, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Missouri Valley's 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 Missouri Valley's internal control. Accordingly we do not express an opinion on the effectiveness of the City of Missouri Valley's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility a material misstatement of the City of Missouri Valley's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Continued...

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City of Missouri Valley  
Independent Auditors' Report on  
Internal Control and Compliance and Other Matters

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Missouri Valley's 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 that are required to be reported under *Government Auditing Standards*. However we noted a immaterial instance of noncompliance or other matters which is 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 of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Missouri Valley's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control over 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 Missouri Valley 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.

Schroer & Associates, P.C.

City of Missouri Valley  
Schedule of Findings  
Year Ended June 30, 2015

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

**INTERNAL CONTROL DEFICIENCIES:**

No matters were reported.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

City of Missouri Valley  
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 amended amounts budgeted.

II-B-15      Entertainment Expense

We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds 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

We noted no business transactions between the City and City officials or employees.

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 that 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 City Council minutes but were not.

II-G-15      Revenue Notes

The City is in compliance with the provisions of the bond resolutions.

